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INDIAN CRDMO

Indian CRDMOs at a pivotal point; scale-up key

INSTITUTIONAL RESEARCH

Pharmaceuticals

Indian CRDMOs at a pivotal point; scale-up key

The Indian Contract Research, Development, and Manufacturing Organizations (CRDMO) market is poised to grow rapidly at a CAGR of ~13.4% over 2024-2029E (reaching ~USD 15bn in 2029), making it the fastest-growing in APAC (10.8% CAGR). Over the past decade, Indian CRDMOs have evolved through investment cycles to build capacities and capabilities. They are now well-placed to capture opportunities, led by: (1) broader service offerings across the product life cycle (from discovery to commercial), creating multiple entry points with an efficient supply chain; (2) continuous process upgrades (flow chemistry, green chemistry, continuous process, fermentation, and high-potency APIs) and therapeutic advancements (r-DNA/RNA, weight loss GLPs, ADCs) to meet global needs; (3) significant cost advantages from low-cost skilled manpower compared to other geographies, which help address the potential rise in costs for global innovators due to regulatory hurdles (IRA and MFN); and (4) the China+1 strategy, which reduces reliance on a single country. While near-term growth is expected to face headwinds from global funding slowdowns and decision-making delays (caused by uncertain regulatory and geopolitical situations), mid-to-long-term prospects remain strong, supported by more molecules in clinical trials, steady global R&D spending, cost optimization by global firms (opting for low-cost but quality manufacturing bases), and the US "patent cliff," which is expected to drive growth for CDMOs. India's CRDMO share is expected to increase from ~3.8% in 2024 to ~4.7% by 2029E, making it an attractive sector. We initiate coverage on DIVI (BUY, TP INR 7,630), SAILIFE (BUY, TP INR 1,160), PIRPHARM (BUY, TP INR 230), ANTHEM (ADD, TP INR 740), and LAURUS (REDUCE, TP INR 1,040).

Global R&D, regulatory trends augur well for Indian CRDMO: Increasing R&D and manufacturing outsourcing penetration at ~32% and 24% in 2024 is expected to rise to 38% and 39% by 2029, respectively. Moreover, regulatory pressure under Inflation Reduction Act (IRA) and Most Favoured Nation (MFN) price to keep drug price under pressure. This paves a way for outsourcing (focus on asst-light model). Also, China+1 strategy and Biosecure Act to reduce dependency and diversify supply chain with dual source which places India as reliable partner. All these augurs well for secular growth visibility for Indian CRDMO companies.

China to remain global CRDMO leader; India catching up: China is leading the market with a strong presence across the value chain and strong growth in licensing deals (~66% surged in 2024). On the other hand, the Indian CRDMO market is poised to reach ~USD 15bn by 2029 (13.4% CAGR over 2024-2029E) and outpace APAC (10.8% CAGR). This could be led by (1) expanded offerings across product life cycles; (2) efficient supply chains; (3) strong hold of process, technology, and therapeutics; and (4) cost advantages.

Coverage universe to improve profitability: Our coverage has delivered 9% revenue and 12% EBITDA CAGR over FY23-25. Going ahead, we expect coverage to see 15% revenue and 22% EBITDA CAGR. We expect revenue and EBITDA CAGRs of 17%/ 10%/ 21%/ 20%/ 16% and 21%/ 14%/ 30%/ 22%/ 30% over FY25-28E for DIVI/ PIRPHARM/ SAILLIFE/ ANTHEM/ LAURUS over FY25-28E.

Coverage snapshot

YE March	Rec.	TP (INR/share)	EBITDA CAGR FY25-28E	EV/ EBITDA (x)		PE (x)	
				FY25E	FY26E	FY25E	FY26E
DIVI	BUY	7,630	21%	38.1	30.8	54.1	44.0
SAILIFE	BUY	1,160	30%	28.2	22.7	51.3	40.3
PIRPHARM	BUY	230	14%	16.3	12.8	56.2	30.6
ANTHEM	ADD	740	22%	36.1	29.1	54.2	43.2
LAURUS	REDUCE	1,040	30%	31.3	26.5	62.5	51.1

Source: Companies, HSIE Research, Note: Target price on Q3FY28E EV/ EBITDA

Companies	Rec.	TP (INR/share)
DIVI	BUY	7,630
SAILIFE	BUY	1,160
PIRPHARM	BUY	230
ANTHEM	ADD	740
LAURUS	REDUCE	1,040

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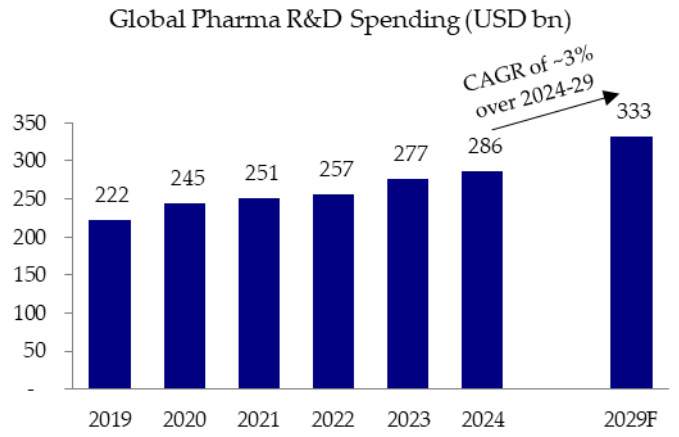
Focus charts and tables

Exhibit 1: Global R&D spend to remain steady

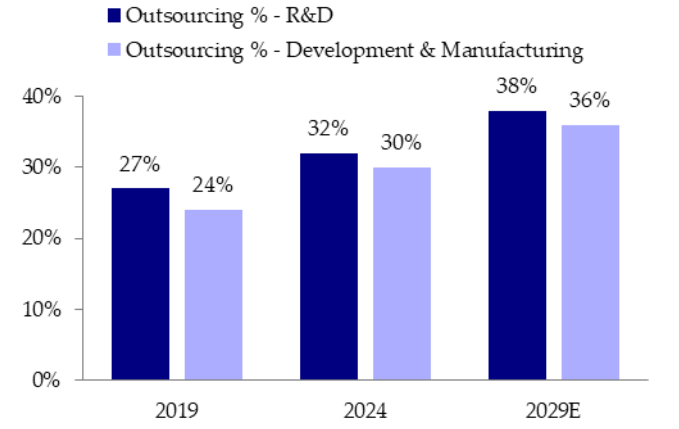


Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 2: Global CDMO to see strong growth

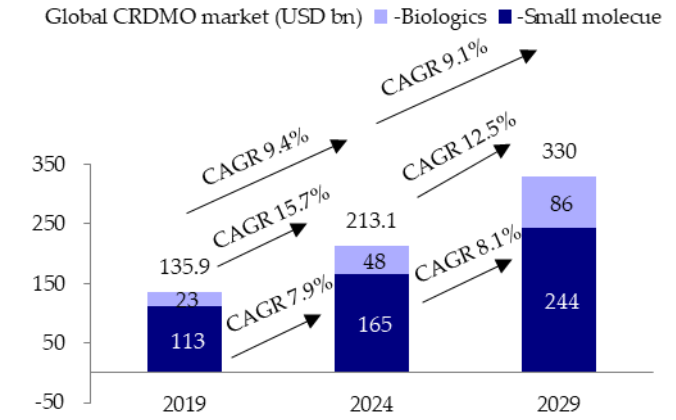
Source: Frost & Sullivan, HSIE Research

Exhibit 3: Outsourcing trend expected to increase…



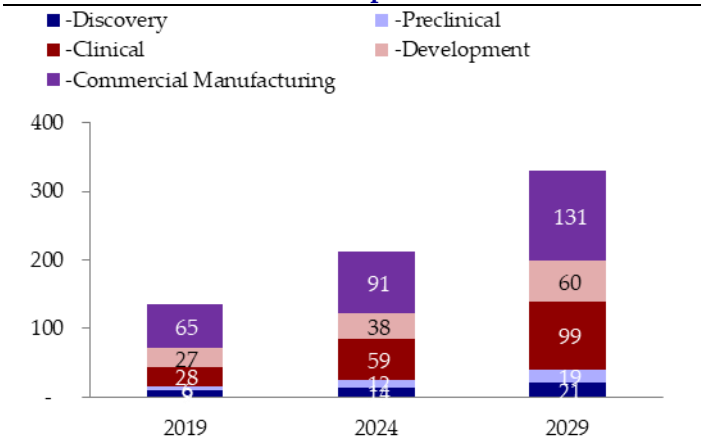
Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 4: …leading to growth in CRDMO industry



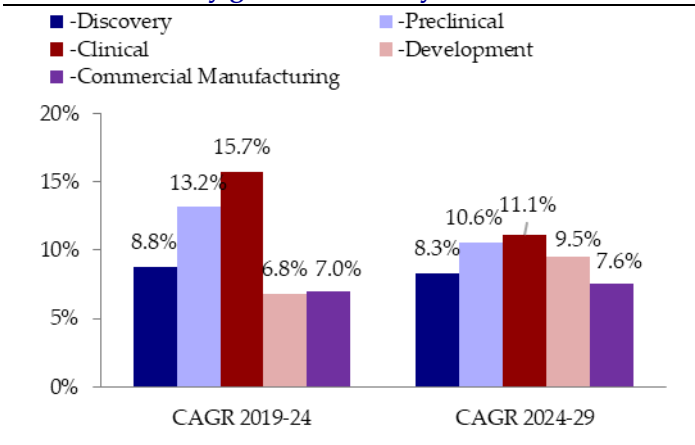
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 5: Global CRDMOs split



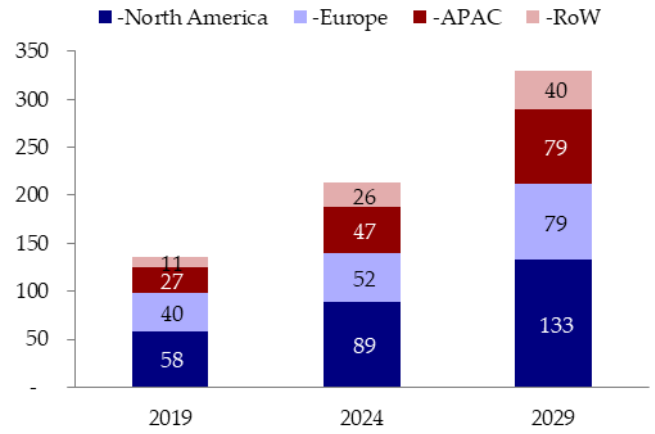
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 6: Steady growth visibility across the functions



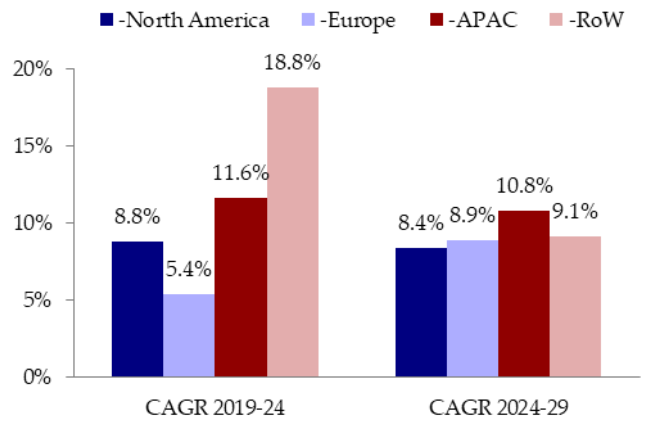
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 7: US to remain largest CRDMO market



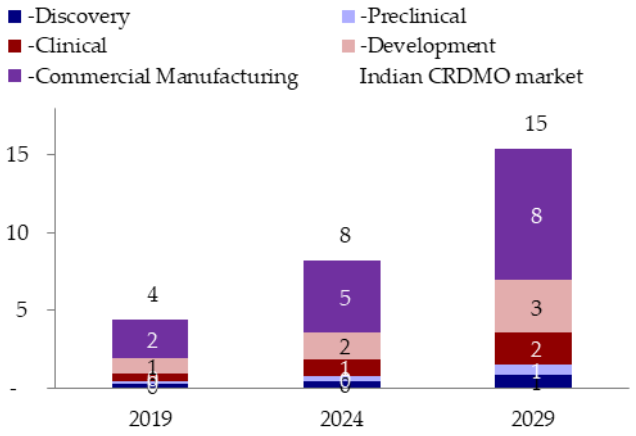
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 8: APAC fastest growing CRDMO market



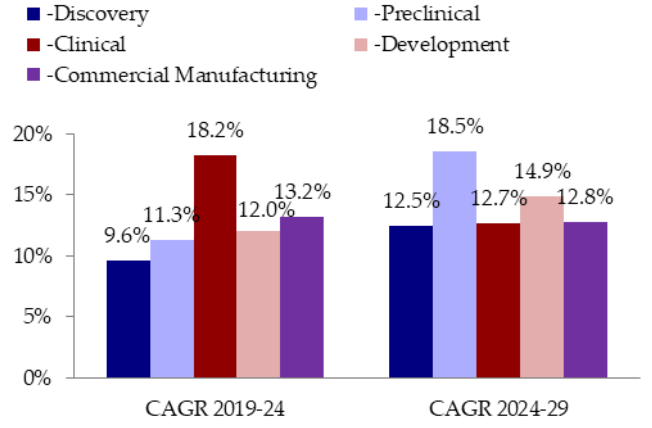
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 9: Indian CRDMO to see strong growth



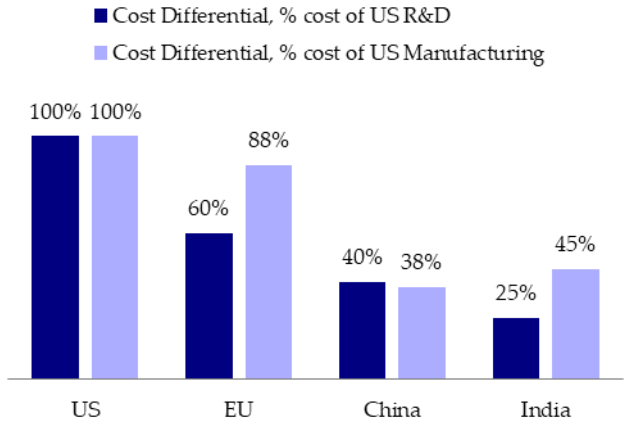
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 10: Pre-clinical and development services to see faster growth



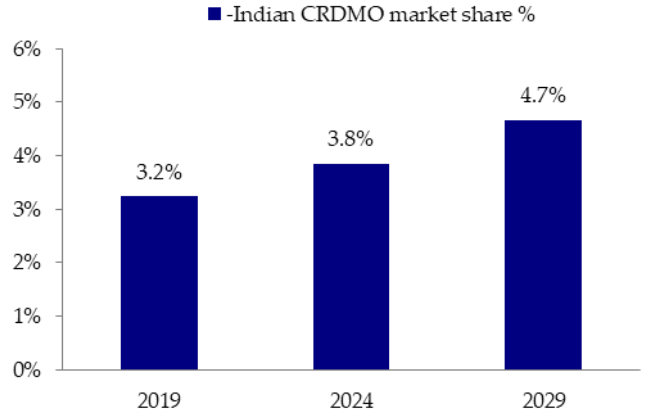
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 11: Indian CRDMOs' cost benefits over other regions



Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 12: Indian CRDMOs share to increase in overall market



Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 13: Emerging therapies like ADCs, Peptides, GLP-1, CGT to see strong growth over next few years

Technology	Market size (USD bn)		
	2024	2029E	CAGR 2024-29
Antibody Drug Conjugate (ADC)	13.3	45	27.6%
Peptides	3.5	14	32.4%
GLP-1	52.9	126	19.0%
Oligonucleotides including RNAi	5.3	12	18.1%
Lipids	1.04	2	13.8%
Recombinant Monoclonal Antibodies (mAbs)	237.4	328	6.7%
Cell & Gene Therapies	8.7	46	39.5%

Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 14: APIs and specialty ingredients growth to remain steady

API/ Specialty Ingredients	Market size (USD bn)		
	2024	2029E	CAGR 2024-29
Biosimilars	33.2	78.7	18.8%
Fermentation Products	0.2	0.3	9.8%
Probiotics & Enzymes	7.4	10.0	6.2%
Peptides	56.4	140.3	20.0%
Protease	2.3	3.0	5.7%
Nutritional Actives and Vitamin Analogues	31.2	42.5	6.4%

Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 15: Indian peer comparison – capabilities

Source: Companies, HSIE Research, Note Green – Strong presence, Light green – moderate presence, and Red – No presence

Exhibit 16: Coverage universe snapshot

Particulars	Years	Divi's Lab	Piramal Pharma	Sai Life Sciences	Anthem Bioscience	Laurus
Revenue CAGR	FY23-25	10%	14%	18%	32%	-4%
	FY25-28E	17%	10%	21%	20%	16%
EBITDA CAGR	FY23-25	12%	52%	57%	25%	-19%
	FY25-28E	21%	14%	30%	22%	30%
PAT CAGR FY25-28E	FY23-25	12%	L/P	L/P	17%	-33%
	FY25-28E	21%	99%	49%	24%	48%
RoE%	FY25	15	1	10	21	8
	FY28E	19	9	16	21	18
RoCE %	FY25	19	6	12	28	10
	FY28E	24	10	20	27	18
EV/ EBITDA multiple (Q3FY28E)		**39**	**16**	**29**	**35**	**26**
Implied PE multiple (Q3FY28E)		55	44	52	52	51
Target price per share (INR)		**7,630**	**230**	**1,160**	**740**	**1,040**
Rating		**BUY**	**BUY**	**BUY**	**ADD**	**REDUCE**
Investment rationale		Growth visibility led by GLPs, new long-term contracts. Backward integration to support margin expansion.	Growth recovery in CRDMO business from FY27 and niche development capabilities.	Niche CRO and CDMO play with strategic capacity expansion.	Capacity expansion to support growth and steady margin visibility to drive earnings growth	Strong scale-up in CDMO and ramp-up in biologics CDMO to improve business mix and support the margin expansion. Rich valuations.

Source: Companies, HSIE Research

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Executive summary

- **Indian CRDMOs' growth narratives are encouraging**: In our view, the growth visibility for Indian CRDMOs depends on service offerings (discovery to commercial), upgrading processes and therapeutics, significant cost advantages, China+1 strategy and Biosecure Act for alternative sources to de-risk from country-based supply concentration, and capability of Indian CRDMOs to address global demand, via expansion through technology (increasing complexity) and scale (capacity expansion). This is also supported by growing R&D spending by global pharma giants with increased capital allocation towards complex modalities, new drug development and clinical trials.

- **Indian CRDMOs catching up with China**: While China is leading the market with a strong presence across the value chain and strong growth in licensing deals (~66% surged in 2024), Indian CRDMOs are poised to reach ~USD 15bn by 2029 (13.4% CAGR over 2024-2029E) and outpace APAC (CAGR at 10.8%). This will be on the back of drivers like (1) expanded service offerings; (2) efficient supply chains; (3) strong processes, technologies, and therapeutics; and (4) availability of skilled manpower and cost advantages.

- **Obesity segment to provide growth visibility:** Through over 170 clinical programs in development with different mechanisms of actions (GLP-1, GIP, and glucagon receptor activity) and an aim to deliver greater weight loss outcomes. With the rise in obesity drug development demand, the Indian CRDMOs are ready to be a part of global supply chains as they hold capabilities across amino acids, fragments, as well as fill-finish capacities— all at a competitive cost. We believe the market shift from exiting products like Semaglutide to other approved products like Tirzepatide and the potential from products under development molecules provide a huge market opportunity for Indian CRDMOs. The sector has the capability to handle long peptide processes and create capacity for future opportunities. With GLP market expected to increase to ~USD 130bn by 2032E, and the assumption of 7-8% API costs, a significant market opportunity of USD 9-10bn can be created by 2032E for GLP APIs. Considering 25-40% market share for Indian CRDMOs, the market opportunity for the sector could be USD 2.5-4bn by 2032.

- **Growth visibility in niche segment**: Opportunities arising in other key categories such as ADCs, oligonucleotides, cell gene therapy (CGT), Lipids, provide growth visibility beyond the obesity segment. The current ADC development landscape features 654 drugs (~192 ADCs in Phase I and II) and ~563 clinical trial advancements in the CGT space, which is tremendous opportunity for Indian CRDMOs in a niche segment. With capabilities across linkers, payloads, viral vector development, and mAbs (at nascent stage for Indian CRDMOs) the sector could play a pivotal role in drug development over the next decade.

- **Funding environment to stabilize**: Biotech funding surged during Covid, growing 72% YoY in 2020 and 36% in 2021; however, it declined after the Covid phase by 36% YoY in 2022 and 16% YoY in 2023. Biotech funding has gradually improved with growth of 11% YoY in 2024. Going ahead, with industry expectation of stabilization in funding environment, early-stage research will gradually regain momentum.

- **API market to see stable growth**: The global API market is projected to reach ~USD 400bn by 2029, driven by increased drug consumption, including biologics (large molecules) and small molecules. Within APIs, the market for (1) small molecule APIs is projected to reach ~USD 232 bn by 2029 (CAGR of ~4% over 2024-29E) and (2) large molecule API is projected to reach ~USD 168bn by 2029 (CAGR of ~12% over 2024-29E).

- **Coverage universe to outperform industry growth expectations**: We expect our coverage universe (DIVI, SAILIFE, PIRPHARM, ANTHEM, and LAURUS) to outpace the industry growth expectation of 12-13% and expect a revenue CAGR of ~15% over FY25-28E over FY25-28E. Also, moving up the value chain, the EBITDA is expected to see strong 22% CAGR over FY25-28E with ~450 bps of margin expansion and earnings CAGR of ~30% over the same period.
- **Key risks**: Delay or slower ramp-up in funding environment, pricing pressure due to tariff and MFN pricing model, delay in capacity expansion, volatility in API pricing, and regulatory risks at manufacturing units.

Coverage Universe

We initiate coverage with a

- BUY rating on (1) DIVI with TP of INR 7,630 implies EV/EBITDA of 39x and 55x PE for Q3FY28E, (2) SAILIFE with TP of INR 1,160 implies EV/EBITDA of 29x and 52x PE for Q3FY28E, and (3) PIRPHARM with TP of INR 230 implies EV/EBITDA of 16x and 44x PE for Q3FY28E.
- ADD rating on ANTHEM with TP of INR 740 implies EV/EBITDA of 35x and 52x PE for Q3FY28E.
- REDUCE rating on LAURUS with TP of Rs 1,040 implies EV/EBITDA of 26x and 51x PE for Q3FY28E.

Exhibit 17: Coverage universe snapshot

Particulars	Years	Divi's Lab	Piramal Pharma	Sai Life Sciences	Anthem Bioscience	Laurus
Revenue CAGR	FY23-25	10%	14%	18%	32%	-4%
	FY25-28E	17%	10%	21%	20%	16%
EBITDA CAGR	FY23-25	12%	52%	57%	25%	-19%
	FY25-28E	21%	14%	30%	22%	30%
EBITDA margin	FY25	31.7%	15.8%	23.9%	36.4%	19.0%
	FY28E	35.7%	17.5%	29.1%	38.0%	26.4%
Margin expansion (bps)	FY23-25	123 bps	692 bps	1039 bps	-421 bps	-736 bps
	FY25-28E	399 bps	171 bps	516 bps	163 bps	740 bps
PAT CAGR FY25-28E	FY23-25	12%	L/P	L/P	17%	-33%
	FY25-28E	21%	99%	49%	24%	48%
CRDMO as % of sales	**FY25**	**53%**	**60%**	**100%**	**82%**	**28%**
Non-CRDMOs business as % of sales	**FY25**	**47%**	**40%**	**0%**	**18%**	**72%**
RoE%	FY25	15	1	10	21	8
	FY28E	19	9	16	21	18
RoCE %	FY25	19	6	12	28	10
	FY28E	24	10	20	27	18
Net debt/ (cash) in FY25 (INR mn)		-37,110	43,355	-1,115	-6,198	26,195
EV/ EBITDA multiple (Q3FY28E)		**39**	**16**	**29**	**35**	**26**
Implied PE multiple (Q3FY28E)		55	44	52	52	51
Target price per share (INR)		**7,630**	**230**	**1,160**	**740**	**1,040**
Rating		**BUY**	**BUY**	**BUY**	**ADD**	**REDUCE**
Investment rationale		Growth visibility led by GLPs, new long-term contracts. Backward integration to support margin expansion.	Growth recovery in CRDMO business from FY27 and niche development capabilities.	Niche CRO and CDMO play with strategic capacity expansion.	Capacity expansion to support growth and steady margin visibility to drive earnings growth	Strong scale-up in CDMO and ramp-up in biologics CDMO to improve business mix and support the margin expansion. Rich valuation.

Source: Companies, HSIE Research

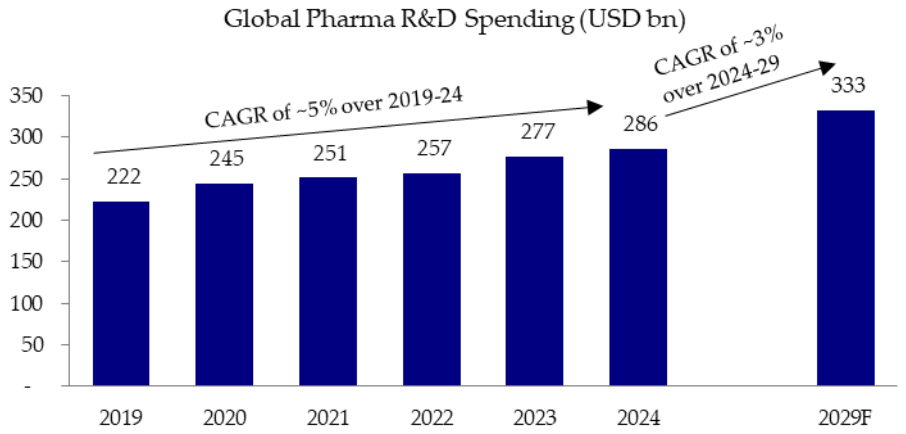
Global CDMO industry overview

Global R&D spending to see steady rise

Global pharma R&D spending has increased significantly from USD 222.3 bn in 2019 to USD 285.9 bn in 2024 (CAGR of ~5% over 2019-24, as per Evaluate Pharma, Frost & Sullivan, and Anthem Biosciences RHP). This increase is linked to factors such as renewal of the novel drug pipeline due to upcoming patent cliffs and maintenance of a competitive edge and secure future growth for innovators.

The rising complexity of drug discovery and development process requires significant investments in research infrastructure and advanced technologies. Moreover, the R&D spending is expected to remain steady from 2024 to 2029, at an estimated CAGR of ~3% over 2024-29 to reach ~USD 333 bn by 2029.

Exhibit 18: Global R&D spend to reach USD 333 bn by 2029



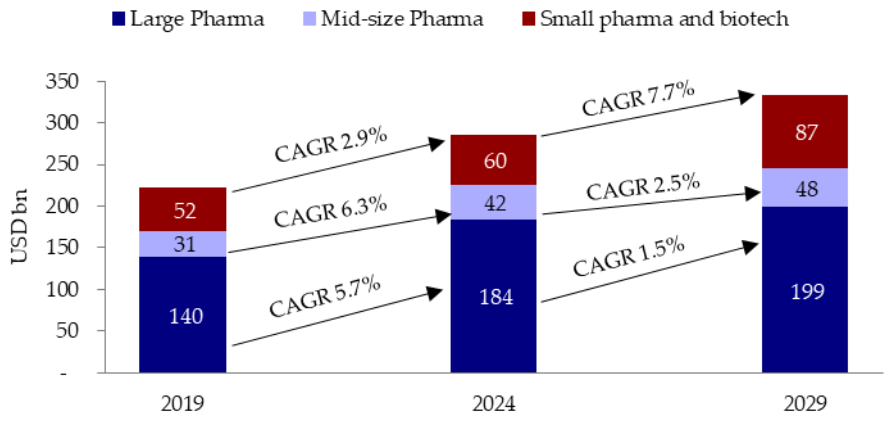
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

In R&D, large innovators lead spending, while small biotechs are faster

Large pharma innovator companies contribute the largest chunk of R&D spending, accounting for ~64% of total global R&D expenditure, reaching USD 184 bn and reflecting a CAGR of ~5.7% over 2019-24 (as per Pharmaprojects, Evaluate Pharma, and Anthem Biosciences RHP). Mid-size pharma companies contribute ~15% of R&D spending and are growing at ~6.3% CAGR over the same period. On the other hand, smaller pharmaceutical and biotech companies have seen muted growth over 2019-24, with a ~3% CAGR, and their share has reduced to ~21% of total R&D spending (from 23% in 2019), largely due to a slowdown in global funding.

Going ahead, these small pharma and biotech companies are expected to increase their combined share from 21% to 26% by 2029, with a CAGR of 7.7% (as per Pharmaprojects, Evaluate Pharma, Anthem Biosciences RHP), reaching an R&D spend of USD 87 bn by 2029. The allocation of R&D funds to biotech firms is estimated to rise on the back of an expected increase in venture capital funding and greater accessibility to technology, focus on advanced modalities, and drug discovery. Meanwhile, large pharma R&D spending is expected to remain steady at USD 200 bn, and mid-size pharma R&D at USD 48 bn by 2029.

Exhibit 19: Global R&D spend mix

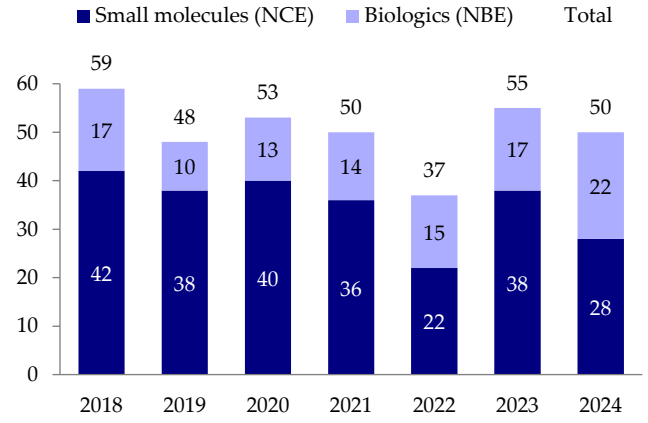


Source: Pharmaprojects, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Approval trend encouraging for both small molecules and biologics

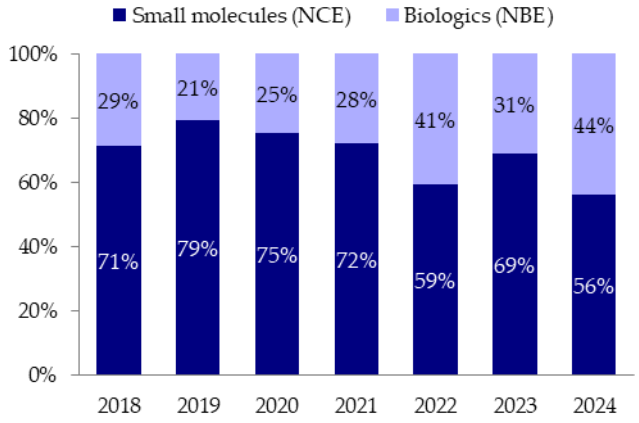
Despite R&D challenges, approvals for new products have been consistent and between 2018 to 2024, the FDA approved ~352 new drugs (NCE + NBE), of which 108 (44%) were NBEs and 244 (56%) were NCEs. The share of NBE approvals increased from 29% in 2018 to 44% in 2024, highlighting the increasing importance of biologics (large molecules) alongside traditional small molecules.

Exhibit 20: Approval trend for NCE and NBE



Source: USFDA, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

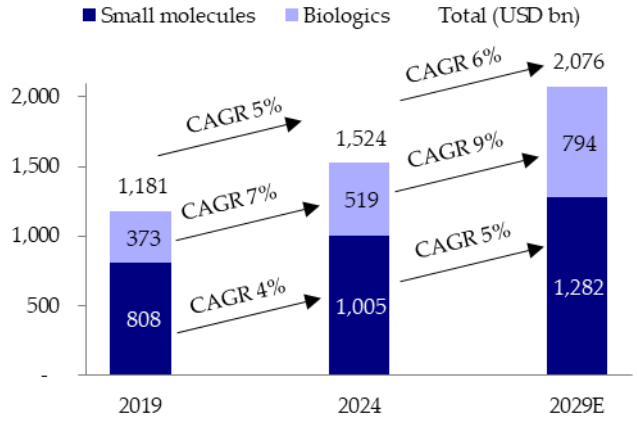
Exhibit 21: NBE share increasing



Source: USFDA, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

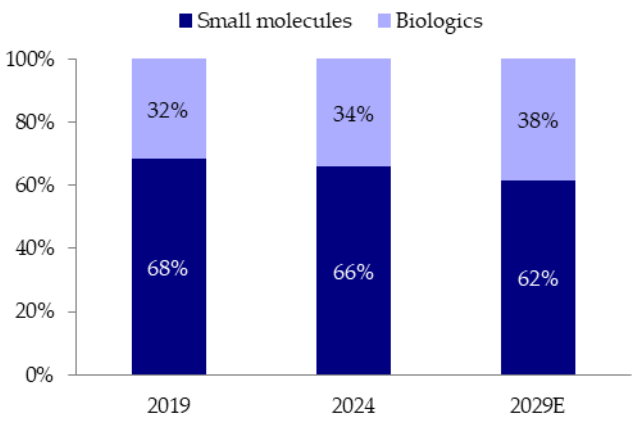
Moreover, the total market size of small molecules, which grown at a slower pace of 4.5% CAGR over 2019-2024, is projected to grow at 5.0% CAGR over 2024-2029, to reach a market size of ~USD 1,282 bn by 2029 (to contribute ~62% of global pharma market). While biologics (large molecules) will outpace small molecules as the biologics are expected to grow at ~8.9% CAGR 2024-29, to reach a market size of ~USD 794 bn by 2029 (contribution to increase to ~38% by 2029 of total pharma market from 32% in 2019 and 34% 2024).

Exhibit 22: Global Pharma market to see steady growth



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 23: Biologics share to increase by 2029



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Global CDMO industry to sustain growth momentum

The global pharma CDMO industry has maintained a steady growth momentum with market growing to USD 79.7 bn in 2023 from USD 44.6 bn (CAGR of ~12%). The continued evolution of global pharma demand for R&D and manufacturing has been pushing CDMO companies into dual engine phase of expansion towards technology (increasing complexity) and scale (capacity expansion). This is also supported by growing R&D spending by global pharma giants with more capital allocated to new drug development and clinical trials. In addition, to reduce costs, improve efficiency, and focus on core business more pharma companies are choosing to outsource parts of their R&D and manufacturing to specialized CDMO provides. The global CDMO market is projected to reach USD 168.4 bn by 2028 and USD 338.5 bn in 2033.

Exhibit 24: Global CDMO market to accelerate growth momentum over 2023 to 2033

Source: Frost & Sullivan, HSIE Research

Exhibit 25: CDMO industry across key regions

Region	Market Characteristics	Development trends	Leading companies
US	The US has long held a leading position in the global CDMO market, supported by a mature pharma value chain, high R&D investments, and the concentration of large pharma giants. Automation and intelligent technologies are widely used across the industry.	In recent years, the US government has been promoting manufacturing reshoring. Pharma companies such as Merck and Eli Lilly have announced expansion plans for their production bases in the US, which may lead to return of some CDMO orders back to the US based providers. However, the US still heavily relies on the global supply chain, with many key raw materials, intermediates and production technologies sourced from countries such as China and India.	Catalent, Thermo Fisher and others
Europe	Europe is known for its high-quality CDMO services in biopharma, especially in cell and gene therapies. CDMO companies in Germany and Switzerland are leaders in technologies such as viral vector production and gene therapy developments.	To meet increasingly strict environmental regulations and growing demand for green and sustainable products, more CDMO companies are actively launching green manufacturing plans. Trade uncertainties between EU and the US, including unstable tariff policies, pose potential risks for export dependent CDMO companies, particularly for the companies with production sites in Ireland, Germany, and other counties that has export large volumes to the US.	Lonza, Boehringer Ingelheim, and others
India	India is one of the world's largest supplies of the generic medicines. India companies have built up solid experience and technical capabilities in R&D and manufacturing and maintains a strong cost advantages. With China+1 strategy, as western companies look to diversify their supply chains and choose India as a secondary source has benefited in last few years.	India's CDMO market is becoming a key part of the global pharma supply chain through capacity expansion, technology upgrades, and international companies. India CDMOs is in scale-up face with focus on newer technologies and quality improvement with commercial scale. In recent years few of the Indian CDMOs have been validated as primary supplies for select innovative medicines with capabilities in both small molecules and biologics, backward integration of building blocks, green chemistry, low-carbon emission technologies, and offers integrated services across product development cycle from drug discovery to commercial production.	Divi's Lab, Piramal Pharma, Anthem, Sai Life, Laurus, and others.
China	China has a complete pharma supply chain and relatively low labour costs. It covers both small molecules and biologics and offers integrated services from drug discovery to commercial production. China is emerging as a CDMO provider that delivers both high quality and cost-effectiveness.	China's CDMO companies are actively expanding into EU and the US markets through overseas facilities and M&As. Industry consolidation is accelerating the global share. Moreover, CDMO companies in China are pursuing differentiated strategies, leveraging backward integration of building blocks, and globally recognized low-carbon technologies to gain a competitive edge.	Wuxi AppTec, Wuxi Biologics, Asymchem, Pharmaron, Porton Pharma, and others.
Japan	Japan is a technology driven CDMO market, with a focus on high-end biologics and CGT, and has a well-developed international presence.	Japanese CDMO companies are increasing investment in new drug development and innovations in manufacturing processes, supported by ongoing progress in biotechnology.	AGC, Fujifilm, JSR, and others.
South Korea	South Korea is driven by production capacity and leverages resources from large business groups, targeting large molecule biologics.	Korean CDMO companies are continuing to expand production capacities to meet growing demand for biosimilars and other biologics.	Samsung Biologics, and others.

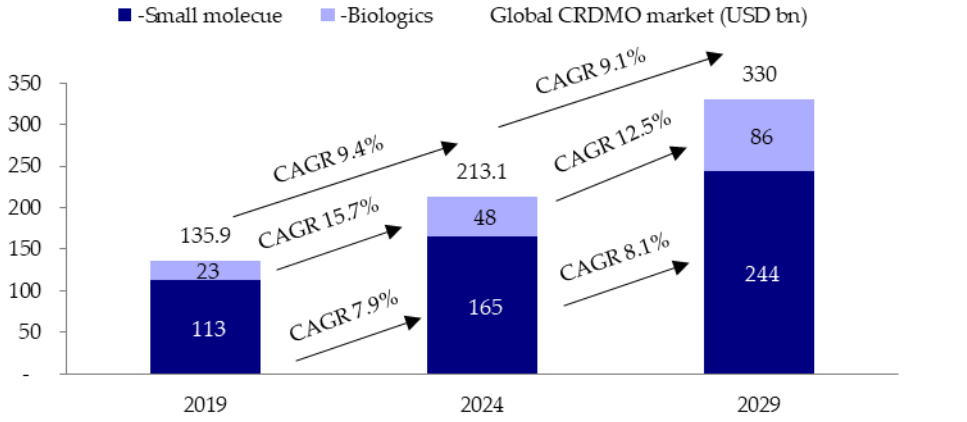
Source: Frost & Sullivan, HSIE Research

Global CRDMOs overview and outlook

Steady growth in global CRDMOs with continuous focus on new products

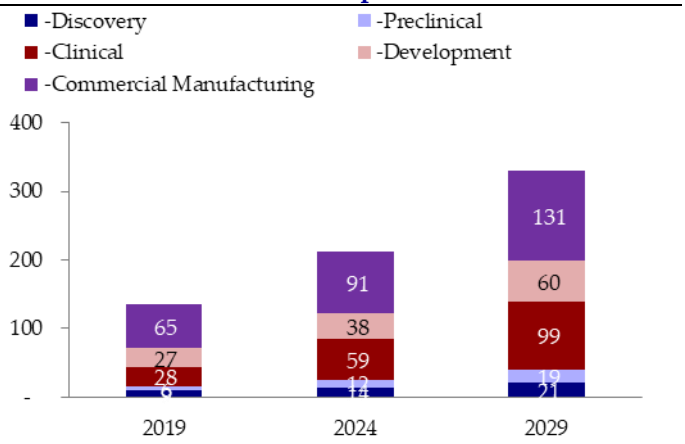
The large molecule CRDMO industry size was estimated at USD 48.0 bn in 2024 and is expected to expand at a CAGR of 12.5% from 2024 to 2029 to reach USD 86.4 bn by 2029, comprising 26.1% of the overall CRDMO industry globally. Key drivers for this growth are increasing pharmaceutical and biotech R&D outsourcing, continued demand for biologics (large molecules), and growing demand for precision and targeted drugs. The small molecule CRDMO industry continues to be the mainstay of the overall CRDMO industry, comprising 77.5% of the overall CRDMO market in 2024, and is expected to grow at a CAGR of 8.1% over 2024 to 2029.

Exhibit 26: Steady growth in CRDMOs market



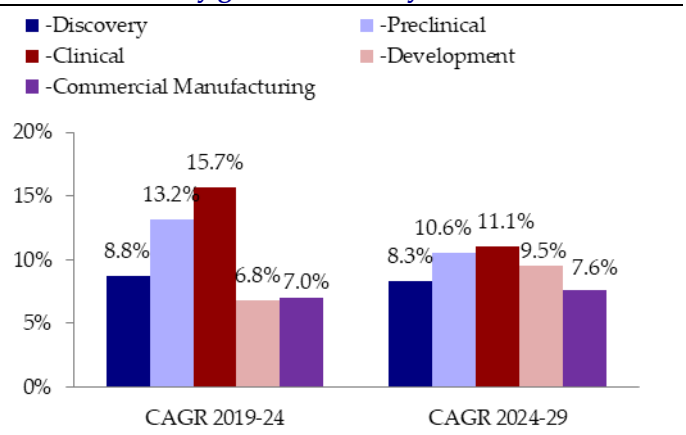
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 27: Global CRDMOs split



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 28: Steady growth visibility across the functions



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

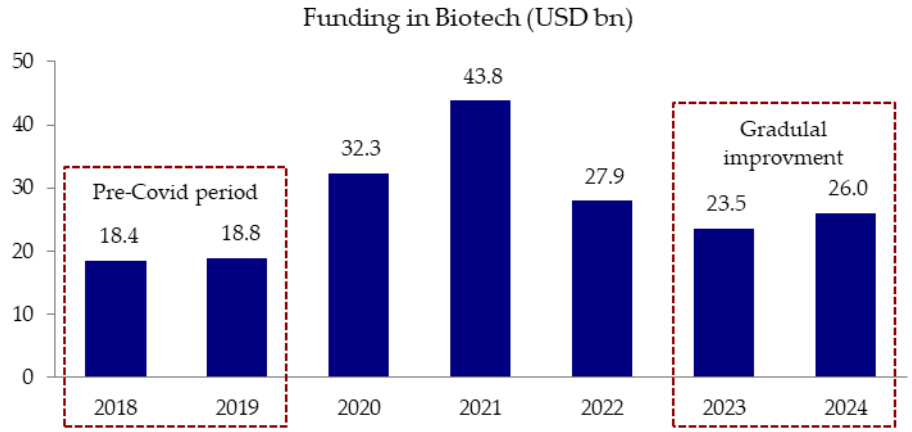
Global funding environment is key near-term concern; pick-up from 2026

While R&D spending by large pharma should remain steady over the next few years with focus on both small molecules and biologics, the recent slowdown in funding for small and mid-sized biotech companies is the key near-term concern. Accordingly, the Indian companies with higher dependency on biotech funding base customers have indicated to see growth moderation for the near term. Biotech funding surged during the Covid period, with growth of 72% YoY in 2020 and 36% in 2021, which declined after Covid by 36% YoY in 2022 and 16% YoY in 2023. The biotech funding has seen gradual improvement with growth of 11% YoY in 2024.

The level of private capital funding (private equity and venture capital funds) in the biotech industry has surpassed the pre-pandemic funding levels in 2022 (USD 27.9 bn), 2023 (USD 23.5 bn), and it has reached USD 26.0 bn in 2024 (1.1X higher). However, the funding is still lower than its recent peak of USD 32.3 bn in 2020 and USD 43.8 bn in 2021.

Going ahead, with industry expectation of stabilization in funding environment, early-stage research will gradually regain momentum. However, many customers remain cautious and are commissioning smaller work packages and extending timelines. In contrast, demand for CDMO services is picking up, as biotech companies progress late-stage assets toward key value inflection points.

Exhibit 29: Funding environment at pre-Covid levels, expected to improve



Source: DealForma Database, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Cost optimization leading to a rise in CRDMO outsourcing

Global Pharma and biotech companies face numerous challenges that drive them to outsource key operational activities. High-cost requirement arising from development of new drugs which requires complex R&D process worth of billions of dollars. A new drug needs to go through extensive testing and regulatory review to examine and verify its safety and efficacy before it is allowed to be released to the market for commercialization. On average, the process typically takes more than 10-16 years and requires over ~USD 1 bn per drug, in R&D costs from early-stage drug discovery to commercialization, which is a tenfold increase since the 1970s.

Exhibit 30: Global R&D spend requirement and timeline

Clinical Phase	Time for development (years)	R&D cost requirements (USD mn)	Molecules/ compounds	Likely approval possibility
Discovery	3-5	**200-400**	10,000-15,000	NA
Pre-clinicals	1-2	**100-200**	250	64%
		IND submission		
Clinical trials (Phase 1-3)	6-7	**700-900**	5	48-67%
		NDA submission		
Approval	0.5-2	**20-70**	1	83%
Total	**10.5-16**	**1,020-1,570**	**NA**	**NA**

Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 31: Global R&D spend requirement and timeline

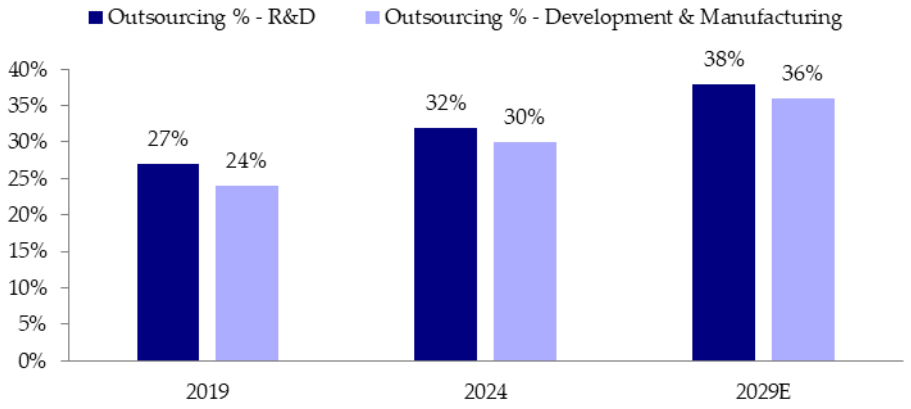
Total	Biologics	Small molecules
Costs (USD bn)	1.5-2	1-1.5
Time for development (years)	10-15	12-15
Probability of success %	18%	9%

Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

In the past, global pharma companies mainly focused on outsourcing large volumes and forming partnerships with contract service providers to improve their late-stage clinical trials and carry out large-scale manufacturing of established drugs at low cost (DIVI has a strong presence in late-stage clinical partnerships). However, in the last decade, the global pharma companies have changed their strategy and are building closer relationships with contract service providers to get help in R&D, access new markets, share the risk of drug development such as regulatory hurdles, and clinical trials, speed up timelines, and ensure the best quality output at lower costs. The uncertainty about the drug approval process has further dissuaded global pharma companies from investing in their in-house R&D and manufacturing capabilities.

The R&D and development & manufacturing outsourcing penetration was at ~32% and 30% in 2024 (vs. ~27% and 24% in 2019) and is further expected to rise to 38% and 36% by 2029, respectively. This is against the backdrop of ~3.1% CAGR (over 2024-28) in global R&D spending (~USD 332 bn by 2028), with a better R&D success rate providing growth visibility. Moreover, regulatory pressure under Inflation Reduction Act (IRA) and Most Favored Nation (MFN) pricing is expected to keep drug prices under pressure. This paves the way for outsourcing (with a focus on asst-light model). Also, China+1 strategy to reduce dependency (US BioSecure Act, Tariff) is in line with efforts to diversify the supply chain with dual sourcing (de-risking the geographical concentration) and position India as a reliable partner. All these factors augur well for secular growth visibility for Indian CRDMO companies.

Exhibit 32: Outsourcing trend in both R&D as well as development & manufacturing expected to increase over the next few years



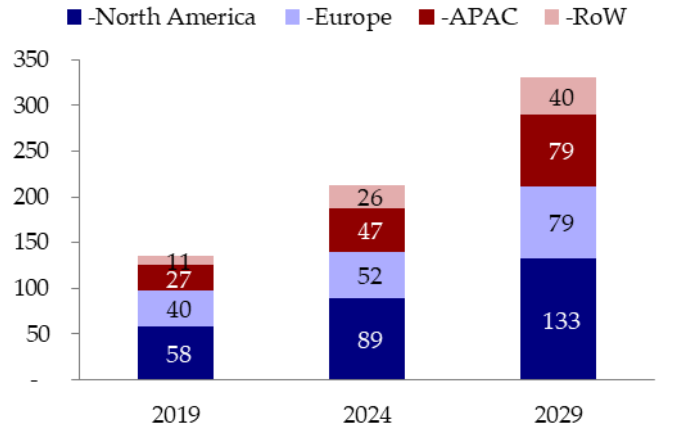
Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

APAC is the fastest growing CRDMOs market

The US being the largest pharma consumer market and the global innovation hub makes it the key market for CRDMOs. Many large global CROs and CDMOs have established bases in the US to serve local needs. The US will continue to account for the largest share of the global industry for CRDMOs due to strong R&D infrastructure and conducive regulatory regime. The US share will remain at ~40% of total global CRDMO market, with market size reaching USD 133 bn by 2029 from USD 89 bn in 2024. Europe is the second largest market as of 2024 (~24% of total market); however, it is expected to see steady growth at 8.9% CAGR over 2024-29, with an expected market size of USD 79 bn by 2029 (up from USD 52 bn in 2024).

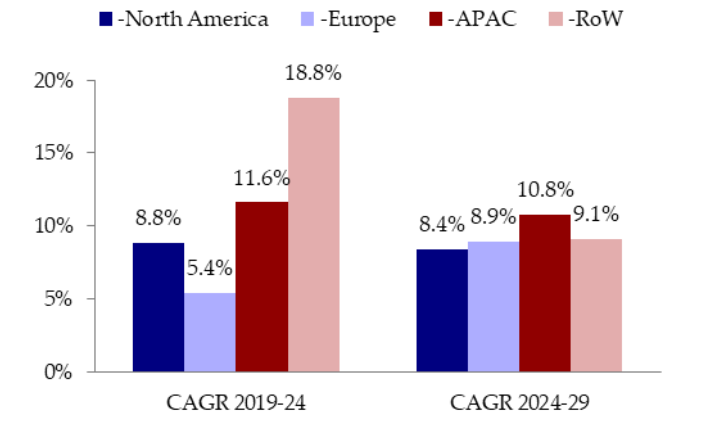
Within the global CRDMO market, the APAC region is the fastest-growing region for CRDMOs. The region is expected to grow at a faster rate of 10.8% during 2024-29 to reach a market size of USD 79 bn by 2029, up from USD 47 bn in 2024. This will be led by cost-effective manufacturing capabilities, availability of skilled manpower, and regulatory compliance capabilities. The key APAC countries serving the CRDMO market include China, India, South Korea, and Singapore, driven by strong technical know-how, trained manpower, and affordable prices.

Exhibit 33: US to remain largest CRDMO market



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 34: APAC fastest growing CRDMO market



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

China CDMO industry to sustain global leadership

Chinese CDMOs are upgrading their technologies and innovating manufacturing process to offer more advanced services. China's CDMOs are shifting from traditional manufacturing to integrated services platforms, in response to the global trend of pharma industry integration and move towards high value-added services. Chinese CDMOs are capitalizing on the rapid development in new and complex areas such as peptides, ADCs, and CGT, which has strong growth potential over next decade.

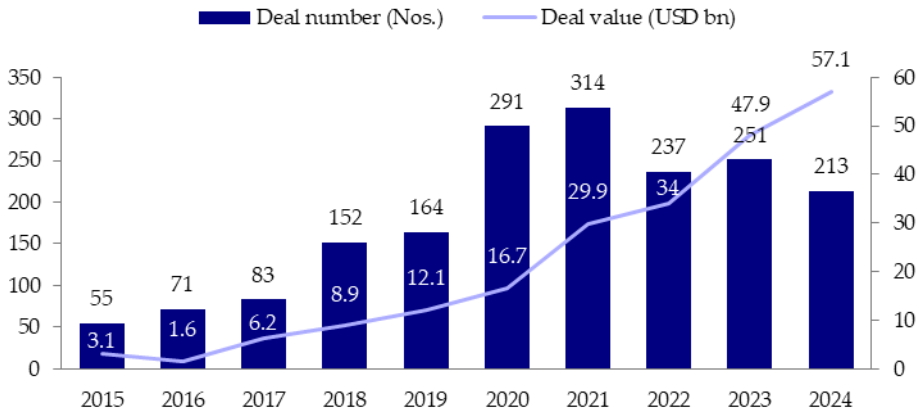
Chinese CDMO industry is expected to see strong growth momentum over the next few years, which is expected to reach a market size of ~USD 75 bn in 2023E and USD 29 bn in 2038E, up from size of ~USD 12 bn in 2023, implying a CAGR of ~19% over 2023-2028E and then 21% over 2028-33E.

Exhibit 35: China CDMO market to see strong growth momentum over 2023 to 2033

Source: Frost & Sullivan, HSIE Research

Moreover, Chinese drug licensing deals have grown in double digits. From 2015 to 2024, the total deal count in China roughly quadrupled (55 to 213 deals), while the total deal value leaped nearly eighteen-fold. In the recent years, the value of Chinese biopharma licensing deals surged 66% YoY in 2024 (from USD 16.6 bn in 2023 to USD 41.5 bn in 2024). In H12025 alone, the US companies signed 14 China-licensed deals (worth ~USD 18.3 bn) compared to just two such deals in H12024 (as per GlobalData).

Exhibit 36: China deal wins remain strong



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

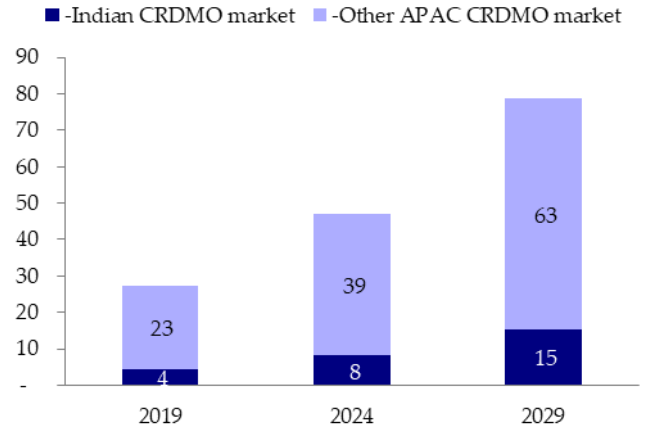
Indian CRDMO market overview and outlook

Indian CRDMO is catching up with China within the APAC region

Indian CRDMO industry is one of the fastest-growing globally, having grown at a 13.2% CAGR between 2019 and 2024. India is an emerging hub for pharma innovators and is gaining significant prominence due to multiple growth tailwinds in the APAC region.

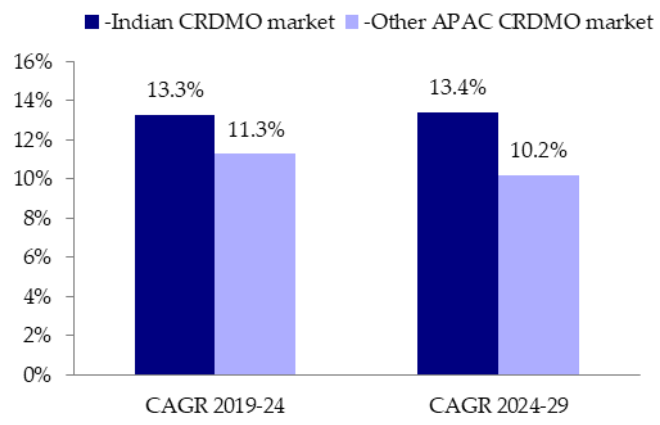
The Indian CRDMO is poised to grow at 13.4% CAGR between 2024 and 2029 to reach an estimated value of USD 15.4bn in 2029 (up from USD 8.2 bn in 2024), outpacing the global industry rate of 9.1% (CAGR over 2024-29) as well as other markets like China.

Exhibit 37: India's CRDMO market to reach ~USD 15 bn



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 38: Indian CRDMOs fastest growing globally

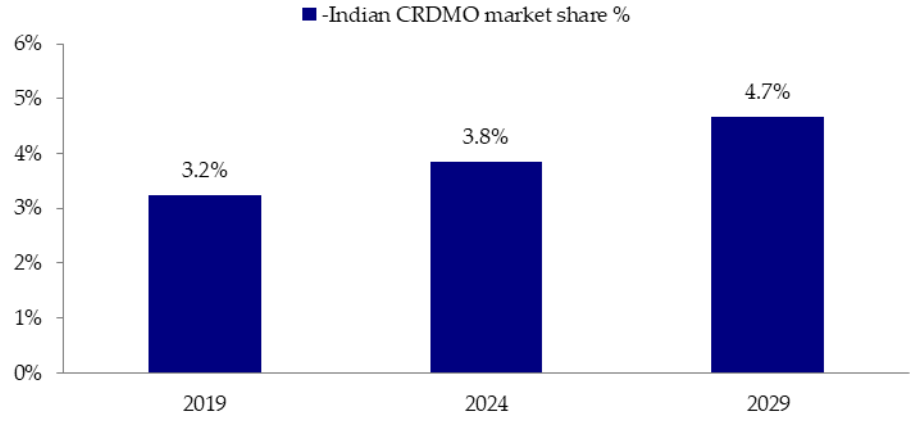


Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Indian CRDMOs are expected to see the fastest growth, led by the China+1 strategy to diversify supply chains and de-risk geographical concentration, which positions India as a front runner in the CRDMO outsourcing business. With multiple structural tailwinds in place and supported by the strong credentials of Indian CRO and CDMO players, India will likely garner a higher share of the global pharma outsourcing industry. Over 2019-2029, the Indian CRDMO share is expected to increase to ~4.7% by 2029, up from ~3.8% in 2024 (it was at 3.2% in 2019).

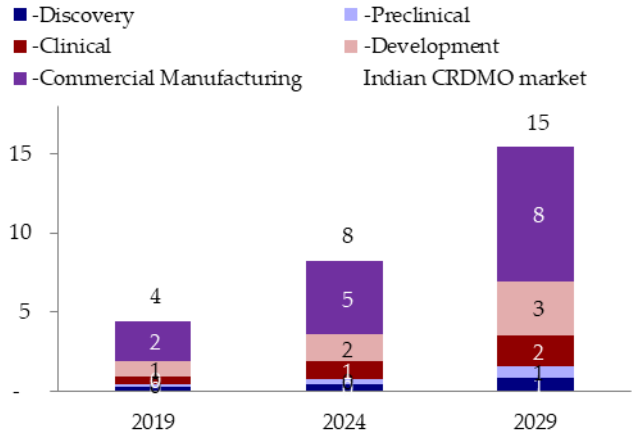
Within the value chain functions of the Indian CRDMO market, development and commercial manufacturing contributed 76.8% of the Indian CRDMO market in 2024 and are expected to grow at 14.9% and 12.8% between 2024 and 2029, respectively. This growth can be attributed to significant improvements in the technical capabilities of Indian companies, which attract manufacturing outsourcing demand from global pharma companies. Indian companies are also growing their integrated offerings with an increased focus on various modalities as well as therapeutic segments, including biologics (large molecules).

Exhibit 39: Indian CRDMOs market share to increase over 2024 to 2029



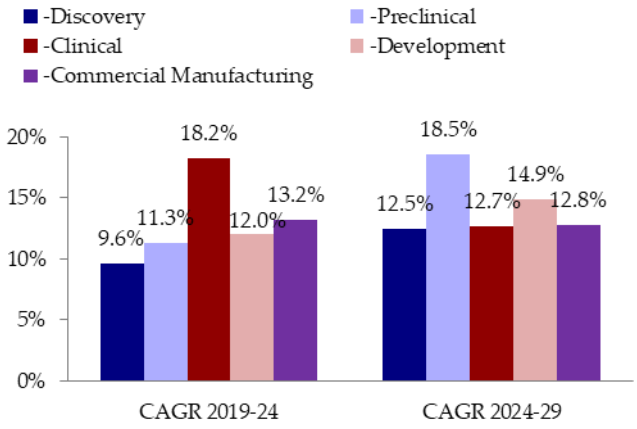
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 40: Commercial manufacturing to remain large part of CRDMO market



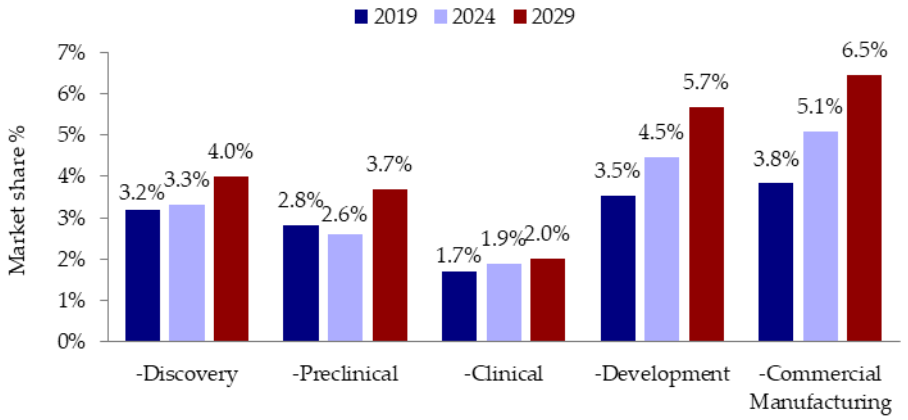
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 41: Pre-clinical and development services to see faster growth



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 42: Indian CRDMOs' market share to increase across the functions



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Why India over other APAC nations

India-based CRDMOs were traditionally recognized for their skilled manpower and cost advantage. However, in the past few years, the Indian CRDMO companies have made significant investments in advanced technologies and built a broad suite of technical capabilities across various services. Over the past decade, they have enriched their positioning by adding capabilities to handle complex chemistries for global pharma, also supported by commercial scale capacities.

Exhibit 43: Indian peer comparison – capabilities

Companies	Divi's Laboratories	Anthem Biosciences	Piramal Pharma	Laurus Lab	Syngene International	Sai Life Sciences	Cohance Lifesciences	Aragen Life Sciences
Business operations								
Discovery								
Development								
Manufacturing								
Technologies								
Flow Chemistry								
Green Chemistry								
Enzymatic Processes								
Bio-catalysis								
Lyophilization								
Fermentation								
RNAi & Lipids								
Development capabilities								
HP-APIs								
ADCs								
Peptides								
Injectables								
Biologics								
ADC								
Peptide								
Oligonucleotide								
GLP								
Protected amino acids								
Fragments								
ADCs								
mAbs								
Payload								
Linker								
Conjugation								
Fill finish								

Source: Companies, HSIE Research, Note Green – Strong presence, Light green – moderate presence, and Red – No presence

Exhibit 44: Indian peer comparison – business model

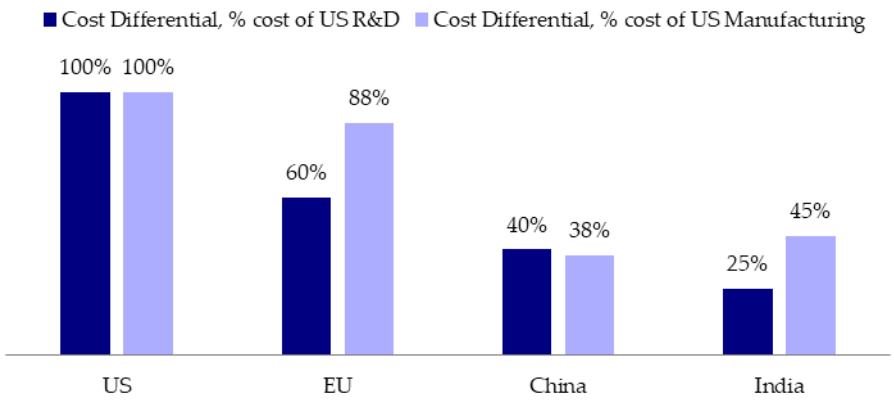
Companies	Divi's Laboratories	Anthem Biosciences	Piramal Pharma	Laurus Lab	Syngene International	Sai Life Sciences	Cohance Lifesciences	Aragen Life Sciences
Revenue mix %								
CRDMO as % of sales	53%	82%	60%	28%	100%	100%	100%	100%
Geographical presence								
US								
Europe								
India								
RoW								
Facilities								
India								
US								
Europe								
Business offerings								
Intermediates								
APIs								
Formulations								

Source: Companies, HSIE Research, Note Green – Strong presence, Light green – moderate presence, and Red – No presence

Breaking down the advantages of Indian CRDMOs over other APAC countries includes capabilities to provide full-scale services across various complex therapies and offerings throughout the product life cycle, from discovery to development, backed by a skilled workforce (R&D activities, analytical). This is supported by commercial-scale manufacturing capabilities with a manufacturing cost advantage. This gives an innovator a one-stop solution for product development. Also, robust IP (Intellectual Property) protection laws have boosted confidence in outsourcing novel drug development and manufacturing projects to Indian companies.

India has a competitive advantage in terms of cost for R&D as well as manufacturing compared to other countries like the EU and China. As per a Frost & Sullivan report, outsourcing R&D, and manufacturing tasks to service providers in India can result in an estimated cost reduction of nearly 75% and 55% for R&D activities and manufacturing, respectively (as per Frost & Sullivan, Anthem Biosciences RHP), compared to performing those activities in the US. The reason for the cost savings can be attributed to the providers' specialized knowledge, economies of scale in R&D and manufacturing, and the availability of low-cost skilled manpower.

Exhibit 45: Indian CRDMOs' cost benefits over other regions



Source: Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Emerging therapies to driver CRDMO market

Rapid growth in obesity category

As per IQVIA, obesity is a chronic, complex disease defined by excessive fat deposits that can impair health. Obesity heightens the risk of type 2 diabetes (T2DM), heart disease, and certain cancers. It can impact bone health, reproduction, morbidity, disability, and quality of life. Over the years, several anti-obesity medications have reached the market but failed after widespread use due to serious adverse effects. However, GLP-1 (glucagon-like peptide 1) agonist drugs are not only safer but also cardioprotective in nature, which is highly relevant considering the cardiovascular risk factors that are generally present in patients with obesity.

Leading the way are two marketed molecules (under four brands)—Novo Nordisk's Ozempic/ Wegovy (semaglutide) and Eli Lilly's Mounjaro/ Zepbound (tirzepatide)—both of which are GLP-1 receptor agonists and have demonstrated transformative potential to treat both diabetes and obesity. These blockbuster drugs recorded significant revenue growth in 2023 and 2024, with sales forecasted to continue rising in the coming years. According to Bloomberg, the existing approved drugs are expected to see steady growth over the next few years, with total brand sales projected to reach USD 101.37bn by CY30, growing at a 6% CAGR during the same period. Bloomberg estimates that tirzepatide will be the fastest-growing molecule over the next 3–5 years, followed by semaglutide. Other GLP-1s (dulaglutide and liraglutide) are expected to decline as the market shifts toward higher-efficacy obesity drugs.

Exhibit 46: GLP drug market is expected to see steady growth

USD mn	CY25	CY26	CY27	CY28	CY29	CY30	CAGR CY25-30
Mounjaro	22,329	29,385	32,846	36,714	38,594	40,039	12%
Zepbound	13,053	18,287	21,734	24,189	25,572	26,329	15%
Total Tirzepatide	**35,382**	**47,672**	**54,580**	**60,903**	**64,166**	**66,368**	**13%**
Trulicity	4,230	3,337	2,614	1,944	1,457	1,088	-24%
Total Dulaglutide	**4,230**	**3,337**	**2,614**	**1,944**	**1,457**	**1,088**	**-24%**
Victoza	531	356	288	238	213	180	-19%
Saxenda	536	307	224	183	151	129	-25%
Total Liraglutide	**1,067**	**663**	**512**	**421**	**364**	**309**	**-22%**
Rybelsus	3,580	3,485	3,435	3,508	3,542	3,609	0%
Ozempic	19,681	17,479	16,281	15,966	15,281	14,649	-6%
Wegovy	12,329	13,087	14,567	15,385	15,316	15,351	4%
Total Semaglutide	**35,590**	**34,051**	**34,283**	**34,859**	**34,139**	**33,609**	**-1%**
Overall GLP drug sales	**76,269**	**85,723**	**91,988**	**98,127**	**100,127**	**101,374**	**6%**

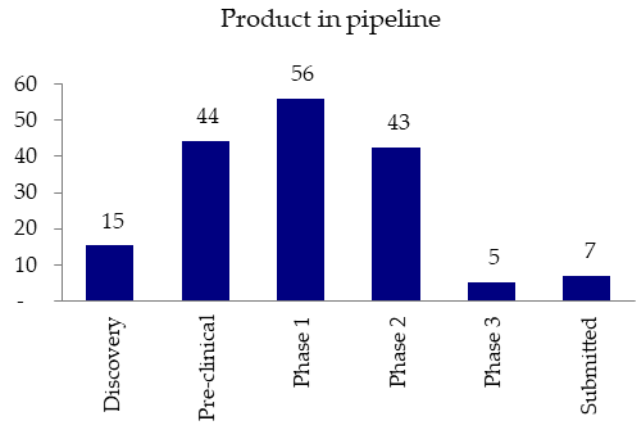
Source: Bloomberg, Companies, HSIE Research

As per IQVIA (until Jul '25), there are ~170 total clinical programs in development with different mechanisms of action. The landscape of obesity treatment is rapidly advancing, driven by a growing array of therapies targeting diverse physiological pathways. GLP-1 receptor agonists, such as semaglutide, enhance satiety and improve insulin sensitivity. Building on this, dual and triple incretin agonists—like tirzepatide and retatrutide—combine GLP-1, GIP, and glucagon receptor activity to deliver even greater weight loss outcomes.

With ease of use becoming a key focus in obesity care, pharma companies are expanding beyond injectables to develop more accessible oral therapies. Oral semaglutide and orforglipron are leading this transition and have demonstrated

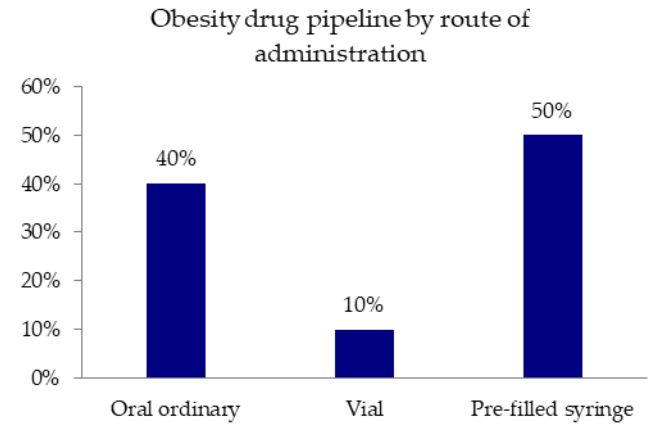
weight loss results comparable to marketed injectables. About 40% of the drug candidates in clinical development are oral formulations, indicating strong momentum in this area. In Dec'25, Novo Nordick received the first USFDA approval of an oral formulation of Wegovy (semaglutide) as a once-daily pill for weight management and cardiovascular risk reduction.

Exhibit 47: Phase-wise distribution of obesity pipeline



Source: IQVIA, HSIE Research

Exhibit 48: Mode of administration



Source: IQVIA, HSIE Research

Exhibit 49: Key market drivers influencing the obesity landscape

Drivers	Comments
Soaring global prevalence	By 2035, the prevalence of obesity is projected to nearly double compared to 2020 levels.
Rising patient willingness to pay	Patients in Europe and North America are increasingly willing to pay out-of-pocket for effective treatments.
Expanded therapeutic indications	Modern obesity drugs are being used beyond weight loss to treat conditions like type 2 diabetes, heart disease, sleep apnea, NASH, and osteoarthritis — highlighting treatment versatility and the link between obesity and related disease.
Cultural shift in perception	Patients are more proactive, doctors are more prevention-focused, and insurers more willing to cover treatment, leading to more inclusive care.

Source: Companies, HSIE Research

Exhibit 50: Obesity clinical pipeline

Phase 1	Phase 2	Phase 3	Submitted	Marketed
NN-9638 ^& (Novo Nordisk)	Bimagrumab #@ (Eli Lilly)	Setmelanotide ^@ (Camurus)	Tesofensine *& (Saniona)	Semaglutide ^@ (Novo Nordisk)
RG-6237 ^@ (Roche)	VK-2735 ^*& (Viking)	Survodutide ^@ (Boehringer Ingelheim)	Mazdutide ^@ (Eli Lilly)	Tirzepatide ^@ (Eli Lilly)
NNC0662-0419 ^& (Novo Nordisk)	Eloralintide ^@ (Eli Lilly)	Retatrutide ^@ (Eli Lilly)	Ecnoglutide ^@ (HK Inno)	Liraglutide ^@ (Novo Nordisk)
Macupatide ^& (Eli Lilly)	AZD-5004 *& (AstraZeneca)	Maridebart Cafragutide ^@ (Amgen)	Orforglipron *& (Eli Lilly)	Semaglutide *@ (Novo Nordisk)
CT-996 *& (Roche)	PR-07976016 *& (Pfizer)			
ENT-03 ^& (Enterin)	RG-6640 ^@ (Roche)			
Enavogliflozin + DWC202010 *& (Daewoong)	Trevogrumab ^@ (Regeneron)			
YH25724 ^@ (Boehringer Ingelheim)	LY3549492 *& (Eli Lilly)			
BI-1820237 ^@ (Boehringer Ingelheim)	NN-9545 ^& (Novo Nordisk)			
GS-4571 *& (Gliead Sciences)	AZD-6235 ^& (AstraZeneca)			
LY3537031 ^& (Eli Lilly)	Amtcretin *@ (Novo Nordisk)			
PF-06954522 *& (Nxera Pharma and Pfizer)	ARO-ALK7 ^@ (Arrow Head)			

Phase 1	Phase 2	Phase 3	Submitted	Marketed
BI-3034701 ^@ (Boehringer Ingelheim)				
Taldefgrobep @ (Biohaven)				
INV-347 ^& (Novo Nordisk)				
AMG-513 ^& (Amgen)				

Source: IQVIA, Companies, HSIE Research. Note: ^ pre-filled syringe, * Oral ordinary, #Vial, & non-biologic, @ Biologic

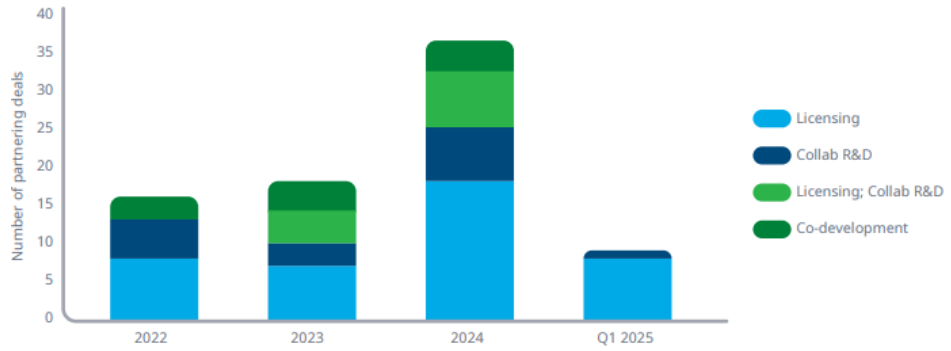
Following the surge in interest, it is unsurprising that life science companies have turned to dealmaking to gain access to new anti-obesity therapies. Flush with cash from its successful diabetes and weight loss franchise, Novo Nordisk has largely dominated the dealmaking landscape. Its main competitor, Lilly, has also been prominent in the space, while other key players such as AstraZeneca, Roche, and Pfizer have also signed multiple deals to enter the lucrative market.

Exhibit 51: Number of obesity deals announced by major pharma companies, 2020 — Q1 2025

Companies	Deal number (as of Q1CY25)
Novo Nordisk	17
Eli Lilly	7
AstraZeneca	3
Roche	2
Pfizer	2

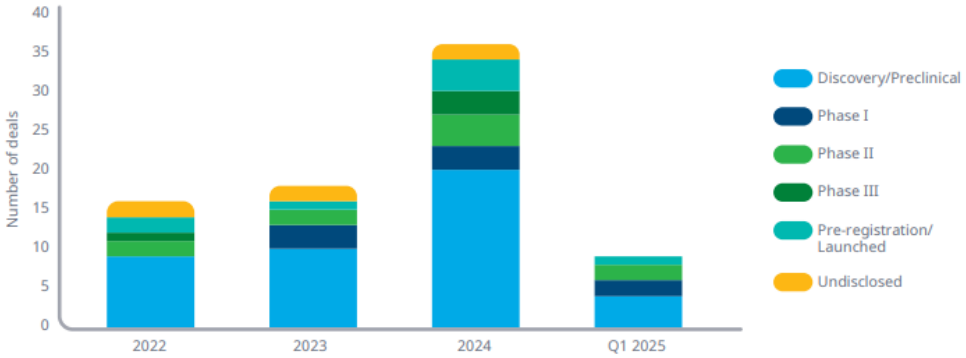
Source: IQVIA, HSIE Research

Exhibit 52: Number of obesity partnering deals, 2022 — Q1 2025



Source: IQVIA, HSIE Research

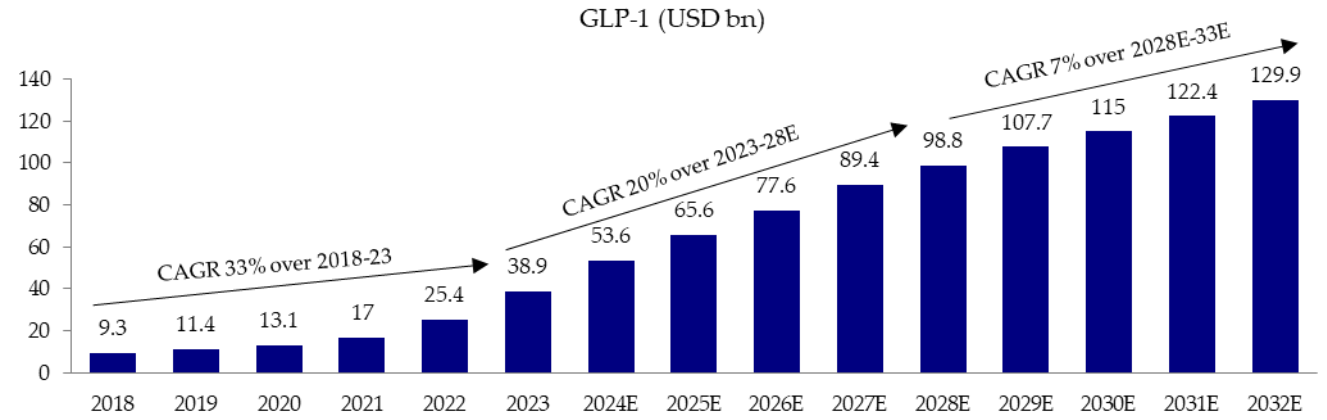
Exhibit 53: No. of obesity partnering deals by development phase, 2022-Q1 2025



Source: IQVIA, HSIE Research

Driven by the strong efficacy of GLP-1 drugs in treating diabetes and their significant weight-loss effects, GLP-1 drugs have become the top choice for obesity patients, leading to a rapid expansion of the overall market. The GLP-1 drug market has witnessed explosive growth in recent years, with its global market size increasing to USD 38.9 bn in 2023 from USD 9.3 bn in 2018, implying a robust CAGR of ~33% over the same period. Going ahead, the addressable GLP-1 market is expected to reach sales of ~USD 99 bn by 2028E (CAGR of ~20% over 2023–28E) and sales of ~USD 130 bn in 2032E (CAGR of ~7% over 2028–32E and a CAGR of 14% over 2023–32E).

Exhibit 54: Strong growth in GLP-1 market over 2023 to 2032E



Source: Frost & Sullivan, HSIE Research

China is already playing a pivotal role in the GLP supply chain

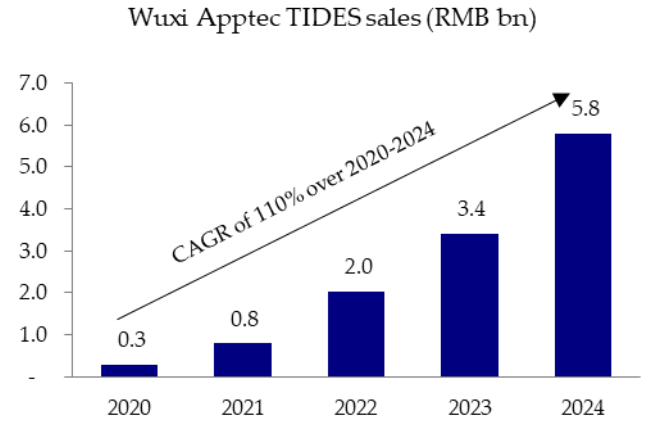
There are two technologies for manufacturing GLP-1 molecules – (1) the first-generation technology which relied on biological extraction and traditional fermentation, and (2) second-generation technology based on chemical synthesis with core method including liquid-phase synthesis, solid-phase synthesis, and gene recombination.

Existing approved products are made using (1) fermentation technology by Novo Nordisk for Semaglutide. This is an expensive process but has lesser impurities and limited contribution requirement from CRDMOs, and (2) solid-phase peptide synthesis used by Eli Lilly for its product Tirzepatide. This process is relatively inexpensive and requires multiple step process (over 85 steps) with relatively higher impurity possibility. CRDMOs can play an important role in managing such synthesis processes (complex peptide manufacturing as well as API purification).

Traditionally, the peptide market was dominated by Europe-based CDMOs Polypeptide and Bachem, with a sharp rise in demand for Eli Lilly product Tirzepatide (largely depend on third party supplies) and supplies shifting toward China. To capture the GLP opportunities, companies like Wuxi Apptec, Pharmaron, and Asymchem have scaled up capabilities as well as capacities to meet the global demand.

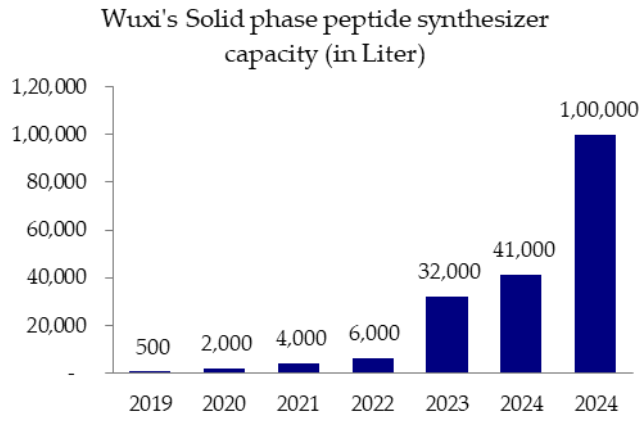
Wuxi Apptec is one of the leading suppliers to Eli Lilly and has seen strong growth in CY24. Wuxi Apptec reports its peptide revenues under TIDES business (oligo and peptides) revenue which grew by ~70% YoY to RMB 5.80 bn in CY24 with TIDES backlog up 104% YoY and TIDES D&M customers growing 15% YoY (while the number of TIDES molecules grew 22% YoY). With the ramp-up of new capacity released sequentially each quarter last year, Wuxi Apptec's TIDES revenue grew 121% YoY to RMB 7.84 bn in 9MCY25. As of Sep-25, TIDES backlog was up ~17% YoY and TIDES D&M customers grew 12% YoY, and molecules grew 34% YoY. The company is focusing on expanding its capacity, and it has increased total reactor volume of solid phase peptide synthesizers to 41,000L in CY24 from ~500L in 2019. In Sep-25, the company has completed the construction of peptide capacity and increased capacity over 100,000L.

Exhibit 55: Wuxi Apptec's TIDES revenue grew strongly



Source: Company, HSIE Research

Exhibit 56: Plan to expand TIDES capacity multifold



Source: Company, HSIE Research

Asymchem has expanded its total solid-phase peptide synthesis capacity to ~21,000L by the end of 2024 and expanded its capacity to 30,000L by H1CY25. The company plans to reach 44,000L in CY25 end. Asymchem has supported a major domestic client in smoothly passing the first GLP-1 peptide project's dynamic verification, laying the foundation for delivery of the first commercial peptide project in 2025.

Indian CRDMOs can play pivotal role in GLP supply chain

There are multiple entry points for Indian CRDMOs in the GLP supply chain for raw material supplies, such as peptide building blocks, dipeptides, tripeptides, protected amino acids (like Boc: tert-Butyloxycarbonyl and Fmoc: fluorenylmethyloxycarbonyl), peptide fragments, as well as tetramers and decamers. Some of the upcoming GLP drugs, such as Mazdutide and Retatrutide, require complex peptide synthesis—likely using methods such as solid-phase or liquid-phase peptide synthesis—followed by purification, structural characterization, and formulation into a finished dosage form like an autoinjector. Indian peers such as Divi's Lab, Laurus, Anthem Biosciences, Sai Life and others have the capabilities to handle these lengthy synthesis processes and are investing to create capacity for future opportunities. While Novo Nordisk's product, which is fermentation-based, is fully backward integrated, Eli Lilly's products are highly dependent on raw material supplies from China. As Eli Lilly launches its products across new markets, it will require alternative sources of raw material supplies. Given that the GLP market is expected to increase to ~USD 130 bn by 2032E, assuming 7-8% cost towards APIs will create a market opportunity of USD 9-10 bn by 2032E for GLP APIs and considering a 25-40% market share for Indian CRDMOs, the market opportunity flowing toward Indian peers would be USD 2.5 bn-4 bn by 2032.

The leading company has committed to capex related to obesity drug supplies, such as (1) Divi's Lab expanding its lab-scale capacity to commercial stage capacity for solid-phase peptide synthesis, (2) Anthem also has readiness to capture GLP opportunities with a plan to expand peptide synthesis capacity and has samples for validation with select customers, (3) Sai Life has commissioned a dedicated peptide research center and is tapping into the GLP opportunity, (4) Laurus is also working on commissioning capacity for GLP drug-related supplies, and (5) many other Indian companies are working closely with global companies for validation of GLP-related supplies.

Global pharma industry would continue to evolve

The global innovators focus on development of and introduction of new-age modalities across small molecules which are easily synthesized through chemical processes and biologics (large molecules) like monoclonal antibodies (mAbs), Antibody Drug Conjugates (ADCs), and Cell and Gene Therapies (CGTs). These offer specificity but are costly and challenging to produce consistently due to intricate

manufacturing processes involving living cells and sterile environments. Moreover, the pharma industry is transitioning from traditional drug manufacturing to cutting-edge methods like Biotransformation, Flow Chemistry, and Recombinant DNA.

Exhibit 57: Emerging therapies and focus area for global pharma and biotech companies

Technology	Description	Key therapeutic areas	Market size (USD bn)		
			2024	2029E	CAGR 2024-29
Antibody Drug Conjugate (ADC)	ADCs are innovative biopharmaceutical products in which a monoclonal antibody is linked to a small molecule cytotoxic drug with a stable linker. Used for targeted therapy, ADCs target and kill tumor cells without harming the healthy cells by integrating the antigen specificity of monoclonal antibodies (mAbs) with antibody fragments.	Mostly for treating cancer, also potential for using ADCs to treat other diseases such as haemophilia and inflammatory diseases	13.3	45	27.60%
Oligonucleotides including RNAi	Oligonucleotide drugs are short strands of DNA or RNA; they work by binding to DNA or RNA to either increase or decrease the expression of target RNA. They are more targeted and can alter gene expression, thereby effectively treating genetic disorders.	They are used to treat Neurodegenerative disorders, cancer, autoimmune disorder.	5.3	12	18.10%
Lipids	Lipid-based drug delivery systems include various formulations aimed at presenting poorly water-soluble drugs in a solubilized form, thereby eliminating dissolution as the rate limiting step for absorption.	Lipids are used in the field of oncology.	1.04	2	13.80%
Recombinant Monoclonal Antibodies (mAbs)	Monoclonal antibodies (mAbs) are laboratory-made proteins that can bind to specific antigens in the body, such as those on cancer cells. They mimic, enhance, or restore the immune system's attack on unwanted cells. Their specificity, ease of production and conjugation, and generally low toxicity make them advantageous compared to small molecules.	Mostly oncology and immunology/ infectious diseases but expanding into other therapeutic areas.	237.4	328	6.70%
Cell & Gene Therapies	Gene therapy involves the transfer of genetic material, usually in a carrier or vector, and the uptake of the gene into the appropriate cells of the body.	CGTs are used to treat genetic disorders, immune disorders, cancer etc.	8.7	46	39.50%

Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

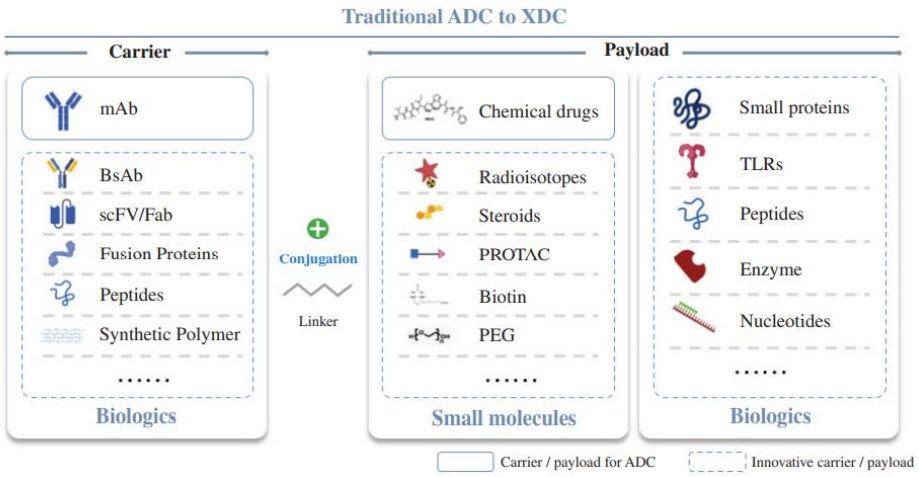
ADCs to grow strongly with progress in clinical development

As per the IQVIA, antibody-drug conjugates (ADCs) are monoclonal antibodies conjugated to cytotoxic agents. They use antibodies that are specific to tumor cell-surface proteins and, thus, have tumor specificity and potency not achievable with traditional drugs.

ADCs consist of three components: an antibody, a linker, and a payload.

- **Antibody**: An antibody against a tumor antigen acts as a targeted delivery system, guiding the ADC directly towards antigen-expressing tumor cells, avoiding toxicity to healthy cells and unwanted side effects. In terms of antibody selection, current ADCs are widely based on immunoglobulin G (IgG), which combines a long half-life with strong antibody-mediated immune effects.
- **Payload**: The cytotoxic molecule is responsible for its cancer-killing effect. While early ADCs utilized traditional chemotherapeutic agents as a cytotoxic payload, these lacked efficacy as such agents were not potent enough to produce sufficient anticancer effect.
- **Linkers**: This links the antibody and payload moieties, and functions to ensure that the highly cytotoxic payload remains stably bound to the antibody and thus inert while in the systemic circulation.

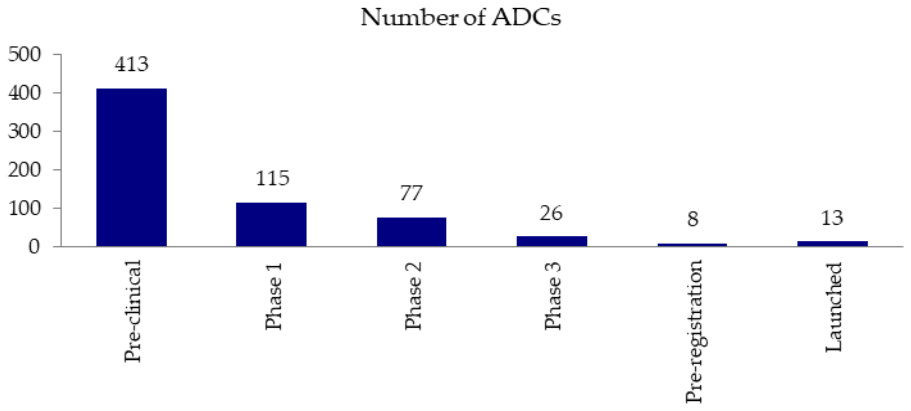
Exhibit 58: Traditional ADC to XDC



Source: Frost & Sullivan, HSIE Research

The current ADC development landscape features 654 drugs (there are only 13-14 approved drugs), with well over half of the candidates still in preclinical development. A further 192 ADCs are currently in Phase I and II, with relatively fewer candidates reaching pivotal trials. This perhaps reflects a difficulty in balancing the potent disease-targeted effects with the potential to cause long-lasting serious side effects.

Exhibit 59: Development landscape for ADCs



Source: Pharmaprojects, HSIE Research

Exhibit 60: Currently approved ADCs

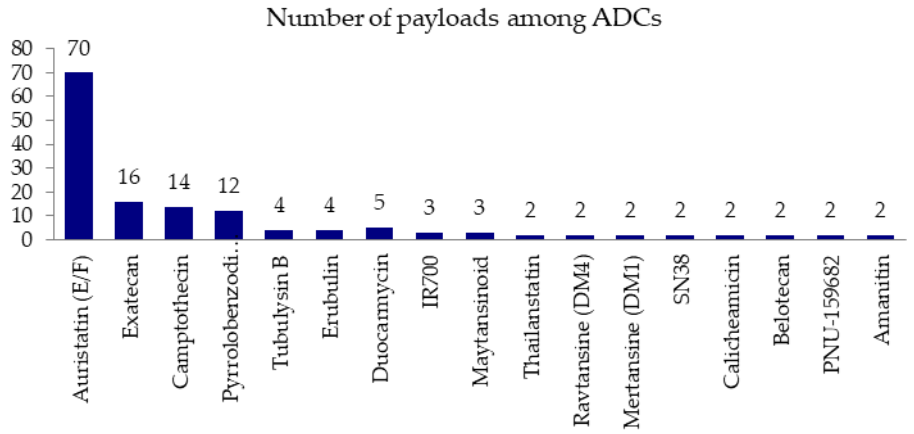
Generic Name	Brand name	Company	Approval date	Payload	Annual sales (USD mn)
Gemtuzumab ozogamicin	Mylotarg	Pfizer	2000	N-acetyl-gamma calicheamicin	214
Brentuximab vedotin	Adcetris	Seagen (Pfizer)/ Takeda	2011	MMAE	1,911
Trastuzumab emtansine	Kadcyla	Roche	2013	DM1 mertansine	2,317
Inotuzumab ozogamicin	Besponsa	Pfizer	2017	N-acetyl gamma calicheamicin dimethylhydrazide	250
Polatuzumab vedotin	Polivy	Roche	2019	MMAE	1,300
Enfortumab vedotin	Padcev	Astellas/Seagen (Pfizer)	2019	MMAE	1,588
Trastuzumab deruxtecan	Enhertu	Daichii Sankyo/ AstraZeneca	2019	DXd (exatecan)	3,754
Sacituzumab govitecan	Trodelvy	Gilead Sciences	2020	SN-38	1,315
Cetuximab sarotalocan	Akalux	Rakuten Medical	2020	IR700	20
Loncastuximab tesirine	Zynlonta	ADC Therapeutics/ SOBI	2021	PBD dimer	69
Disitamab vedotin	Aidexi	RemeGen	2021	MMAE	NA
Tisotumab vedotin	Tivdak	Genmab/Pfizer	2021	MMAE	NA
Mirvetuximab soravtansine	Elahere	Abbvie	2022	DM4 Ravtansine	480

Source: Pharmaprojects, Companies, HSIE Research

Currently, the most commonly used payloads in ADC development are auristatins, specifically monomethyl auristatin E (MMAE) and monomethyl auristatin F (MMAF), with 70 ADCs in active development. A significant disparity exists between the most adopted and alternative payloads, which can be attributed to factors such as payload properties—including stability and toxicity—those present challenges in clinical applications.

Accordingly, an ideal payload should be cytotoxic enough to achieve a therapeutic effect while reducing the requirement for higher doses that can lead to harmful side effects, which is a key focus area during clinical development. As of October 2024, approximately 147 payloads are under development globally, of which 70 (about 48%) are auristatins, followed by Exatecan (16), Camptothecin (14), and Pyrrolobenzodiazepine (12) among other key payloads.

Exhibit 61: The most common payloads among ADCs in development

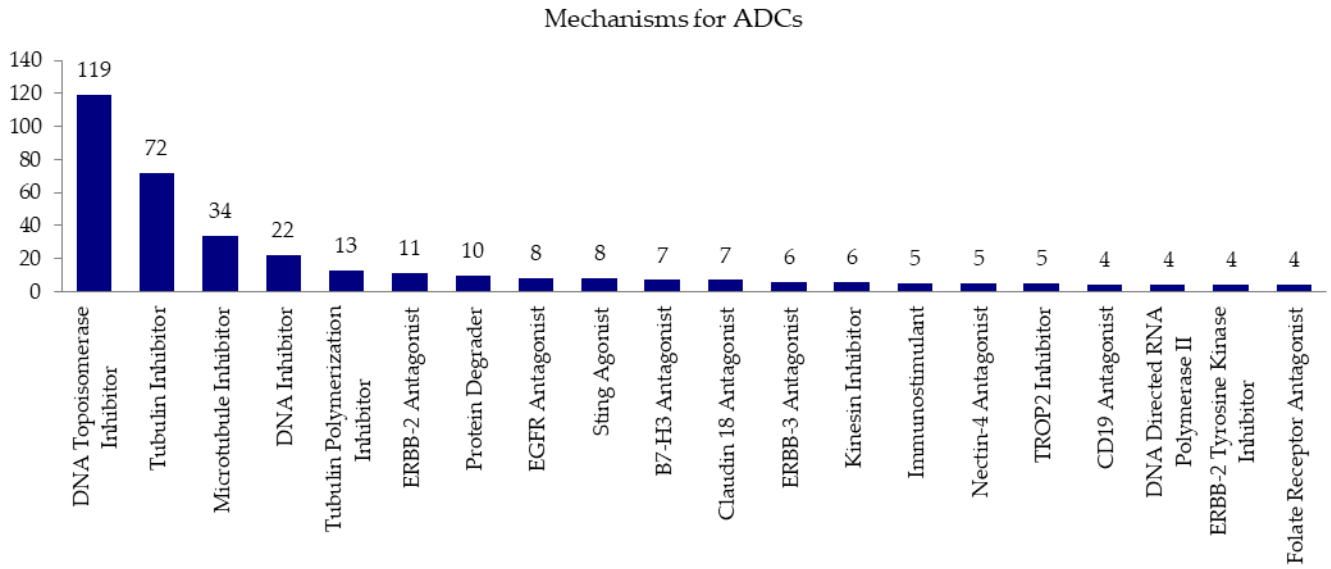


Source: Pharmaprojects, HSIE Research

ADCs are administered intravenously into the bloodstream to avoid degradation of the mAb component. The attached antibody acts as a "biological missile," guiding the ADC to antigen-expressing tumor cells, where it binds and forms an ADC-antigen complex that is subsequently internalized via receptor-mediated endocytosis.

Upon internalization, the ADC is degraded, thereby releasing the cytotoxic payload, and leading to the death of cancer cells. The distinct mechanism of cell death depends on the payload agent, such as DNA- and tubulin-binding agents. As of October 2024, 354 mechanisms are under development, with the majority skewed toward DNA topoisomerase inhibitors, tubulin inhibitors, and microtubule inhibitors.

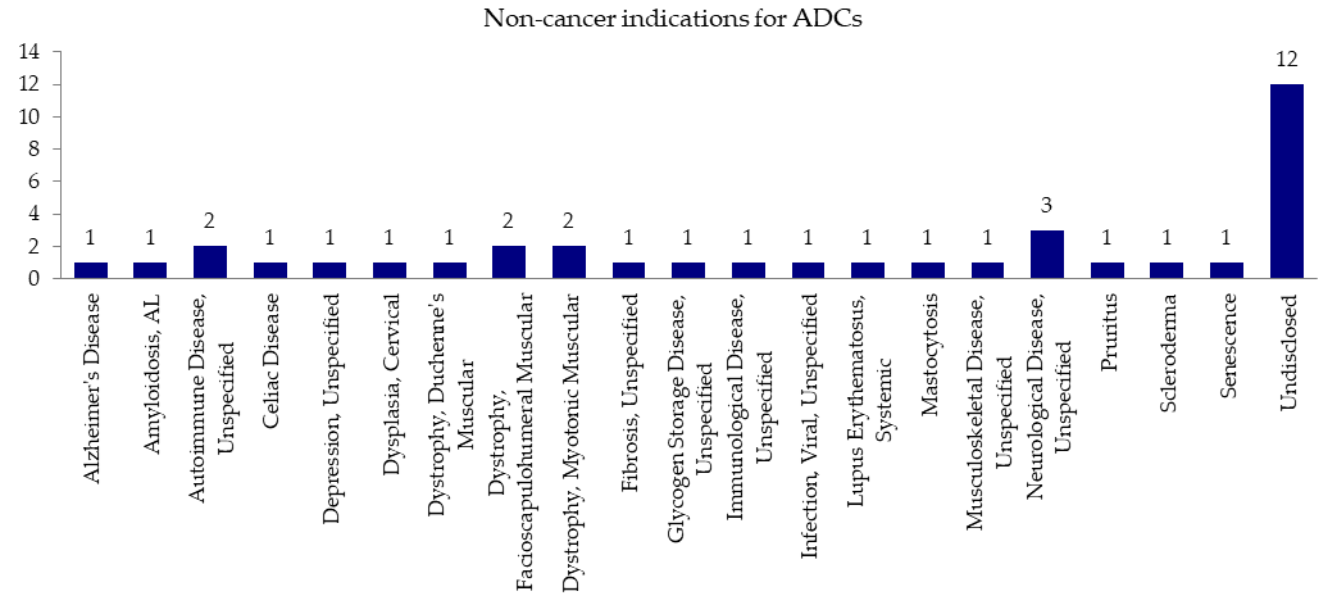
Exhibit 62: Most common mechanisms for ADCs in active development



Source: Pharmaprojects, HSIE Research

While the mainstay of ADC development has centered on the treatment of cancer, the potential of ADCs in treating non-cancer indications has attracted some attention. Currently, the non-cancer ADC landscape features 37 drug candidates, the majority of which are in preclinical development. In a move away from conventional cytotoxic payloads, several antibody-oligonucleotide conjugates are also in clinical development outside of oncology.

Exhibit 63: Non-cancer indications for ADCs in pipeline development



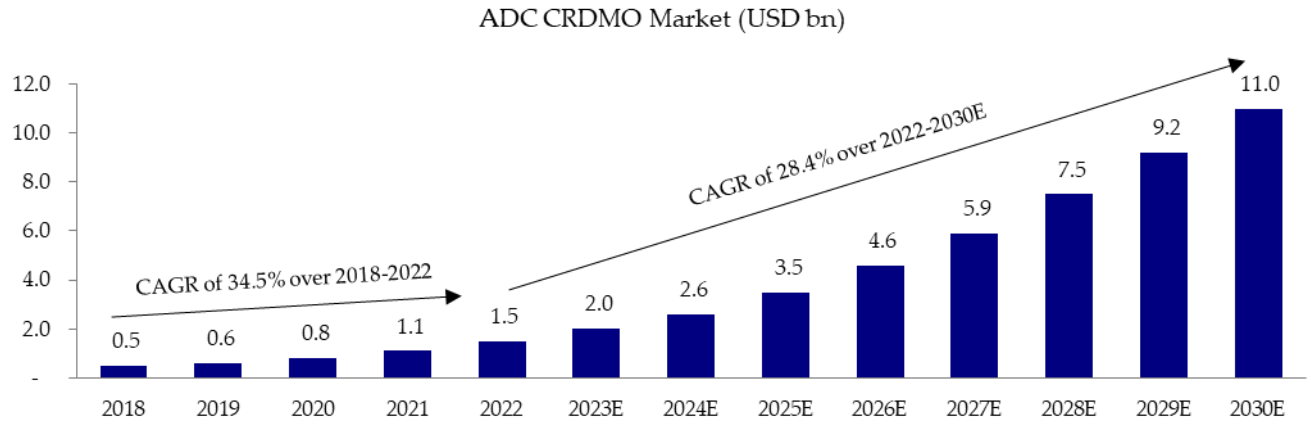
Source: Pharmaprojects, HSIE Research

The ADC market is expected to see a strong growth CAGR of ~27.6% over 2024–29E to reach a market size of USD 13.3 bn. The ADC CDMO market is being driven by three key factors: (1) **ADC technology**: This has evolved through three generations, with major advances in targets, antibodies, linkers, payloads, and conjugation methods—these have improved the stability and anti-tumor activity of ADC drugs; (2) **ADC manufacturing**: ADCs are highly complex and involve multiple steps, requiring advanced technology, specialized equipment, and strict quality controls. To reduce cost and risk, global pharma companies prefer to outsource production to CRDMOs; and (3) **Expanding portfolio and indications**: Global pharma companies are investing

in the development of ADC pipelines in both cancer and non-cancer treatments, providing opportunities for development and manufacturing services.

The global market for ADC outsourcing services reached a value of USD 1.5 bn in 2022, exhibiting a CAGR of 34.5% between 2018 and 2022. It is expected that the global ADC outsourcing services market will expand significantly to reach USD 11.0 bn by 2030, with a CAGR of 28.4% from 2022 to 2030. Select Indian CRDMOs have a meaningful presence in the ADC space, including Piramal Pharma, Anthem Biosciences, Sai Life, and Cohance Lifesciences.

Exhibit 64: Global ADC outsourcing services market size



Source: Frost & Sullivan, HSIE Research

Cell gene therapy to drive next generation of precision medicine

Cell gene therapy (CGT) development has been led by the limitation of traditional treatment and the advancement of gene technologies. CGT has evolved from conventional cell therapy to approaches that combine cell therapy with gene modification. CGT directly addresses the root cause of disease such as genetic defects or abnormal cells. Over the past decade, a few of the CGT drugs have received approvals.

Exhibit 65: Currently approved CGT products

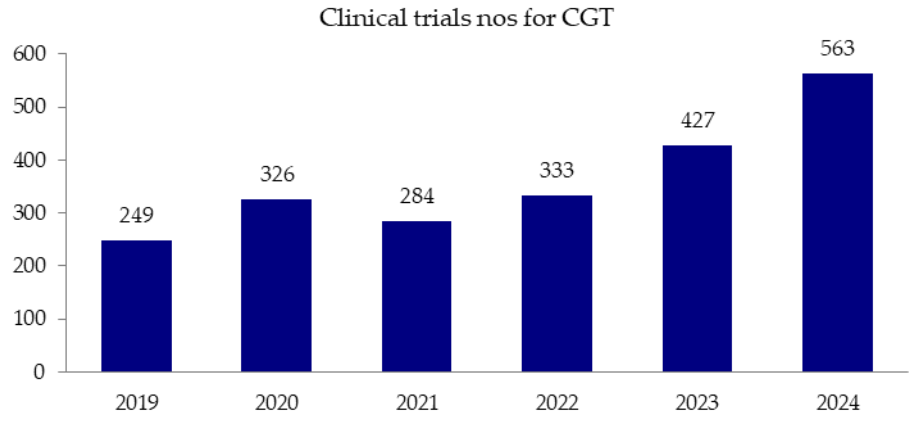
Generic name	Brand Name	Company	Indication	Approved counties	Drug type
Lifileucel	Amtagvi	Iovance Bio	Melanoma	US	TIL (tumor-infiltrating lymphocyte)
Zevorcabtagene autoleucel	Saikaize	CARsgen Therapeutics	Relapsed/ refractory multiple myeloma	China	CAR-T (Chimeric Antigen Receptor T-cell)
Fidanacogene elaparvovec	Beqvez	Pfizer	Hemophilia B	Canada	AAV (adeno-associated virus)
NA	Easytense	Generium Pharma	Knee cartilage injury	Russia	Cartilage cells
Vandefitemcel	Akuugo	SanBio	Traumatic brain injury	Japan	MSC (Mesenchymal Stem Cells)
Afamitresgene autoleucel	Tecelra	Adaptimmune Therapeutics	Synovial sarcoma	US	TCR-T (T cell receptor-engineered T cell)
Abecabtagene autoleucel	Aucatzyl	UCL	Precursor B-cell lymphoblastic leukemia	US	CAR-T (Chimeric Antigen Receptor T-cell)
NA	RegeneCyte	StemCyte	Hematopoietic stem cell transplant	US	HSC (hematopoietic stem cells)
Axicabtagene ciloleucel	Yescarta	Gilead	Large B-cell lymphoma	Multiple	CAR-T (Chimeric Antigen Receptor T-cell)
Onasemnogene abeparvovec	Zolgensma	Novartis	Spinal muscular atrophy	Multiple	AAV (adeno-associated virus)
Tisagenlecleucel	Kymriah	Novartis	Types of B-cells acute lymphoblastic leukemia	Multiple	CAR-T (Chimeric Antigen Receptor T-cell)
Ciltacabtagene autoleucel	Carvykti	J&J	Multiple myeloma	Multiple	CAR-T (Chimeric Antigen Receptor T-cell)
Idecabtagene vicleucel	Abecma	BMS	Multiple myeloma	Multiple	CAR-T (Chimeric Antigen Receptor T-cell)

Source: Frost & Sullivan, Companies, HSIE Research

Each year, the number of CGT clinical trials initiated globally has continued to grow, increasing from 249 in 2019 to 563 in 2024. This steady rise reflects the industry's optimistic outlook on CGT development and continuous increase in R&D investment. This is expected to drive partnership or outsourcing opportunities for CRDMOs.

CGT including CAR-T cell therapies and gene-editing techniques like CRISPR offer potentially curative treatments by altering or correcting genetic material. The CGT market was valued at USD 8.7 bn in 2024 and is projected to surge to USD 46.2 bn by 2029, with a CAGR of 39.5%. These therapies require advanced bio-manufacturing involving viral vectors or plasmid DNA and must adhere to rigorous quality control and regulatory standards, further increasing their complexity and cost. In the Indian CRDMOs context, there are limited companies such as Laurus Lab and Syngene International that have the capability of capturing the outsourcing opportunities.

Exhibit 66: Number of global clinical trials for CGT products



Source: Frost & Sullivan, HSIE Research

Global API market overview and outlook

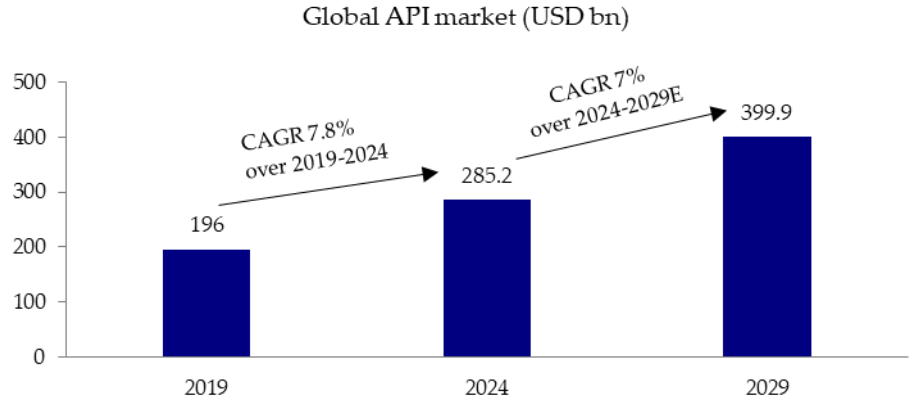
API market expected to see steady growth

Active Pharmaceutical Ingredient (API) is any substance or combination of substances used in a finished pharma product and includes small molecules (chemical-based medicines) and large molecules (biologics/biosimilars). The pharma industry is seeing a rise in demand for complex APIs like Highly Potent APIs (HiPo-APIs) and those derived from fermentation processes. These APIs offer enhanced drug efficacy but have higher production costs and technical complexity.

The small-molecule API segment dominates the overall API market value, representing 66.1% in 2024. However, the share of biologics (large molecules) in API demand is seeing a steady increase, from 24.6% in 2019 to 33.9% in 2024, and by 2029 it is expected to capture 42.2% of the market. This increase can be attributed to the growing demand for biologic drugs that are more targeted.

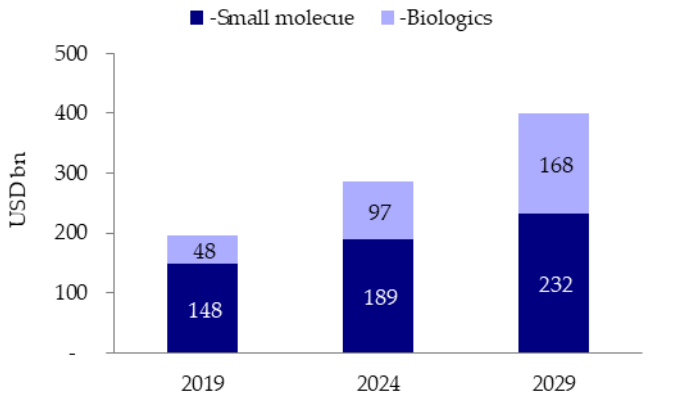
The global API market has risen by ~8% over 2019–24 and is valued at ~USD 285.2 bn in 2024 (up from ~USD 196 bn in 2019) and is projected to reach ~USD 400 bn by 2029, driven by increased drug consumption, including both biologics (large molecules) and small molecules. Within APIs, the market for (1) small-molecule APIs has seen a CAGR of ~5% over 2019–24 and is valued at ~USD 189 bn in 2024 (up from ~USD 148 bn in 2019) and is projected to reach ~USD 232 bn by 2029, reflecting a CAGR of ~4% over 2024–29E; and (2) large-molecule APIs has seen a CAGR of ~15% over 2019–24 and is valued at ~USD 97 bn in 2024 (up from ~USD 48 bn in 2019) and is projected to reach ~USD 168 bn by 2029, reflecting a CAGR of ~12% over 2024–29E.

Exhibit 67: Global API market to see steady growth



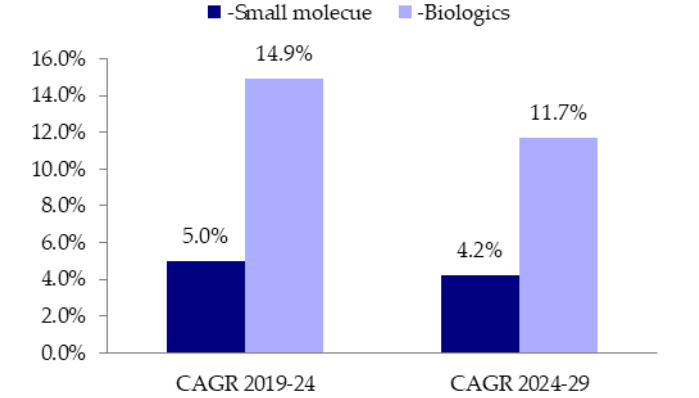
Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 68: API market split



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

Exhibit 69: Large molecule market growth to be faster



Source: Evaluate Pharma, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

India ranks as the world's third-largest producer of APIs, accounting for 8% of the global API market by value. Despite this, the country continues to rely heavily on imports, with around 35% of its API requirements—particularly fermentation-based APIs—sourced from China. APIs are a major export category and serve as key enablers for vertical integration across the industry. India's API exports are projected to expand from nearly USD 5 bn in 2023 to USD 12 bn by 2030, growing at a 14% CAGR over this period. API exports are further poised to reach USD 80–90 bn with a 12% CAGR from 2030 to 2047, matching China's expected penetration by 2047 (Bain & Company Report; Pharmexcil 2023 Data).

The High-Potency API (Hi-Po API) market is undergoing significant expansion, spurred by the increasing demand for specialized drugs, especially in oncology and targeted therapies. As more chronic diseases, particularly cancer and neurological disorders, rise globally, the need for Hi-Po APIs, such as those used in antibody-drug conjugates and precision medicines, has intensified. At the same time, regulatory changes, technological advancements, and shifting manufacturing landscapes are shaping the future of this vital sector. The global Hi-Po API market, estimated to be worth USD 29.34 bn in 2025, is projected to grow to USD 45.70 bn by 2030, with a CAGR of 9.27%. Factors such as the growing prevalence of chronic diseases, the expiration of patents on key oncology drugs, and increasing interest in biosimilars are driving the demand for Hi-Po APIs. In the Indian CRDMOs context, there are companies such as Divi's Lab, Piramal Pharma, Anthem Bio, Sai Life, and Laurus Lab that have the capability of capturing the outsourcing opportunities.

Specialty APIs are innovative ingredients with unique properties and are a subset of APIs. Specialty ingredients such as fermentation-based APIs, probiotics, and enzymes have high barriers to entry, as they are difficult to manufacture and require specialized technical capabilities in development as well as manufacturing, and often use green chemistry.

Exhibit 70: Select APIs and specialty ingredients growth drivers

Specialty Ingredients	Growth Drivers	Use Case	Market size (USD bn)		
			2024	2029E	CAGR 2024-29
Biosimilars	The biosimilars market, which includes microbial and mammalian, is poised for high growth of 18.8% between 2024 and 2029E due to the patent expiry of several biologic drugs and the increasing demand for affordable biologics (large molecules) therapeutics. Currently ~200 biosimilars are under development (as of 2024) in India due to advantages such as lower time taken for biosimilar development which is estimated to be between 3 to 5 years in India, compared to 7 years in western countries, and the average cost of biosimilar development in India is estimated to be ten-times lower in certain cases.	Oncology, immunology, musculoskeletal, endocrine (anti-diabetes), ophthalmology, and hematology.	33.2	78.7	18.80%
Fermentation Products	Vitamin K2: The rising prominence of Vitamin K2 offerings in blended form owing to their bone and cardiovascular health claims. Serratiopeptidase: With an increase in chronic diseases, Serratiopeptidase demand is growing as an alternative to non-opioid pain relief and inflammation management drugs.	Vitamin K2: Dietary supplements, F&B such as adult and infant nutrition, and childcare products, cosmetics, pharma. Serratiopeptidase: Pain management and inflammation drugs.	0.20	0.32	9.80%
Probiotics & Enzymes	Probiotics: Rising awareness, regulatory support on new strains & product approvals. Enzymes: Growing focus on sustainable production technologies.	Probiotics: Functional F&B, dietary supplement, infant formula. Enzymes: Pharma, home care, paper & pulp processing, textiles.	7.4	10.0	6.20%
Peptides	The increased prevalence of chronic diseases such as cancer, diabetes, and cardiovascular disorders drives the demand for peptides as they provide targeted treatment with minimal side effects. Significant opportunity with GLP-1 across diabetes and weight loss treatment (~93.7% of peptides market in 2024).	Gastrointestinal and metabolic disorders.	56.4	140.3	20.00%
Protease	Protease represents one of the three largest groups of industrial enzymes, accounting for ~45.6% of the worldwide sales of enzymes in 2024. The shift towards eco-friendly processes has increased the demand for enzymes such as protease in various industrial applications including pharma (used as therapeutic agents, an alternative to chemicals).	Pharma, leather, industrial waste management, brewing industry, food industry.	2.3	3.0	5.70%
Nutritional Actives and Vitamin Analogues	The expanding geriatric population and the rising incidence of lifestyle diseases have urged consumers to become health conscious, resulting in the growing demand for nutritional active ingredients and vitamin analogs. Further, the increasing demand for supplements to meet specific health needs beyond immunity will positively influence the vitamin market.	Nutritional Actives: Dietary supplements, functional food, functional beverages. Vitamin Analogues: Dietary supplements, F&B, personal care, pharma grade vitamins, specialized vitamins.	31.2	42.5	6.40%

Source: Frost & Sullivan, HSIE Research

Recent trends, such as developing backward integration of APIs to key starting materials and intermediates, ensure better control over the supply chain, price volatility absorption, and better cost management to secure margins. Moreover, R&D allocation toward product development and process excellence helps achieve overall improvement in yield and a focus on zero residuals, with strong recovery of key starting materials as well as solvents, thereby lowering overall input consumption of solvents (which are relatively high in cost).

Exhibit 71: API companies focus on developing an integrated business model

Source: Concord Biotech annual report 2024-25, HSIE Research

US BIOSECURE Act – indicative shift to Indian CRDMOs

Accelerating China+1 opportunities

The US BioSecure Bill was first introduced by a bipartisan group, which was then supported by the Republican and Democratic members of the US House of Representatives, on 25th January 2024. In the initial stages, the bill alleged that five Chinese CRDMO companies (BGI, MGI, Complete Genomics, Wuxi Apptec and their subsidiaries and affiliates) were closely linked to Chinese military and government arms, such as in areas of financial transactions and academic collaborations. Further, it said that the above companies collect private, confidential data, including genetic information of the US Pharma clients and share it with the Chinese government, which in turn, uses it to advance its AI and biotech capabilities.

On 17 Dec 2025, the bill was passed in the Senate as a part of the NDAA (Section 851 – Prohibition on contracting with certain biotechnology providers), furthermore being signed by President Trump on 18 Dec 2025, which is viewed as a pivotal moment in the US pharma supply chain.

The bill is aimed at curbing the capabilities of key Chinese companies involved in R&D services and preventing them from emerging as strong biotech players, given China's expansive security laws. Indirectly, it seeks to incentivize US innovators to reduce their reliance on China and diversify their supply chains toward geographies that do not pose potential risks to US national security. CRDMO companies in countries such as Korea, Japan, and India, while not direct beneficiaries of the bill, experienced a notable surge in RFQs and inquiries during the period.

The bill also offers a grace period until 2032, allowing pharma innovators to bring down their exposure from the aforementioned "Biotechnology Companies of Concern." It also included waivers in case of medical emergencies such as a repeat of the COVID pandemic.

Legislative Status and Timelines

Since its introduction, the bill has progressively passed through several committees in the House of Representatives with overwhelming majorities, including an 11-1 vote in the Senate Committee on Homeland Security and Governmental Affairs and a 40-1 vote in the House Committee on Oversight and Accountability. However, it has also undergone several amendments that diluted and delayed its passage, largely due to strong lobbying by the pharmaceutical industry and the impending US presidential elections in November 2024. The bill was not included in the National Defense Authorization Act (NDAA 2025), making its passage in the previous Congress highly unlikely.

Over time, the US BioSecure Act was reintroduced in the US Senate on 16 Sep 2025, looking to undergo the legislative procedure again with a few changes from its original filing in 2024. These changes were mainly aimed at addressing concerns highlighted in the 2024 bill, which had led to its stalling in the US Senate in that year. Some of the key changes are listed below.

Exhibit 72: Key Changes between 2024 filing and 2025 filing of BIOSECURE Act

Description	2024 filing	2025 filing
Naming of companies	The bill explicitly named specific 'Biotechnology Companies of Concern" (BCOC) including BGI, MGI, Complete Genomics, WuXi Apptec and WuXi Biologics.	The new draft does not name specific companies. Instead, it relies on the "List of Chinese Military Companies" (1260H List) maintained by the US Department of Defence and provides a process for more companies to be added to the list.
Effective timelines for prohibitions	Included a grandfather clause, which would allow existing contracts to continue until Jan 2032.	Created two different timelines for prohibitions to take place. For companies on the 1260H list, the prohibitions will take place in 60 days after the regulations were advised. For companies not on the list, but later designated in the list, a 90-day prohibition period was provided. For pre-existing contracts, a five-year grandfathering window is provided.
Due process	The 2024 bill had provisions for notifying companies of their designation as a BCOC, but the process was not a formal administrative hearing.	The new bill provides a clearer process for companies to be added to the BCOC list, which may address some of the due process concerns that were raised previously. It also addresses a "Medical Safeguard" clause to prevent supply chain disruptions and clearly highlights conditions for a company to be classified as a BCOC.

Exhibit 73: Legislative Timelines for US BIOSECURE Act

Date	Description
30-Dec-23	Senate version of BIOSECURE Act was first introduced
25-Jan-24	House version of BIOSECURE Act was first introduced
06-Mar-24	The Senate Committee on Homeland Security and Governmental Affairs overwhelmingly approves with an amendment that names 5 specific Chinese Biotech companies
15-Jun-24	The House Committee of Oversight and Accountability marked up the bill and introduced it with a key change highlighting Jan-2032, as the deadline for decoupling with Biotechnology companies of concern (BCOC)
09-Sep-24	The House passed the BIOSECURE Act as a standalone bill, with a massive bipartisan majority
09-Dec-24	Despite the support, bill was not included in the FY25 NDAA and fails to receive floor vote in the Senate.
31-Jul-25	BIOSECURE Act was introduced an Amendment 3841 to the Senate's version of the FY26 NDAA. This version moved away from naming specific companies in the statute to avoid legal challenges.
09-Oct-25	The Senate passes their version of the NDAA, officially including the BIOSECURE amendment.
07-Dec-25	Final Compromise text of the FY26 NDAA is released, including the BIOSECURE Act as Section 851
17-Dec-25	Senate passes the FY26 NDAA, with the BIOSECURE Act included, sending it to the President's Desk
18-Dec-25	President Trump signed the FY26 National Defence Authorization Act (NDAA) into law, effectively bringing the revised version of the BIOSECURE Act (Section 851 of NDAA) into law.

Key Details listed in BIOSECURE Act

As of 18 Dec 2025, the NDAA was signed into law by President Trump, aligning with the Trump Administration's support towards aligning national security goals, while US based pharma innovators would need to assess their arrangements with companies designated as "Biotechnology Companies of Concern" (BCOC).

Within the next year since being signed into law, the Director of OMB (Office of Management and Budget), in coordination with the US Department of Defense (DoD) and other companies must publish an initial list of "Biotechnology Companies of Concern" (BCOC). Entities already in the list would automatically be prioritized and must now meet some nexus criteria. Newly designated companies will then have 90 days to submit arguments opposing their inclusion in the list before it is finalized.

The criteria for being in the 1260H list as a BCOC:

- The company is under the jurisdiction or direction of a 'foreign adversary" (China, Russia, North Korea, and Iran).

- The company is actively involved in manufacturing/distribution of biotechnology equipment, provision of services such as clinical data analysis/CRO or CDMO, and procurement of biotechnology materials.

The criteria for being newly designated as a BCOC:

- The company is under the jurisdiction or direction of a 'foreign adversary" (China, Russia, North Korea, and Iran)
- It provides "biotechnology equipment or services"
- It poses a threat to National Security, specifically regarding the collection and exploitation of genetic data.

Within 180 days of the list being published, the OMB must issue formal guidance to federal agencies on how to implement the contracting bans.

Within 1 year of OMB guidance, the Federal Acquisition Regulatory Council (FAR Council) must formally revise their regulations. This is the main trigger for contract prohibitions. Once the list and regulations are updated, the bans would take place after a short grace period as follows:

- **60 days after FAR Update:** Prohibitions begin for entities identified via the Section 1260H list.
- **90 days after FAR Update:** Prohibitions begin for companies designated through the new OMB criteria-based processes.

Following this, companies are allocated a five-year grandfathering period, which protects their contracts existing before the FAR contract, as well as protects the pharma supply chain and avoids immediate disruptions. By around 2032, companies would be expected to move away from Chinese BCOCs, though provisions allow doing business with them as long as they are not involved in federal contracts.

The "Compliance with Drug Prices" in Section 851 of the FY26 NDAA was a last-minute addition to the Act, designed to protect pharma manufacturers who are participating in federal contracts, while sourcing materials from BCOCs. This states that during the period, these companies are looking for new suppliers, their contracts with the government would not be deemed void, and they would be given the same five-year period to find new suppliers.

We believe the US BIOSECURE Act's inclusion in the FY26 NDAA and passing is a pivotal moment for Indian CRDMO firms in the long term, which could dictate a significant shift in the US Pharmaceutical supply chain from China to India. While companies have already employed a "China+1" strategy, which has resulted in an uptick in RFPs/RFQs for Indian CRDMOs, in the long term (post-2030), this could mean significantly higher contracts for Indian CRDMOs.

CRDMO coverages – strong growth visibility

Performance of coverage companies

Within our coverage (DIVI, SAILIFE, PIRPHARM, ANTHEM, and LAURUS), we anticipate the revenue CAGR of ~15% over FY25-28E. On the other hand, in our coverage, companies like Divi's, Piramal Pharma, and Laurus have significant mix of non-CRDMO business, largely from generic APIs and formulation verticals, which could drag their overall growth momentum.

Exhibit 74: Coverage universe to see strong growth

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
Sales									
Divi's Lab	89,598	77,675	78,450	93,600	106,230	124,781	148,656	10%	17%
Anthem Bio	12,313	10,569	14,194	18,446	21,443	26,223	32,083	32%	20%
Piramal Pharma	65,591	70,816	81,712	91,512	89,099	105,365	123,073	14%	10%
Sai Life	8,696	12,171	14,652	16,946	21,939	25,512	30,361	18%	21%
Laurus Lab	49,356	60,406	50,408	55,540	66,960	76,976	87,118	-4%	16%
Total	**225,553**	**231,637**	**239,415**	**276,043**	**305,671**	**358,856**	**421,291**	**9%**	**15%**

Source: Companies, HSIE Research

The opportunities across GLP (Divi's, Sai Life, Laurus, and Anthem), ADCs (Sai Life, Laurus, Anthem, and Piramal), CGT (Sai Life, Laurus and Piramal), and other niche pipeline to help the coverage universe to see strong growth momentum. We believe this momentum will lead to an increase in the share of CRDMO in the overall business which will provide visibility of value growth.

We estimate the CRDMO business for our coverage universe will see strong 20% CAGR over FY25-28E, outperforming the industry growth expectation of ~13-14% over 2024-29E. The growth momentum in the CDMO business is strong on the back of capacity expansion, upgradation in technology to cater the niche development pipeline, resilient supply chain management (winning long-term supply contracts), increasing RFPs (requests for proposals) driven by China+1 opportunities and implemented Biosecure Act, and competitive advantage of lower cost for research as well as manufacturing.

Exhibit 75: Strong growth momentum in CRDMO business for coverage…

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
CRDMO business								
Divi's Lab	34,752	35,303	49,140	57,985	72,482	91,327	19%	23%
Anthem Bio	8,081	10,832	15,061	17,923	21,717	26,541	37%	21%
Piramal Pharma	40,010	47,500	54,470	49,669	61,326	73,545	17%	11%
Sai Life	12,171	14,652	16,946	21,939	25,512	30,361	18%	21%
Laurus Lab	22,954	10,820	15,340	21,514	28,759	35,908	-18%	33%
Total	**117,969**	**119,106**	**150,957**	**169,030**	**209,796**	**257,682**	**13%**	**20%**

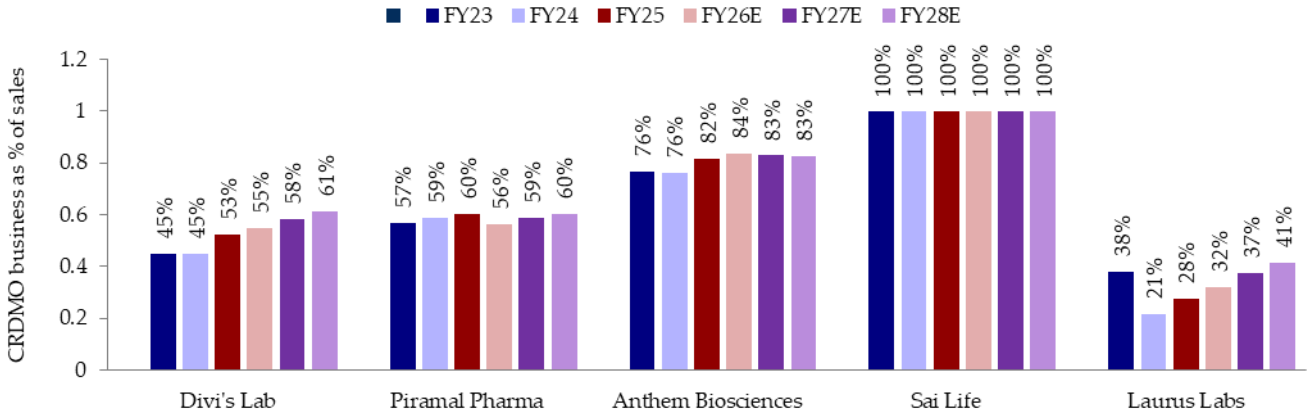
Source: Companies, HSIE Research

Exhibit 76: …partly offset by moderate growth in non-CRDMO business

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
Non-CRDMO business								
Divi's Lab	42,923	43,148	44,460	48,245	52,300	57,329	2%	9%
Anthem Bio	2,488	3,362	3,385	3,520	4,506	5,542	17%	18%
Piramal Pharma	30,806	34,212	37,042	39,430	44,039	49,528	10%	10%
Sai Life	-	-	-	-	-	-	NA	NA
Laurus Lab	37,451	39,588	40,200	45,447	48,216	51,210	4%	8%
Total	**113,668**	**120,309**	**125,086**	**136,641**	**149,060**	**163,609**	5%	9%

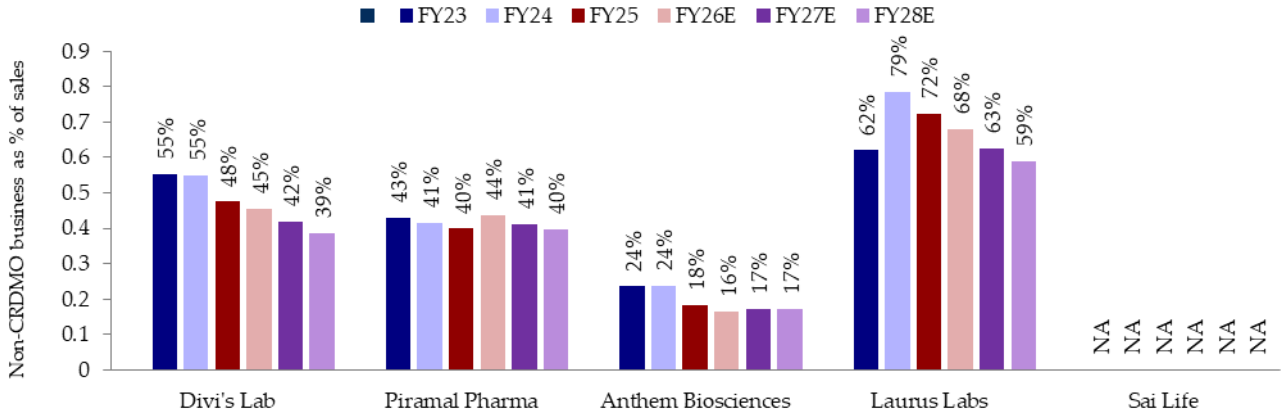
Source: Companies, HSIE Research

Exhibit 77: CRDMO share to increase across the coverage, improving business mix



Source: Companies, HSIE Research

Exhibit 78: Non-CRDMO share for the coverage universe to reduce



Source: Companies, HSIE Research

Growth is also supported by improvement in asset utilization, as most companies under coverage will sustain capex momentum as they focus on execution. We note the coverage universe has scope for asset sweating resulting in a strong growth and margin improvement.

Exhibit 79: Asset utilization to improve; capex to sustain long-term growth

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (incl CWIP)						
Divi's Lab	65,766	75,381	88,901	109,551	125,261	137,201
Piramal Pharma	111,889	121,307	129,463	139,007	148,107	157,207
Anthem Biosciences	10,480	13,410	15,981	21,632	27,552	33,472
Sai Life	15,694	17,863	22,407	28,648	33,933	39,218
Laurus Labs	51,070	58,288	64,847	73,041	82,881	92,597
Addition						
Divi's Lab	4,824	9,614	13,520	20,650	15,710	11,940
Piramal Pharma	15,101	9,418	8,156	9,544	9,100	9,100
Anthem Biosciences	5,074	2,930	2,571	5,651	5,920	5,920
Sai Life	1,209	2,169	4,545	6,240	5,285	5,285
Laurus Labs	7,854	7,217	6,560	8,194	9,840	9,716
Revenues						
Divi's Lab	77,675	78,450	93,600	106,230	124,781	148,656
Piramal Pharma	70,816	81,712	91,512	89,099	105,365	123,073
Anthem Biosciences	10,569	14,194	18,446	21,443	26,223	32,083
Sai Life	12,171	14,652	16,946	21,939	25,512	30,361
Laurus Labs	60,406	50,408	55,540	66,960	76,976	87,118
Revenue to gross block (x)						
Divi's Lab	1.2	1.0	1.1	1.0	1.0	1.1
Piramal Pharma	0.6	0.7	0.7	0.6	0.7	0.8
Anthem Biosciences	1.0	1.1	1.2	1.0	1.0	1.0
Sai Life	0.8	0.8	0.8	0.8	0.8	0.8
Laurus Labs	1.2	0.9	0.9	0.9	0.9	0.9

Source: Companies, HSIE Research

We note the coverage universe has seen margin correction over FY22-24 as there was a significant increase in the prices of some raw materials due to energy crisis in China (after pandemic), commissioning of new plants, rise in solvents costs, higher freight costs, rise in catalyst prices (metals like lithium), and higher energy cost (a sharp jump in coal prices). However, in FY25, the margin has improved with stabilization seen in the above key concerns.

We believe that with a strong growth momentum in the CRDMO business, the EBITDA will grow strongly, margin improvement will see enhanced visibility. Backward integration to reduce dependency on key starting materials, process excellence with lower wastage and improved yields (including higher recovery of solvents), a focus on a niche innovative pipeline, and better utilization of assets all help drive margin improvement.

Exhibit 80: EBITDA for coverage universe to see strong growth

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
EBITDA									
Divi's Lab	38,819	23,678	22,250	29,680	34,631	43,174	53,070	12%	21%
Anthem Bio	5,650	4,289	5,050	6,708	7,934	9,860	12,191	25%	22%
Piramal Pharma	9,497	6,282	11,963	14,448	10,014	17,069	21,538	52%	14%
Sai Life	1,213	1,649	2,855	4,057	5,880	7,169	8,835	57%	30%
Laurus Lab	14,224	15,922	7,775	10,553	16,405	19,629	22,999	-19%	30%
Total	**69,403**	**51,821**	**49,892**	**65,446**	**74,863**	**96,901**	**118,634**	**12%**	**22%**

Source: Companies, HSIE Research

Exhibit 81: Margin to improve with normalization in input costs and benefits from backward integration

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
EBITDA margin									
Divi's Lab	43.3%	30.5%	28.4%	31.7%	32.6%	34.6%	35.7%	123 bps	399 bps
Anthem Bio	45.9%	40.6%	35.6%	36.4%	37.0%	37.6%	38.0%	-421 bps	163 bps
Piramal Pharma	14.5%	8.9%	14.6%	15.8%	11.2%	16.2%	17.5%	692 bps	171 bps
Sai Life	13.9%	13.6%	19.5%	23.9%	26.8%	28.1%	29.1%	1039 bps	516 bps
Laurus Lab	28.8%	26.4%	15.4%	19.0%	24.5%	25.5%	26.4%	-736 bps	740 bps
Total	**30.8%**	**22.4%**	**20.8%**	**23.7%**	**24.5%**	**27.0%**	**28.2%**	**134 bps**	**445 bps**

Source: Companies, HSIE Research

Exhibit 82: Strong sales and EBITDA momentum to drive earnings growth

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
Adj PAT									
Divi's Lab	29,278	17,236	15,926	21,549	25,691	31,205	38,371	12%	21%
Anthem Bio	3,956	3,273	3,561	4,462	5,767	6,723	8,433	17%	24%
Piramal Pharma	3,742	-2,903	502	978	97	4,223	7,742	L/P	99%
Sai Life	-36	-73	682	1,511	3,252	3,901	4,966	L/P	49%
Laurus Lab	8,279	7,983	1,611	3,589	7,567	9,518	11,641	-33%	48%
Total	**45,220**	**25,516**	**22,282**	**32,089**	**42,373**	**55,569**	**71,153**	**12%**	**30%**

Source: Companies, HSIE Research

Exhibit 83: Strong balance sheet for Divi's and Anthem; improvement ahead for Sai Life, Piramal and Laurus in the coming years

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross debt (including lease liabilities)						
Divi's Lab	33	30	40	911	611	311
Anthem Bio	1,262	2,385	1,133	1,122	1,023	925
Piramal Pharma	56,371	47,102	48,565	48,838	46,651	44,465
Sai Life	9,324	9,277	3,524	4,280	4,201	4,123
Laurus Lab	20,151	25,774	27,637	22,014	20,920	18,326
Cash						
Divi's Lab	42,131	39,800	37,150	39,615	43,048	55,592
Anthem Bio	8,357	6,434	7,331	9,162	9,209	10,718
Piramal Pharma	7,347	6,273	5,210	5,958	5,544	6,876
Sai Life	863	1,588	4,639	2,026	2,354	3,880
Laurus Lab	485	1,417	1,442	876	2,409	5,205
Net debt/ (Cash)						
Divi's Lab	-42,098	-39,770	-37,110	-38,704	-42,438	-55,281
Anthem Bio	-7,096	-4,049	-6,198	-8,040	-8,185	-9,793
Piramal Pharma	49,024	40,829	43,355	42,880	41,107	37,588
Sai Life	8,460	7,689	-1,115	2,253	1,847	242
Laurus Lab	19,666	24,358	26,195	21,138	18,511	13,121
EBIT						
Divi's Lab	22,396	21,560	28,700	34,418	41,668	51,193
Anthem Bio	4,294	4,722	6,599	7,796	9,061	11,332
Piramal Pharma	659	6,007	7,700	4,275	10,812	14,634
Sai Life	762	1,805	2,848	4,805	5,676	7,106
Laurus Lab	12,696	4,137	7,003	12,130	14,732	17,451

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest cost						
Divi's Lab	7	30	20	164	61	31
Anthem Bio	68	95	103	107	97	88
Piramal Pharma	3,442	4,485	4,216	3,370	3,219	3,068
Sai Life	771	859	762	411	403	396
Laurus Lab	1,606	1,773	2,160	1,717	1,632	1,429
Interest coverage ratio						
Divi's Lab	3,343	719	1,435	210	682	1,645
Anthem Bio	63	50	64	73	93	129
Piramal Pharma	0	1	2	1	3	5
Sai Life	1	2	4	12	14	18
Laurus Lab	8	2	3	7	9	12

Source: Companies, HSIE Research

Exhibit 84: Improving return ratios

Particulars	FY23	FY24	FY25	FY26E	FY27E	FY28E
RoE %						
Divi's Lab	14	12	15	16	17	19
Anthem Bio	21	19	21	21	20	21
Piramal Pharma	-4	1	1	0	5	9
Sai Life	-1	7	10	14	15	16
Laurus Lab	22	4	8	16	17	18
RoCE %						
Divi's Lab	18	16	19	21	22	24
Anthem Bio	26	23	28	27	26	27
Piramal Pharma	1	5	6	3	8	10
Sai Life	4	9	12	17	18	20
Laurus Lab	21	6	10	15	17	18

Source: Companies, HSIE Research

Global CRDMOs peer comparison

Exhibit 85: Global CRDMO peer financial snapshot

Companies	Mcap (USD bn)	Sales CAGR		EBITDA CAGR		PAT CAGR	
		FY23-25	FY25-28E	FY23-25	FY25-28E	FY23-25	FY25-28E
Divi Labs Ltd	18.7	10	17	12	21	12	21
Sai Life Science	2.2	18	21	57	30	NA	49
Piramal Pharma	2.6	14	10	52	14	NA	99
Anthem Bioscience	4.0	32	20	25	22	17	24
Laurus Labs	6.6	-4	16	-19	30	-33	48
Cohance Life	2.2	-6	48	12	19	-19	48
Syngene International	2.9	7	12	3	12	3	13
Concord Biotech	1.6	18	19	20	18	24	19
Gland Pharma	3.1	24	13	11	20	-5	27
Jubilant Pharmov	1.9	7	12	23	19	NA	6
Blue Jet Healthcare	1.0	19	14	31	13	38	22
Neuland Labs	2.1	10	28	9	43	26	35
India CRDMO Wtg Average		**11**	**18**	**14**	**22**	**3**	**31**
Regional/ Asian peers							
Wuxi Apptec Co	40.4	27	18	34	23	38	20
Wuxi Biologics	17.9	23	26	3	33	-16	28
Wuxi XDC	10.3	149	87	105	131	153	41
Hangzhou Tiger	6.9	14	8	-23	-9	-57	60
Pharmaron Beijing	7.2	19	22	13	20	10	14
Asymchem Labs	4.8	24	9	36	-7	-48	21
Joinn Labs	3.8	19	NA	-19	NA	-75	85
Celltrion Inc	34.0	0	36	-9	33	-14	49
Samsung Biologics	55.2	44	24	42	29	13	25
Zhejiang Jiuzh	2.3	11	NA	16	NA	-22	26
Porton Pharma	1.9	4	12	-13	NA	NA	NA
Regional/ Asian Peers Wtg Average		**32**	**27**	**25**	**30**	**12**	**31**
Global EU/US peers							
Thermo Fisher	229.6	5	7	-9	10	-5	17
IQVIA Holdings	40.0	4	9	7	12	12	21
Lonza Group	47.6	12	20	9	36	-25	42
Labcorp Holdings	21.0	-13	10	-40	24	-24	28
Charles River	10.3	8	2	5	4	-85	285
Polypeptide Group	1.0	2	29	NA	NA	NA	NA
Bachem Holding	5.5	8	37	6	38	14	26
Icon Plc	15.1	22	3	49	5	25	12
Siegfried	4.3	8	14	10	22	5	14
Euroapi	0.2	2	-2	10	25	199	-56
Sartorius	24.5	-6	16	-21	29	-55	57
Medpace Holdings	16.5	28	21	27	24	28	9
Fortrea Holdings	1.5	-4	1	-32	25	NA	NA
Global EU/US Peers Wtg Average		**6**	**10**	**-4**	**16**	**-8**	**29**

Source: Companies, HSIE Research, Bloomberg, Note: Price as on 5-Jan-2026. Estimates for Divi's Lab, Sai Life, Piramal Pharma, Anthem Biosciences, and Laurus Labs as per HSIE.

Exhibit 86: Global CRDMO peer valuation snapshot

Companies	Mcap (USD bn)	P/E (x)				EV/EBITDA (x)				RoE (%)			
		FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Divi Labs Ltd	18.7	78.4	65.7	54.1	44.0	55.7	47.7	38.1	30.8	15.1	16.2	17.4	18.6
Sai Life Science	2.2	132.6	61.6	51.3	40.3	49.1	34.5	28.2	22.7	9.7	14.2	14.8	16.1
Piramal Pharma	2.6	NA	NA	56.2	30.6	19.4	28.0	16.3	12.8	1.2	0.1	5.1	8.7
Anthem Bioscience	4.0	81.6	63.2	54.2	43.2	53.4	44.9	36.1	29.1	20.6	21.4	20.2	20.6
Laurus Labs	6.6	165.8	78.7	62.5	51.1	59.0	37.6	31.3	26.5	8.4	15.7	16.9	17.5
Cohance Life	2.2	48.8	42.2	32.5	23.9	28.0	28.0	21.4	16.8	26.0	12.8	15.1	17.5
Syngene International	2.9	53.1	63.6	46.0	36.8	24.8	26.4	20.9	17.7	11.0	8.4	10.6	12.0
Concord Biotech	1.6	37.7	36.9	28.5	22.6	27.4	26.0	20.5	16.6	22.3	19.2	21.0	22.5
Gland Pharma	3.1	40.1	29.6	23.3	19.6	20.2	16.5	13.6	11.8	7.8	9.8	11.3	12.3
Jubilant Pharmov	1.9	20.2	30.6	22.3	na	16.4	14.2	11.8	9.8	14.4	8.5	10.7	na
Blue Jet Healthcare	1.0	29.8	27.3	20.7	16.6	23.1	22.0	18.1	15.9	18.5	25.7	26.3	25.5
Neuland Labs	2.1	74.6	57.2	40.3	30.0	60.0	36.4	27.0	20.3	18.5	na	na	na
India CRDMO Wtg Average		**78.7**	**56.7**	**48.5**	**37.6**	**45.5**	**37.3**	**29.6**	**24.1**	**13.9**	**13.9**	**15.2**	**15.9**
Regional/ Asian peers													
Wuxi Apptec Co	40.4	32.5	18.0	17.7	15.3	18.7	13.1	11.5	10.1	16.4	16.4	23.5	19.6
Wuxi Biologics	17.9	41.1	25.9	22.0	18.4	24.6	13.3	12.1	10.3	8.2	8.2	9.7	10.1
Wuxi XDC	10.3	71.3	44.4	32.8	24.7	169.9	27.0	20.3	13.7	17.7	17.7	20.2	21.8
Hangzhou Tiger	6.9	138.4	39.8	38.0	31.1	20.8	30.2	26.2	27.7	1.9	1.9	5.9	6.0
Pharmaron Beijng	7.2	33.0	30.3	24.8	20.8	16.9	12.8	11.0	9.7	13.7	13.7	12.1	13.2
Asymchem Labs	4.8	39.4	30.0	25.3	21.2	11.9	17.3	15.0	14.9	5.5	5.5	6.7	7.6
Joinn Labs	3.8	422.9	128.5	80.4	60.8	53.3	94.3	84.0	na	0.9	0.9	2.4	3.8
Celltrion Inc	34.0	115.6	55.2	38.1	33.4	49.6	25.0	22.2	21.1	2.5	2.5	5.0	7.1
Samsung Biologics	55.2	74.9	49.3	41.6	35.3	44.9	25.8	22.8	21.0	10.4	10.4	14.6	15.0
Zhejiang Jiuzh	2.3	30.1	17.5	15.4	14.0	11.1	9.8	9.3	na	7.1	7.1	10.4	11.0
Porton Pharma	1.9	- 50.7	109.4	49.4	28.3	20.8	15.8	na	na	- 5.2	- 5.2	2.3	4.9
Regional/ Asian Peers Wtg Average		**74.7**	**41.2**	**32.6**	**27.4**	**41.7**	**22.3**	**19.4**	**15.9**	**9.8**	**9.8**	**13.6**	**13.5**
Global EU/US peers													
Thermo Fisher	229.6	39.8	26.9	24.8	22.5	21.6	19.1	17.7	16.2	13.2	13.2	16.2	16.0
Iqvia Holdings	40.0	33.4	19.7	18.1	16.3	12.2	10.0	9.3	8.7	22.5	22.5	29.9	29.5
Lonza Group	47.6	71.9	32.3	27.3	22.9	28.5	14.8	12.8	11.2	6.8	6.8	11.2	12.3
Labcorp Holdings	21.0	30.7	15.5	14.5	13.2	13.9	8.4	7.9	7.4	9.4	9.4	16.2	16.1
Charles River	10.3	Na	20.3	19.6	18.0	10.3	10.3	9.8	9.2	0.3	0.3	12.9	12.5
Polypeptide Group	1.0	- 51.3	- 49.7	91.9	27.2	- 154.9	11.4	8.5	6.0	- 5.3	- 5.3	- 1.6	5.0
Bachem Holding	5.5	43.8	36.5	24.3	20.2	28.5	15.1	12.5	10.9	8.9	8.9	8.6	12.0
Icon Plc	15.1	22.2	15.1	14.9	13.5	9.8	9.7	9.2	8.5	8.4	8.4	8.8	9.1
Siegfried	4.3	24.1	20.2	17.8	15.7	15.1	10.1	9.2	8.4	18.4	18.4	16.2	16.2
Euroapi	0.2	- 1.8	- 4.6	- 7.5	861.7	3.3	2.3	1.9	1.7	-13.7	- 13.7	- 4.3	- 2.9
Sartorius	24.5	138.6	49.6	41.0	33.9	33.0	20.2	17.6	15.3	5.3	5.3	10.7	11.8
Medpace Holdings	16.5	48.5	39.7	35.7	32.1	42.3	27.3	24.6	22.0	58.4	58.4	65.2	65.2
Fortrea Holdings	1.5	- 4.9	32.6	21.3	15.7	11.8	7.5	6.5	6.1	-21.4	- 21.4	4.7	9.5
Global EU/US Peers Wtg Average		**46.4**	**27.4**	**24.9**	**22.5**	**21.5**	**16.8**	**15.4**	**14.0**	**13.8**	**13.8**	**18.0**	**18.1**

Source: Companies, HSIE Research, Bloomberg, Note: Price as on 5-Jan-2025. Estimates for Divi's Lab, Sai Life, Piramal Pharma, Anthem Biosciences, and Laurus Labs as per HSIE.

Companies

INSTITUTIONAL RESEARCH

Divi's Laboratories

Largest Indian CDMO poised for steady growth

Divi's Labs (Divi's) has established a strong position in the global CDMO market. We are optimistic about key factors: First, the robust GLP (obesity) API opportunity across building blocks, fragments, and capacity addition (lab to commercial scale). Second, near-term volatility due to the genericization of Sacubitril/valsartan is expected to be offset by traction in its custom synthesis projects, with a capex outlay of over INR 20 bn to be monetized over the next couple of years. Also, the focus on biocatalysis will open doors for complex projects. Third, the scale-up in its Kakinada Phase I plant (a capitalized asset of ~INR 16 bn). Fourth, ramp-up in the contrast media market with scale-up in Iodine compounds (~USD 4 bn) and the expected commercialization of Gadolinium compounds (USD 2-2.5 bn) in FY27/28. Fifth, recovery in generic API led by new launches. Sixth, steady growth in the nutraceutical business. Lastly, margin improvement led by backward integration for KSMs and a better business mix (GLP, contrast media, and exclusive supply contracts). We see steady visibility of sales growth (17% CAGR over FY25-28E) with improved profitability (EBITDA/PAT CAGR 21%) and return ratios. A strong balance sheet (net cash of ~INR 34bn) provides future visibility for need-based expansion. We initiate coverage with a BUY rating and a TP of INR 7,630, based on 39x Q3FY28E EV/EBITDA (implying 55x PE). Divi's integrated service offerings, advanced technologies with process excellence, and strong regulatory track record make it the best play in India's CRDMO space.

- **Gearing up to enter GLP market:** Divi's is strategically expanding its peptide business to meet the growing demand for GLP-1 drugs (ex-Semaglutide), with the API market estimated at ~USD 8–9bn. It begins with building blocks (protected amino acids) and progressing toward supplying higher-value peptide fragments. It has invested in both solid and liquid phase synthesis capabilities, supporting lab and commercial-scale production. With backward integration for resins and starting materials, Divi's will gain a competitive edge. It is currently working on several GLP qualification and expects commercialization in 1-2 years.
- **Contrast media to grow steadily:** The contrast media business is a key growth engine, focusing on both iodine-based compounds (for CT scans) and gadolinium (for MRIs). Its strategy includes supplying generic APIs and engaging in custom synthesis for innovators. A significant competitive advantage is its highly efficient iodine recovery process, which minimizes costs in this high-volume market.
- **Kakinada scale-up key:** With capitalized assets of ~INR 16bn for Phase I, the company has started manufacturing KSMs and intermediates, which are helping it free up capacity at its cGMP-approved plants at Unit 1/2. Going forward, Divi's is planning to file a few generics to obtain cGMP approval in the next 1–2 years.
- **Recovery in generic APIs:** While the generic API has struggled to grow over the last two years due to price pressure, growth is expected to recover, led by a pipeline of molecules with expiring patents and significant capacity expansions.
- **Outlook and valuation:** Over FY19-25, Divi's delivered a 11% sales CAGR and an 8% EBITDA CAGR. Looking ahead, we expect a 17% sales CAGR for FY25-28E, with EBITDA margin improving to 35.7% in FY28E (from ~31.7% in FY25). This translates into an EBITDA and EPS CAGR of 21% over FY25-28E. We initiate with a BUY and assign an EV/EBITDA of 39x to arrive at a TP of INR 7,630.

Financial Summary

YE March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	77,675	78,450	93,600	106,230	124,781	148,656
EBITDA	23,678	22,050	29,680	34,631	43,174	53,070
APAT	17,236	15,926	21,549	25,691	31,205	38,371
Diluted EPS (INR)	64.9	60.0	81.2	96.8	117.6	144.6
P/E (x)	98.0	106.1	78.4	65.7	54.1	44.0
EV / EBITDA (x)	69.6	74.8	55.7	47.7	38.1	30.8
RoCE (%)	18	16	19	21	22	24

Source: Company, HSIE Research, EBITDA/ PAT adjusted for one-off

BUY

CMP *(as on 5 Jan 2026)*	INR 6363
Target Price	INR 7630
NIFTY	26,250

KEY STOCK DATA	
Bloomberg code	DIVI IN
No. of Shares (mn)	265
MCap (INR bn) / ($ mn)	1,697/18,815
6m avg traded value (INR mn)	2,482
52 Week high / low	INR 7,078/4,942

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	12.0	(6.8)	4.0
Relative (%)	6.1	(9.6)	(3.2)

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	51.89	51.89
FIs & Local MFs	19.05	19.76
FPIs	19.74	19.39
Public & Others	9.32	8.96
Pledged Shares	-	-

Source: BSE

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Strong growth visibility in custom synthesis, generics to see single digit growth

Over the last two decades, Divi's has established a strong position in the global CDMO market with its diversified and integrated services, continuous upgrading of technologies, focus on process excellence (to reduce costs), and excellent regulatory as well as quality track record in providing custom synthesis (~53% of FY25 sales) solutions to several big pharma companies. It has also emerged as a leading supplier of generic APIs (~39% of sales), with a portfolio of ~42 drug master files (DMFs) and ~28 Certificates of Suitability (CEPs). The company also produces specialized nutraceutical ingredients (~8% of sales).

Exhibit 87: Revenue and EBITDA; hospital cluster-wise assumptions

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28
Custom Synthesis	**52,862**	**34,752**	**35,303**	**49,140**	**57,985**	**72,482**	**91,327**	**19%**	**23%**
YoY growth	88%	-34%	2%	39%	18%	25%	26%		
% of sales	59%	45%	45%	53%	55%	58%	61%		
Generics API supplies	**30,447**	**36,433**	**35,908**	**36,650**	**38,483**	**41,561**	**45,302**	**0%**	**7%**
YoY growth	-14%	20%	-1%	2%	5%	8%	9%		
% of sales	34%	47%	46%	39%	36%	33%	30%		
Nutraceuticals	**6,290**	**6,490**	**7,240**	**7,810**	**9,763**	**10,739**	**12,027**	**10%**	**15%**
YoY growth	2%	3%	12%	8%	25%	10%	12%		
% of sales	7%	8%	9%	8%	9%	9%	8%		
Total revenues	**89,598**	**77,675**	**78,450**	**93,600**	**106,230**	**124,781**	**148,656**	**10%**	**17%**
YoY growth	29%	-13%	1%	19%	13%	17%	19%		
Gross profit	**59,927**	**47,138**	**47,360**	**56,350**	**64,588**	**76,741**	**91,721**	**9%**	**18%**
YoY growth	29%	-21%	0%	19%	15%	19%	20%		
Gross margin %	**66.9%**	**60.7%**	**60.4%**	**60.2%**	**60.8%**	**61.5%**	**61.7%**	**-48 bps**	**150 bps**
EBITDA	**38,819**	**23,678**	**22,250**	**29,680**	**34,631**	**43,174**	**53,070**	**12%**	**21%**
YoY growth	36%	-39%	-6%	33%	17%	25%	23%		
EBITDA margin %	**43.3%**	**30.5%**	**28.4%**	**31.7%**	**32.6%**	**34.6%**	**35.7%**	**123 bps**	**399 bps**
Adj PAT	**29,278**	**17,236**	**15,926**	**21,549**	**25,667**	**31,205**	**38,371**	**12%**	**21%**
YoY growth	47%	-41%	-8%	35%	19%	21%	23%		
PAT margin %	**32.7%**	**22.2%**	**20.3%**	**23.0%**	**24.2%**	**24.9%**	**25.8%**	**83 bps**	**279 bps**

Source: Company, HSIE Research

Custom synthesis – multiple growth triggers over the next few years

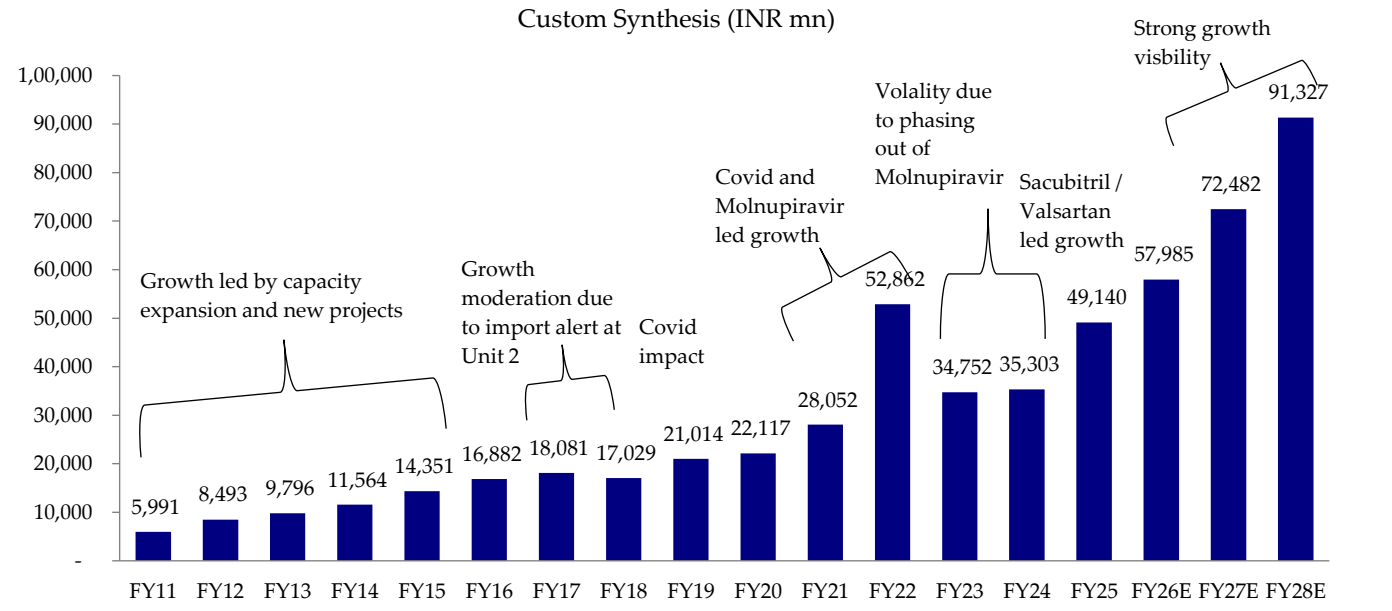
Divi's has evolved its custom synthesis (CS) business over the last two decades with continuous expansion of capacities and capabilities. Its CS portfolio has gained momentum, with several major big pharma projects now transitioning into full-scale production. Expanded capacities for both large and small volume products, along with a robust project pipeline across various clinical stages, underscore its operational excellence and agility in addressing market needs.

Its proven track record of handling synthesis for complex molecules, with capabilities to manage multi-step processes and accommodate newer technologies like green chemistry, flow chemistry, bioanalysis, atom-to-atom efficiencies, and iodine recovery, has established a strong footing for Divi's in the global CRDMO market. Moreover, the focus on the peptide segment is poised to be its next breakthrough. Driven by promising clinical evidence for GLP-1 and GLP-2 therapies in chronic and metabolic disorders, global demand in this area is rising sharply. By expanding its capabilities in both solid- and liquid-phase peptide synthesis, increasing its capacity, and moving into peptide fragment manufacturing, the company is well positioned to capture this growing opportunity.

CS business had a robust growth cycle over FY11-16 with a 23% CAGR. However, the company faced an import alert from the USFDA at its Unit-II (Vizag) during Mar-17, which impacted growth momentum in FY17/18. The import alert was lifted within 6-7 months by Nov-17, and the company saw sturdy growth recovery from FY19 onwards. Moreover, during the COVID period, the company benefited significantly from COVID-related supplies as well as the exclusive supply opportunity of Molnupiravir, which led to growth volatility over FY22-24. However, growth was strong in FY25 at 39% YoY, led by exclusive supplies of Sacubitril/Valsartan (Entresto).

Going ahead, the CS business will see some near-term volatility due to the generic launch of Sacubitril/Valsartan, which will be offset by key growth drivers such as a steady base business, scale-up in contrast media, exclusive supply contracts with global pharma companies (~INR 20 bn capex), and a huge opportunity in the GLP intermediates market. We have estimated a 23% revenue CAGR over FY25-28E to reach sales of INR 91.33 bn in FY28E. We see growth momentum accelerating beyond FY28, subject to its success in GLP supplies as well as scale-up in contrast media.

Exhibit 88: After volatility over FY19-25, growth momentum should improve from FY27



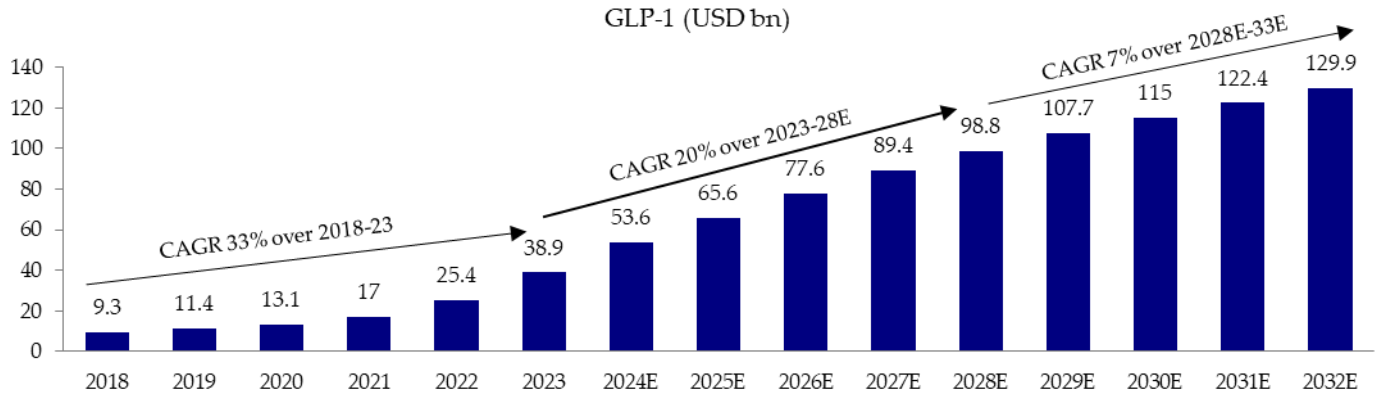
Source: Company, HSIE Research

GLP intermediate supplies are a robust growth opportunity

GLP-1 drugs (for the treatment of anti-diabetic and anti-obesity) have seen a sudden high demand for peptide building blocks, with requirements reaching hundreds of tons, which are often synthetic liquid-phase peptides. The overall market for weight loss management is evolving rapidly, with non-Semaglutide molecules picking up pace. The overall market is expected to see steady growth as existing approved brands are considered for expansion in the global market. There are over 170 clinical programs in development with different mechanisms of action (GLP-1, GIP, and glucagon receptor activity) and aims to deliver even greater weight loss outcomes. With the rise in obesity drug development demand, Indian CRDMOs are ready to be part of the global supply chain with capabilities across amino acids, fragments, as well as fill-finish capacity, all at competitive cost.

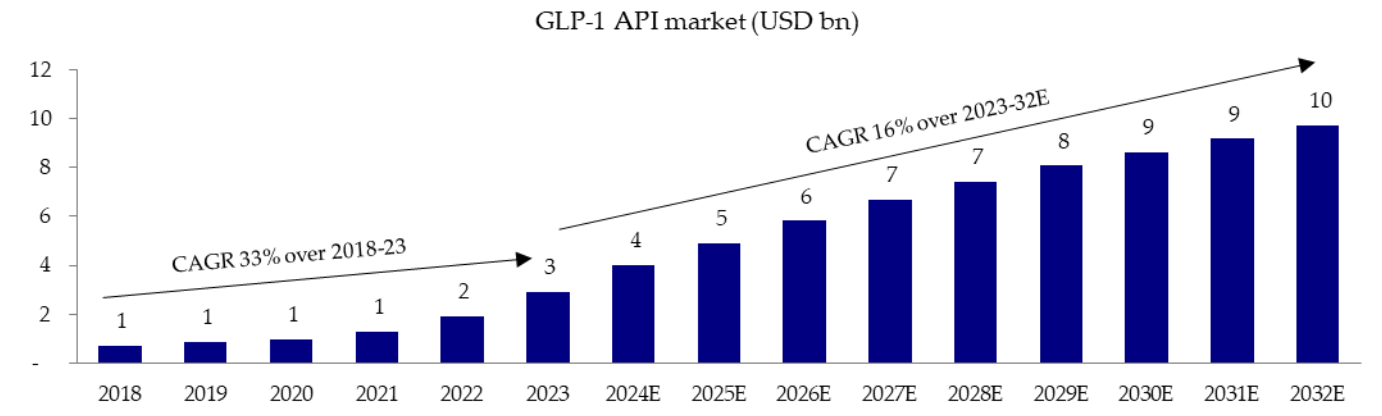
We believe the market shift from existing products like Semaglutide to other approved products like Tirzepatide, as well as potential from products under development, provides a huge CRDMO market opportunity. Indian CRDMOs have the capabilities to handle long peptide processes and are creating capacity for future opportunities. With the GLP market expected to increase to ~USD 130bn by 2032E, assuming 7-8% of the cost towards API will create a market opportunity of USD 9-10bn by 2032E for GLP APIs and considering a 25-40% market share for Indian CRDMOs, the market opportunity flowing towards Indian CRDMOs peers would be USD 2.5bn– USD 4bn by 2032.

Exhibit 89: Robust growth in GLP-1 market over 2023 to 2032E



Source: Frost & Sullivan, HSIE Research

Exhibit 90: GLP-1 API market to create USD 10bn opportunity by 2032E



Source: Frost & Sullivan, HSIE Research

Novo Nordisk's Ozempic/Wegovy (semaglutide) and Eli Lilly's Mounjaro/Zepbound (tirzepatide) are both glucagon-like peptide-1 (GLP-1) receptor agonists and have demonstrated transformative potential to treat both diabetes and obesity. These blockbuster drugs recorded significant revenue growth in 2023 and 2024, with sales forecasted to continue rising in the coming years. According to Bloomberg, the existing approved drugs are expected to see steady growth over the next few years, with total brand sales projected to reach USD 101.37bn by CY30, growing at a 6% CAGR during the same period. Bloomberg estimates Tirzepatide to be the fastest-growing molecule in the next 3–5 years, followed by Semaglutide.

Exhibit 91: GLP drug market is expected to see steady growth

USD mn	CY25	CY26	CY27	CY28	CY29	CY30	CAGR CY25-30
Mounjaro	22,329	29,385	32,846	36,714	38,594	40,039	12%
Zepbound	13,053	18,287	21,734	24,189	25,572	26,329	15%
Total Tirzepatide	**35,382**	**47,672**	**54,580**	**60,903**	**64,166**	**66,368**	**13%**
Trulicity	4,230	3,337	2,614	1,944	1,457	1,088	-24%
Total Dulaglutide	**4,230**	**3,337**	**2,614**	**1,944**	**1,457**	**1,088**	**-24%**
Victoza	531	356	288	238	213	180	-19%
Saxenda	536	307	224	183	151	129	-25%
Total Liraglutide	**1,067**	**663**	**512**	**421**	**364**	**309**	**-22%**
Rybelsus	3,580	3,485	3,435	3,508	3,542	3,609	0%
Ozempic	19,681	17,479	16,281	15,966	15,281	14,649	-6%
Wegovy	12,329	13,087	14,567	15,385	15,316	15,351	4%
Total Semaglutide	**35,590**	**34,051**	**34,283**	**34,859**	**34,139**	**33,609**	**-1%**
Overall GLP drug sales	**76,269**	**85,723**	**91,988**	**98,127**	**100,127**	**101,374**	**6%**

Source: Bloomberg, Companies, HSIE Research

To address rising demand and expand its offerings, the company has made strategic investments to develop capabilities in both Solid Phase Peptide Synthesis (SPPS) and liquid-phase peptide synthesis. For GLP-1 products specifically, the company has already built dedicated capacity to meet existing and projected customer demands. This capacity is currently undergoing qualification. A pilot plant with 50-litre reactors has been established to produce kilogram-level quantities of newer fragments like tetramers and decamers. The plant is almost finished and will be used to make kilo batches for customer approvals. The company started the sample approval and qualification process in Q1FY24 after a 10-year waiting period. Its newer fragments are currently undergoing qualifications with customers before they can be incorporated into regulatory filings.

Divi's has a strong position in producing peptide building blocks, including oligonucleotides, sugar molecules, and protected amino acids. It is currently supplying individual protected amino acids to innovators that involve complex chemistry, using protecting groups like Boc or Fmoc. Divi's is developing high-end products like peptide fragments, which are under qualification with global innovators. It is integrating vertically by moving into the manufacturing of peptide fragments such as dipeptides, tripeptides, tetramers, octamers, and decamers. The strategy involves combining two or three of these fragments to form the final drug API.

Exhibit 92: Divi's had some supplies for Amino acid building blocks

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1 FY26	Q2 FY26	FY24	FY25
Fmoc	-	-	-	0.0	0.7	0.1	0.1	1.0	1.5	1.4	0.0	1.9
Boc	-	-	0.7	-	-	-	0.0	0.0	0.2	-	0.7	0.0

Source: EXIM, Company, HSIE Research

For commercial-scale production of fragments, the company has ordered and is now operating multiple 500-litre reactors for its Solid Phase Peptide Synthesis facilities and plans to expand them further. GLP-1s do not require massive reactor volumes, making this scale suitable. Customers, including the innovators who produce final GLP-1 and GLP-2 drugs, are showing significant interest in sourcing fragments from Divi's. The company is working closely with several multinational corporations on multiple projects. While Divi's focus is on building blocks and fragments over the next few years, the company has the capability to produce the final peptide API if a customer requires it as part of a complete custom synthesis project. The commercialization of more complex fragments like tetramers and octamers is expected to take 1 to 2 years to allow for the full qualification process, validations, and customer approvals. A key differentiator is the company's backward integration, as it manufactures its own resins, building blocks, and protected amino acids. This gives it a strong and unique position regarding the supply of key starting materials.

In Q2FY26, the company has inaugurated its peptide center of excellence at both Unit 1 and 2, where multiple projects of various customers are undergoing development. The company is actively engaged with several big pharma companies at various stages in their Phase I, Phase II and Phase III programs. Divi's continues to invest in large capacities, both at pilot and commercial scale, where validation of fragments is taking place for several projects. This approach is aligned with its long-term strategy of becoming a world leader in complex peptide manufacturing. The company focus is only on manufacturing of protected amino acids (both external supplies as well as captive) and fragments (mers), it is not into the final API purification process.

Contrast media to provide steady growth opportunity

In 2025, the global contrast media market is estimated at USD 6.2 bn, with projections to grow to USD 8.88 bn by 2030—reflecting a CAGR of 7.44% over the period. This robust expansion is driven by rising volumes in diagnostic imaging, quicker regulatory clearances for macrocyclic gadolinium agents, and increased investment in manufacturing capacity to ensure steady supply.

Divi's focuses on two primary categories of contrast media. The first is iodine-based compounds (e.g., Iopamidol, Iohexol), which are used for CT scans to examine blood vessels. The second is gadolinium-based compounds (e.g., Gadobutrol), which are used for MRIs to diagnose conditions related to the brain, such as headaches or neuropathic pain. Moreover, Divi's operates a two-pronged strategy in the contrast media space, which involves producing its own generic API and engaging in custom synthesis projects in collaboration with big pharma innovators.

Exhibit 93: Contrast media – supplies picking up

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1FY26	Q2FY26	FY24	FY25	YoY growth %
Iopromide	7	9	17	5	9	20	23	10	22	23	38	63	65%
Iopamidol	3	4	4	3	2	3	4	3	3	5	13	12	-7%
Iohexol	0.0	0.1	0.1	-	0.0	0.0	0.2	-	2.9	0.2	0.2	0.2	-25%

Source: EXIM, Companies, HSIE Research

In the generic API supplies business, the company has been supplying products like Iopamidol for several years. Divi's, in response to rising demand, has increased production capacity, and these expanded facilities are undergoing qualification with various customers.

For the custom synthesis business, the company is working on major custom synthesis projects with large pharma firms, including the single largest player in the contrast media market. Commercial production for these innovator projects has begun, with significant contributions starting from FY24 onwards. The company is working with most of the innovators on iodine-based compounds and several on gadolinium products. Divi's has launched three products in iodine-based compounds and is expected to launch two to three more over the next couple of years.

Exhibit 94: Global contrast media product portfolio

Contrast media molecules	Brand name	Innovator	Generics approval	Divi's commercialize	Divi's DMF/ CEPs	Divi's pipeline	Nos competition (ex-Divi's)
Iodinated Contrast media molecules - CT scans							
Iohexol	Omnipaque	GE Healthcare	Yes	Yes	Yes both	-	1 (DMF), 2 (CEPs)
Iodixanol	Visipaque	GE Healthcare	Yes	-	-	Yes	3 (DMF), 2 (CEPs)
Iopamidol	Isovue	Bracco Diagnostics	Yes	Yes	Yes both	-	1 (DMF), 3 (CEPs)
Ioversol	Opriray	Guerbet	No	-	-	Yes	-
Iobitridol	Xenetix	Guerbet	No	-	-	-	-
Iopromide	Ultravist	Bayer Healthcare	No	-	-	Yes	2 (DMF), 1 (CEPs)
Iomeprol	Iomeron	Bracco Diagnostics	No	-	-	-	-
Iothalamate meglumine	Conray	Guerbet	No	-	-	-	1 (DMF)
Gadolinium contrast media molecules - MRI scans							
Gadopentetate dimeglumine	Magnevist	Bayer Healthcare	No	-	-	-	2 (DMF)
Gadodiamide	Omniscan	GE Healthcare	No	-	-	-	1 (DMF)
Gadobenate dimeglumine	Multihance	Bracco Diagnostics	No	-	-	-	-
Gadoterate dimeglumine	Clariscan	GE Healthcare	Yes	-	-	-	8 (DMF)
Gadoterate dimeglumine	Dotarem	Guerbet	Yes	-	-	-	8 (DMF)
Gadoteridol	Prohance	Bracco Diagnostics	Yes	-	-	-	3 (DMF)
Gadobutrol	Gadavist	Bayer Healthcare	Yes	-	-	-	9 (DMF), 8 (CEPs)
Gadopiclenol	Elucirem	Guerbet	No	-	-	-	-
Gadoteric acid	Artirem	Guerbet	NA	-	-	-	-
Gadopiclenol	Vueway	Bracco Diagnostics	NA	-	-	-	-
Gadoxetate disodium	Eovist	Bayer Healthcare	No	-	-	-	1 (DMF)
Gadobutrol	Pixxoscan	GE Healthcare	Yes	-	-	-	9 (DMF), 8 (CEPs)

Source: Companies, USFDA, Grand view research, HSIE Research

Kakinada: easing backward integration; growth from new API filing

The Kakinada project is a greenfield facility spanning 500 acres near Kakinada, featuring six production blocks and 150 reactors with a capacity of ~1,450 m^3 (expanding existing capacity by about 10%). It aims to enhance supply chain control and manufacturing capabilities. After five years of initial attempts, the company secured all necessary clearances and commenced Phase I operations in Jan-25 (Q3FY25), utilizing about 200 acres and completed the construction of six production blocks where the company is making certain of its starting materials. Additionally, it has reserved ~ 300 acres of land for future development. Phase I of Kakinada focuses on manufacturing starting materials, intermediates, and nutraceutical APIs.

Initial capex for Kakinada was projected at INR 6 bn, which subsequently increased in the capex estimate and was finally capitalized at INR 16 bn by Q1FY26 (including advances given for capital items and capital work in progress). The primary strategic goal of Kakinada is to ensure a continuous supply of raw materials and critical starting materials to prevent disruptions for the company and its customers. This greenfield project also frees up existing facilities in Unit 1 and Unit 2 for new Custom Synthesis and Generic Product opportunities.

By Q2FY26, select key starting materials were relocated from Unit 1 and Unit 2 to Kakinada Unit 3, making immediate GMP space available for growth and enabling qualification of long-term products. The company is looking to file a few products for which patents are expiring in the next 1-2 years and a few existing generic APIs, which will help trigger cGMP inspections from the different regulatory authorities. The normalized asset turnover for Divi's is 1.5-1.8x, and with ~INR 16 bn capitalization for Phase I, this provides visibility of incremental revenue of INR 25-30 bn in the long term.

Phase out of Sacubitril/Valsartan opportunity to be offset by growth capex

Covid-related supplies, as well as the exclusive supply opportunity of Molnupiravir, led to growth volatility over FY22-24. However, growth was strong in FY25 at 39% YoY, which was driven by exclusive supplies of Sacubitril/Valsartan (Entresto). According to export data, Sacubitril/Valsartan contributed approximately 12% of FY25 revenues (about 22% of the CS business) with a healthy EBITDA margin. However, Sacubitril/Valsartan has now started seeing generic competition with launches by multiple companies from July 2025 in the US market and Europe patent is expected to expire in CY26. We believe this will impact Sacubitril/Valsartan supplies, with erosion in price as well as volume for the branded product. Divi's has the ability to manage the late life cycle of products, as evidenced by past examples such as Naproxen, Gabapentin, Levodopa, Carbidopa, and Dextromethorphan, where the company has strong market shares and is expanding capacity given steady demand.

Exhibit 95: Sacubitril/Valsartan to phase out in the near term

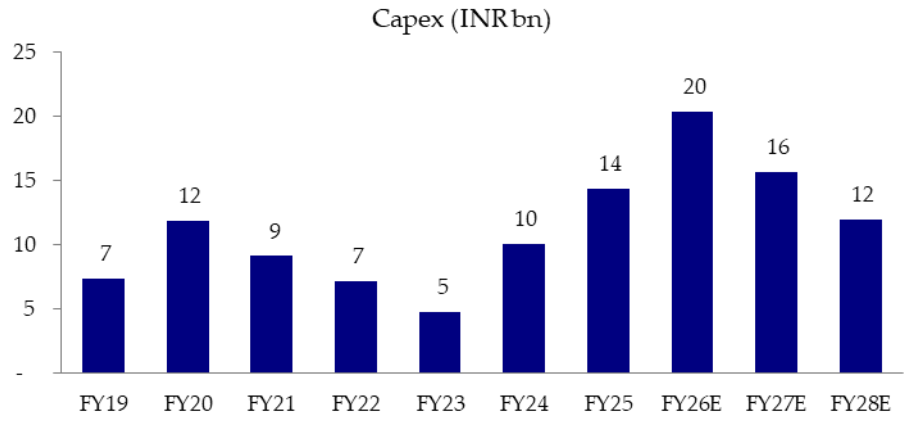
USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1FY26	Q2FY26	FY24	FY25	YoY growth %
Sacubitril / Valsartan	19	15	16	37	34	41	43	12	46	51	87	131	50%

Source: EXIM, Companies, HSIE Research

Divi's is expected to see robust growth in the CS segment, driven by volume growth in existing products as well as new products. It has highlighted that the CS segment is advancing with several new projects across all clinical phases, and the company is working on several Phase-II/III molecules. The company initiated a long-term supply agreement with an MNC and planned a substantial capacity addition. Divi's has maintained a healthy pipeline of RFPs and customer site visits, alongside multiple active projects progressing through R&D, pilot, and validation stages. Several of these projects are anticipated to transition into commercial scale within the next 12 to 24 months. The company is executing three major capex projects backed by long-term supply commitments in the custom synthesis space, with capex of INR 6-8 bn for each to be spent over the next 1-3 years. Over the last 6-7 years, Divi's has incurred capex of ~INR 65bn toward backward integration, capacity expansion, and modern

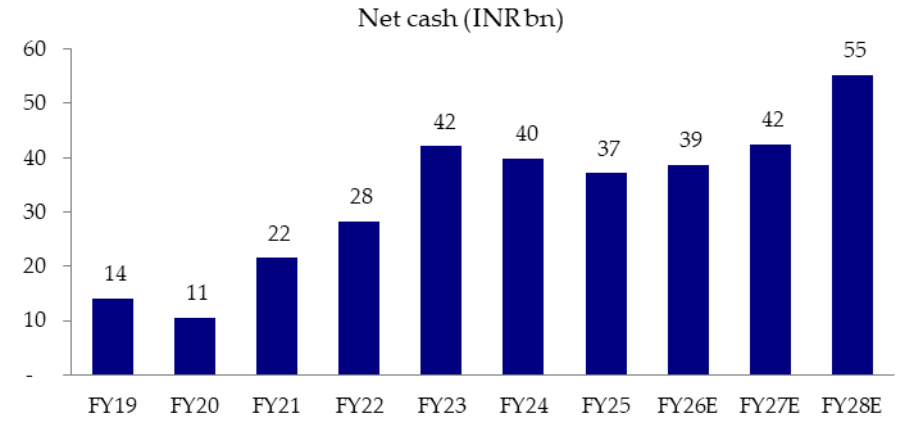
technologies. Further, it guides for capex in FY26 to be INR 20+ bn, and we assume an annual capex run rate of INR 10-15 bn will continue in the near term. Moreover, the company has a strong cash position and will be ready with internal accruals for expansion into commercial scale for GLP-related capex.

Exhibit 96: Capex momentum to continue for exclusive supply contracts and other upgradation as well as expansion



Source: Company, HSIE Research

Exhibit 97: Strong cash position for internal accruals to fund capex requirements



Source: Company, HSIE Research

Generic APIs to see recovery

Generic APIs struggled for growth in the last two years due to price pressures and low demand. Growth is expected to recover, led by a pipeline of molecules with expiring patents, such as Sartans and Ticagrelor, supported by significant capacity expansions and regulatory filings. Back in FY22, one of Divi's key growth pillars was generic APIs going off patent over 2023-25. It has selected new generic molecules with a current dosage sale of USD 20 billion, for which technologies are being developed, and validations and regulatory submissions are in progress. These patents are expected to expire between 2023 and 2025, including products such as Ticagrelor, Lacosamide, Vildagliptin, Rivaroxaban, Dabigatran, and Brivaracetam. From FY25 onwards, for the next five years, the company has identified about seven molecules coming off patent, with one or two molecules expected from FY26.

Moreover, for traditional generic products like Naproxen, Gabapentin, and Dextromethorphan, the company holds a significant market share ranging from 65% to 85%, and this market is growing at a rate of 5% to 15% YoY. The relatively newer products like Levodopa, Pregabalin, Mesalamine, and Carbidopa are also experiencing growth. The company currently holds a market share of 30%-35% in these products and aims to reach 60%-70% of the market. Capacity for products like Levodopa has

almost doubled. Sartans are also a strong growth engine for the company. The company anticipates gaining a majority of the Valsartan business due to its excellent control over nitrosamine impurities, which has forced other companies to close down or disrupted the supplies. Divi's is backward integrated in Sartans, making its own Ortho Tolyl Benzonitrile using a new photochemistry technology, and is a leader in two Sartans. Capacity has been created for Sartans, with validations ongoing for at least three, preparing for future volumes.

The company has substantially invested in backward integration for key raw materials for its major products like Naproxen, Gabapentin, and Dextromethorphan. This has made the company entirely independent of China for starting materials for its large-volume generic APIs. This backward integration continues to be crucial for safeguarding cost structures and ensuring steady supplies, especially given persistent generic price pressure. Top generic products continue to grow, primarily driven by volume despite pricing pressures. While pricing pressure persists across large-volume products like Naproxen, Gabapentin, and Dextromethorphan, the company's position as a large producer with long-term contracts helps maintain sustainable market share.

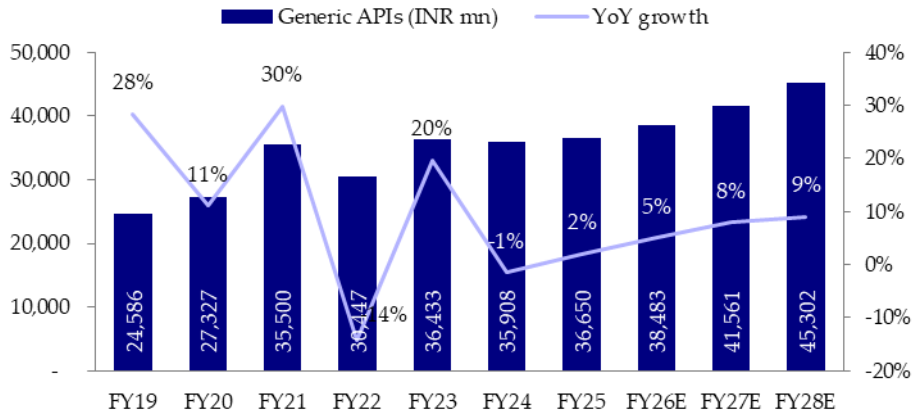
Exhibit 98: Export trend for key products

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1FY26	Q2FY26	FY24	FY25	YoY growth %
Naproxen	16.3	20.8	23.2	22.0	15.9	16.7	19.1	6.4	16	14	82.3	58.1	-29%
Valsartan	12.9	10.7	10.4	16.1	16.6	15.5	16.7	6.6	16	14	50.3	55.4	10%
Dextromethorphan	17.0	14.2	12.6	5.9	11.4	13.0	9.3	3.8	10	15	49.6	37.5	-24%
Gabapentin	13.3	12.4	12.8	7.3	8.4	9.4	9.1	3.0	9	9	45.6	30.0	-34%
Valacyclovir Hcl	7.1	3.0	6.4	2.3	6.1	6.1	5.0	7.6	6	8	18.8	24.7	32%
Levetiracetam	9.7	14.8	10.0	2.8	7.0	7.1	7.4	1.7	8	12	37.2	23.3	-38%
Orlistat	2.2	4.6	7.6	0.6	4.8	8.0	5.7	2.8	3	1	14.9	21.3	42%
Carbidopa	6.0	7.1	5.3	2.8	4.1	6.3	6.4	3.7	7	8	21.2	20.6	-3%
Raltegravir	3.6	-	7.4	2.3	6.8	9.4	0.3	-	-	-	13.3	16.6	25%
Atovaquone	5.1	3.8	2.9	2.8	4.3	4.8	2.9	4.1	5	5	14.6	16.1	10%
Levodopa	5.8	4.7	3.2	3.2	3.9	4.8	4.8	1.0	5	6	16.9	14.6	-14%
Lamotrigine	2.7	4.9	2.6	5.2	3.8	3.2	3.7	1.5	4	4	15.4	12.2	-21%
Ketoamide	5.0	2.4	-	10.4	4.0	2.0	4.0	-	8	8	17.8	10.0	-44%
Losartan	-	3.6	5.1	-	3.8	2.5	0.5	1.5	4	6	8.7	8.4	-4%
Nabumetone	2.4	2.1	2.3	0.5	1.6	1.3	3.2	1.0	1	0	7.3	7.1	-3%
Phenylephrine	2.3	3.0	2.5	1.4	1.4	1.9	1.0	1.3	2	2	9.1	5.6	-39%
Sitagliptin	9.0	1.5	-	0.6	-	2.1	3.4	-	1	1	11.1	5.5	-50%
Lacosamide	0.7	0.8	1.2	0.1	1.2	2.0	1.2	0.2	2	2	2.8	4.6	66%
Pregabalin	1.1	1.0	1.8	2.5	0.8	2.3	0.8	0.2	1	2	6.3	4.2	-34%
Capecitabine	1.0	0.5	0.8	1.5	1.1	2.0	0.7	-	1	1	3.7	3.9	3%
Sumatriptan Succinate	0.9	0.6	0.7	1.7	1.1	0.6	0.6	0.8	0	0	3.9	3.2	-18%
Quetiapine Fumarate	-	0.3	0.3	0.3	0.0	0.6	0.3	0.1	0	0	0.9	1.0	6%
Proguanil Hcl	0.3	-	0.1	0.2	0.2	0.1	-	0.5	-	0	0.6	0.8	22%
Ticagrelor	0.1	-	0.0	-	-	0.0	-	0.6	0	-	0.1	0.6	706%
Diltiazem Hcl	0.1	0.1	0.0	-	0.0	0.0	0.0	0.3	0	1	0.2	0.3	39%
Bupropion Hcl	0.1	-	0.1	0.0	0.1	0.0	-	0.1	0	0	0.1	0.3	77%
Brivaracetam	0.0	-	-	-	-	0.0	0.2	-	-	-	0.0	0.2	8504%
Vigabatrin	0.4	0.0	1.3	-	-	0.0	0.0	-	-	0	1.8	0.1	-97%
Ribociclib	-	-	0.0	-	0.0	0.0	-	-	-	12	0.0	0.0	114%

Source: EXIM, Companies, HSIE Research

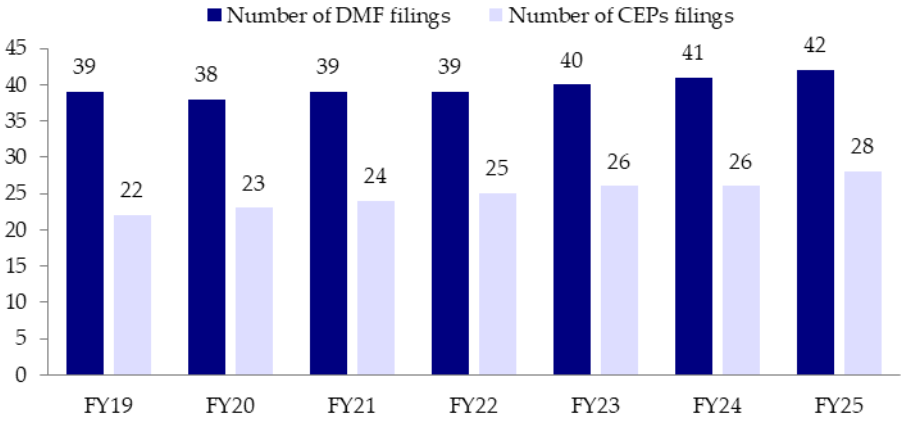
The company expects products with recent regulatory filings to fuel growth beyond FY25. Future generics like Ticagrelor, Lacosamide, and Brivaracetam are expected to drive growth in the next few years. Emerging generic products continue to gain market share, and future generics with filings planned for completion in the next few months will be commercialized in FY26. Revenues from pipeline products like Ticagrelor, which are coming off patents, are expected to start seeing traction once patents expire from 2026. The company anticipates seeing movement on commercial volumes for products like Brivaracetam and Ticagrelor within the next 6 to 12 months.

Exhibit 99: Following last 3-4 years' volatility, generic APIs to see steady growth



Source: Company, HSIE Research

Exhibit 100: DMF and CEPs filing trend



Source: Company, HSIE Research

Exhibit 101: Key DMF filings

Date	Products	Date	Products
4-Feb-97	Dextromethorphan HBr	27-Oct-08	Capecitabine
27-Nov-98	Naproxen	28-Jan-09	Dextromethorphan base
27-Nov-98	Naproxen sodium	28-Jan-09	Venlafaxine hcl
26-Jan-01	Diltiazem HCL	10-Mar-10	Sumatriptan succinate/ sumatriptan
2-Apr-01	Nabumetone	23-Jul-10	2-4-wing active ester
3-Sep-03	Sulphazine	15-Sep-10	Trityl losartan
5-Oct-03	Levetiracetam	29-Mar-11	Valsartan
19-Oct-03	Phenylephrine HCL	28-Jan-14	Olmesartan medoxomil
20-Nov-04	Carbidopa	16-May-14	Pregabalin
3-Dec-04	Levodopa	29-Jul-17	Vigabatrin
6-Feb-05	Proguanil HCL	9-Mar-21	Lacosamide
6-Feb-05	Iopamidol	30-Apr-21	Orlistat
24-Apr-05	Bupropion HCL	27-Jan-22	Ticagrelor
5-Jul-05	Niacin	20-Mar-23	Iohexol
25-Nov-05	Tamsulosin hydrochloride	7-Nov-23	Irbesartan
4-Dec-05	Gabapentin	19-Sep-24	Rivaroxaban
15-Jul-07	Boc core succinate	26-Sep-24	Losartan Potassium
25-Oct-07	Quetiapine fumarate	31-Mar-25	Brivaracetam
5-Oct-08	Ketoenamine		

Source: USFDA, Companies, HSIE Research

Exhibit 102: Key CEP filings

Date	Products	Date	Products
25-Jan-18	Levodopa	15-Sep-21	Phenylephrine hydrochloride
28-Feb-18	Naproxen	21-Oct-21	Naproxen Sodium
28-Feb-18	Proguanil hydrochloride	8-Nov-21	Irbesartan#
20-Mar-18	Zolpidem tartrate#	8-Nov-22	Mesalazine
20-Jul-18	Dextromethorphan hydrobromide	3-Jul-23	Pregabalin
1-Aug-18	Levetiracetam	27-Jul-23	Lacosamide
23-Aug-18	Nabumetone	24-Oct-23	Ticagrelor
10-Dec-18	Iopamidol	5-Dec-23	Venlafaxine hydrochloride
1-Apr-19	Telmisartan#	27-May-24	Quetiapine Fumarate
31-Oct-19	Gabapentin	14-Apr-25	Irbesartan, Form-A
17-Jan-20	Losartan potassium#	15-Apr-25	Gabapentin, Alternative process
24-Feb-20	Diltiazem hydrochloride	5-Aug-25	Iohexol
25-May-20	Valsartan	25-Aug-25	Rivaroxaban
4-Dec-20	Levetiracetam Process B	30-Oct-25	Lacosamide
16-Apr-21	Capecitabine	1-Dec-25	Losartan potassium, Form-1

Source: EDQM, Companies, HSIE Research, #withdrawn

Exhibit 103: DMF/ CEP pipeline for future growth

Product	Therapy	Update	Brand	Global sales (US mn)
Apixaban	Anticoagulants	Sample available	Eliquis	13,333
Canagliflozin	Anti-diabetes	Sample available	Invokamet	560
Dapagliflozin	Anti-diabetes	Sample available	Farxiga	7,656
Empagliflozin	Anti-diabetes	Sample available	Jardiance	8,800
Alectinib	Oncology (Non-small cell lung cancer)	Product under evaluation	Alecensa	1,664
Ibrutinib	Oncology (lymphocytic leukemia)	Product under evaluation	Imbruvica	3,347
Nintedanib	Oncology (Idiopathic pulmonary fibrosis)	Product under evaluation	Ofev	4,000
Osimertinib	Oncology (Non-small cell lung cancer)	Product under evaluation	Tagrisso	6,580
Iodixanol	Contrast medium	Product under evaluation	Visipaque	NA
Ioversol	Contrast medium	Product under evaluation	Optiray	NA

Source: Companies, HSIE Research

Nutraceuticals to see steady growth

Divi's started its nutraceutical business in 2007 and set up a plant in the Unit-2 facility at Vizag. It is a technology-driven manufacturer of high-quality carotenoid, lutein, and vitamin ingredients used in the food, beverage, dietary supplement, pet food, and feed industries. Its carotenoid and vitamin product forms are designed specifically for dietary supplements, while others are suitable for the fortification of a broad range of food and beverage applications.

Divi's is a significant player in the nutraceuticals market, with a presence in the human nutraceuticals business (commissioned in Q3FY21) and operates with backward integration at Unit II. The market for nutraceuticals is concentrated, with Divi's being one of three major players alongside DSM and BASF. The company focuses on products such as astaxanthin, canthaxanthin, and beta carotene, holding an impressive 80% market share in astaxanthin. The broader carotenoid market is a growing sector valued at approximately USD 1 billion, where Divi's is qualified by the majority of customers, particularly within the salmon and other feed industries.

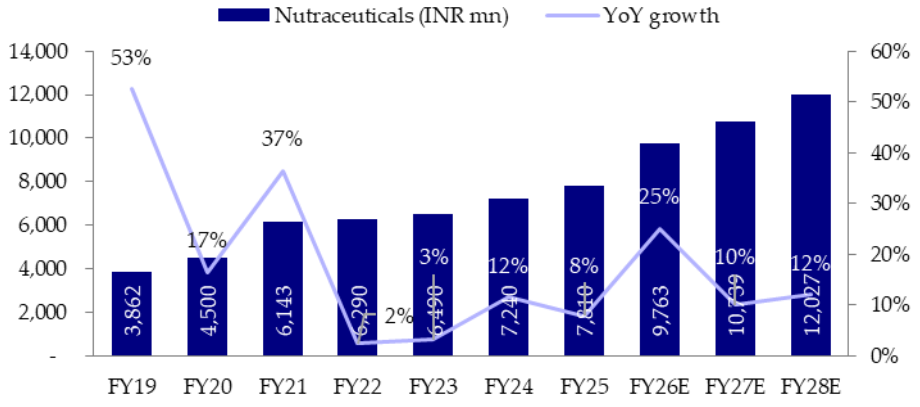
Exhibit 104: Select nutraceuticals export data

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1FY26	Q2FY26	FY24	FY25	YoY growth %
Astafeed	10.8	10.9	8.1	12.1	9.7	12.8	9.1	4.4	15	14	41.9	35.9	-14%
Beta Carotene	2.1	3.0	2.9	2.7	5.1	3.3	2.9	1.0	4	2	10.7	12.3	15%
Cytosine	2.2	2.2	2.4	1.6	2.0	3.0	0.8	2.6	3	3	8.4	8.4	0%
Lycopene	0.8	0.9	1.4	1.1	0.4	0.5	2.2	0.3	1	2	4.2	3.5	-17%
Lutein	0.2	0.1	0.1	0.2	0.4	0.4	0.0	0.8	1	0	0.6	1.6	183%
Astapet	0.6	0.2	0.7	0.6	0.5	0.7	0.1	0.2	1	0	2.1	1.6	-25%
Vitamin D3	0.1	0.0	0.3	0.2	0.1	0.4	0.1	0.3	1	0	0.5	0.9	57%
Astaxanthin	0.5	-	-	-	-	0.1	0.6	0.0	-	1	0.5	0.8	66%
Apo Carotenal	0.0	0.1	0.1	-	0.2	0.0	0.1	-	0	0	0.2	0.4	174%
Vitamin D2	0.0	0.0	0.3	0.1	0.0	0.3	-	-	0	-	0.5	0.3	-33%
Canthaxanthin	0.0	0.1	0.0	0.0	0.0	0.1	0.1	0.0	0	0	0.2	0.2	10%
Vitamin A	-	-	0.1	-	-	0.0	-	-	0	0	0.1	0.0	-12%
Vitamin E	-	-	-	-	0.0	-	-	-	0	0	-	0.0	NA

Source: EXIM, Company, HSIE Research

In Q3FY21, Divi's expanded its nutraceuticals capacity by 100%. Beyond carotenoids, the company is also strategically targeting the regulatory market with certain vitamins and food supplements, including Vitamin D3. The new greenfield Unit 3 at Kakinada is pivotal for future nutraceuticals growth. It is designed to manufacture starting materials, intermediates, and nutraceutical APIs. Divi's anticipates this facility will provide a competitive advantage in increasing volumes for its nutraceutical portfolio, including several new vitamins.

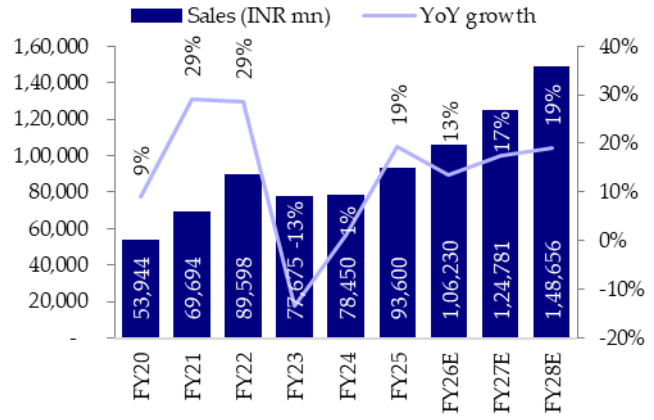
Exhibit 105: Nutraceuticals to see steady growth



Source: Company, HSIE Research

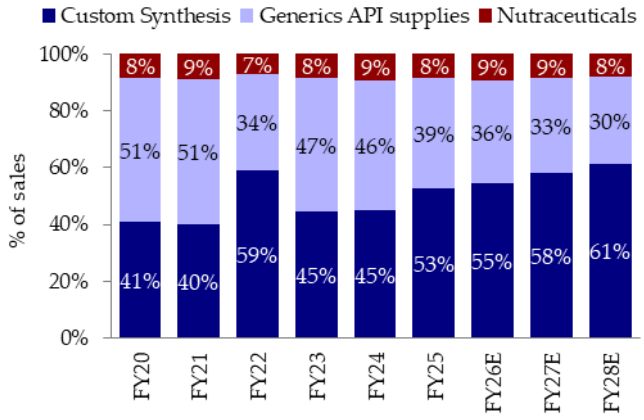
Key financial charts

Exhibit 106: Strong revenue growth visibility



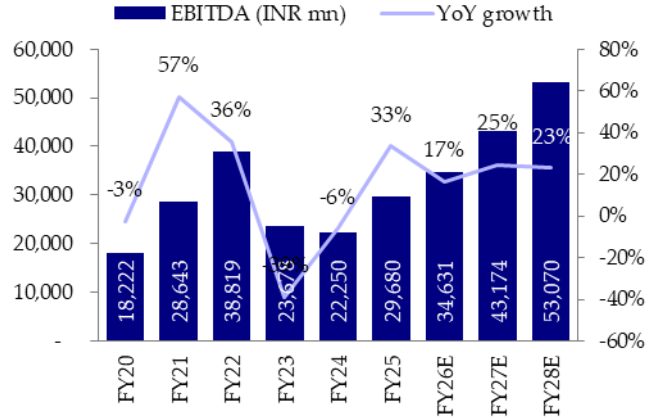
Source: Company, HSIE Research

Exhibit 107: Business mix to improve towards CS



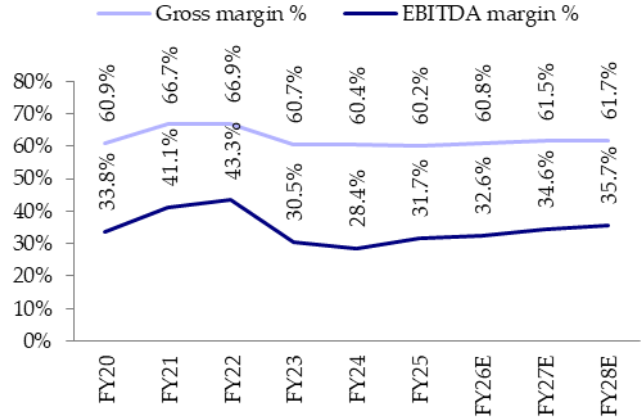
Source: Company, HSIE Research

Exhibit 108: Strong EBITDA growth



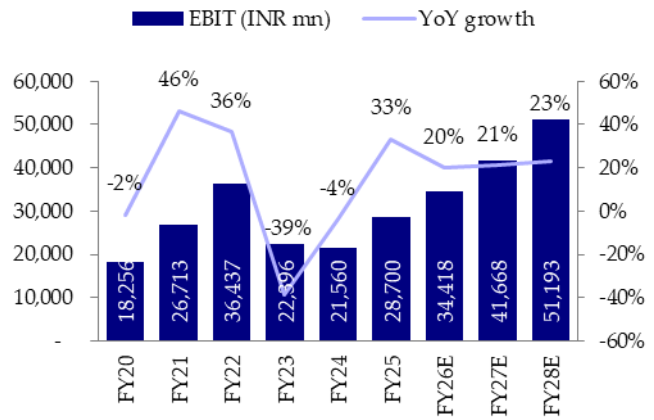
Source: Company, HSIE Research

Exhibit 109: Gross margin to remain steady, EBITDA margin to see significant improvement



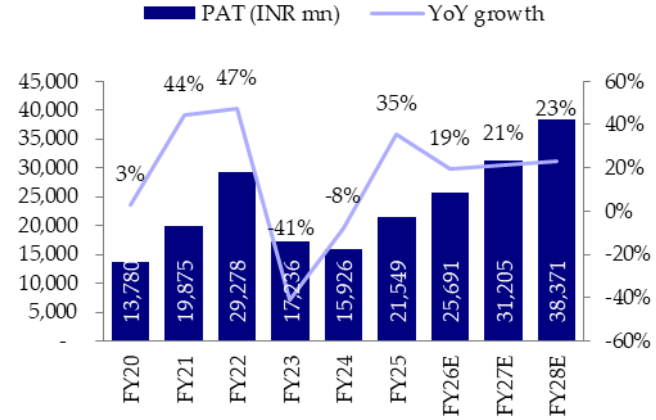
Source: Company, HSIE Research

Exhibit 110: EBIT growth in line with EBITDA growth



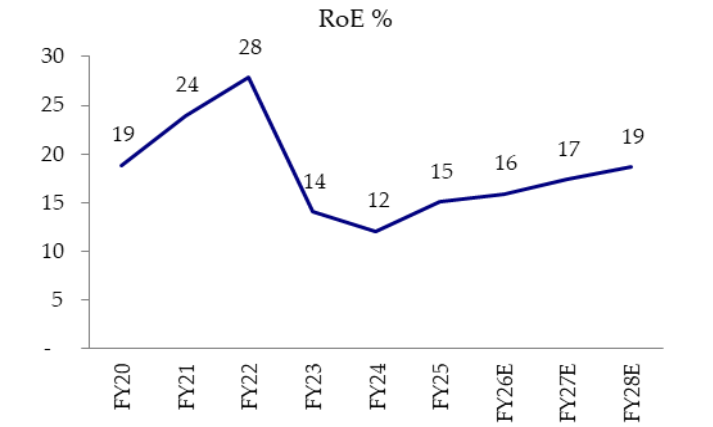
Source: Company, HSIE Research

Exhibit 111: Strong PAT growth visibility



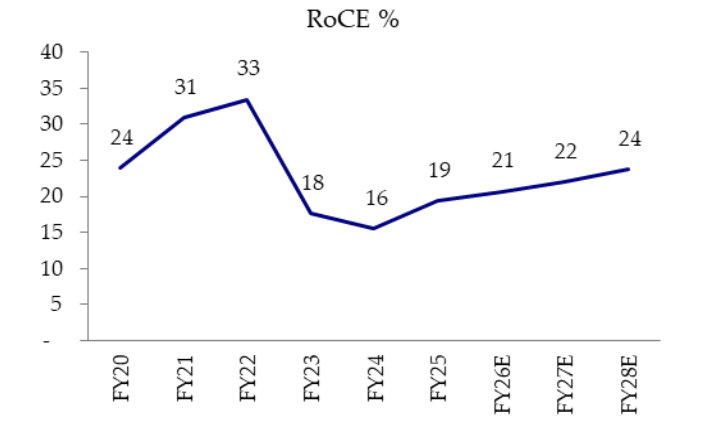
Source: Company, HSIE Research

Exhibit 112: RoE to see steady improvement



Source: Company, HSIE Research

Exhibit 113: Improving margin to drive RoCE



Source: Company, HSIE Research

Exhibit 114: Asset turnover to improve

	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (INR mn) incl CWIP	44,339	54,025	60,942	65,766	75,381	88,901	109,551	125,261	137,201
Asset turnover (x) on gross block	1.2	1.3	1.5	1.2	1.0	1.1	1.0	1.0	1.1
Fixed assets (INR mn) incl CWIP	37,015	44,145	47,950	49,345	55,170	64,640	80,734	91,624	98,369
Asset turnover (x) on Fixed assets	1.5	1.6	1.9	1.6	1.4	1.4	1.3	1.4	1.5

Source: Company, HSIE Research

Exhibit 115: Strong FCF generation visibility – future capex will get addressed

(INR mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	18,256	26,660	36,835	23,686	21,630	29,160	35,274	41,607	51,162
Operating Profit before WC	**18,795**	**28,553**	**39,232**	**25,136**	**22,440**	**30,310**	**34,673**	**43,217**	**53,113**
(Inc.)/Dec in working capital	(2,183)	(2,641)	(13,705)	4,188	(6,070)	(5,540)	(811)	(8,469)	(10,724)
Cash flow from operations	**16,612**	**25,913**	**25,528**	**29,324**	**16,370**	**24,770**	**33,862**	**34,748**	**42,389**
Cash Taxes paid	(4,452)	(6,443)	(6,410)	(4,727)	(3,760)	(8,240)	(8,819)	(10,402)	(12,790)
Net Cash from operating activities	**12,159**	**19,469**	**19,118**	**24,597**	**12,610**	**16,530**	**25,044**	**24,346**	**29,598**
Capex	(11,832)	(9,102)	(7,132)	(4,730)	(10,030)	(14,380)	(20,370)	(15,710)	(11,940)
Free cash flow	**327**	**10,367**	**11,986**	**19,867**	**2,580**	**2,150**	**4,674**	**8,636**	**17,658**
OCF to EBITDA	**67%**	**68%**	**49%**	**104%**	**57%**	**56%**	**72%**	**56%**	**56%**

Source: EXIM, Company, HSIE Research

Outlook and valuation

We are optimistic of key factors like:

- robust GLP (obesity) API market across building blocks, fragments, and capacity expansion (lab and commercial scale)
- near-term volatility due to genericization of Sacubitril/valsartan to be offset by traction in its custom synthesis business with capex outlay of ~INR 20 bn to be monetized over the next couple of years.
- scale-up in its Kakinada Phase I plant (capitalized asset of ~INR 16 bn)
- ramp-up in contrast media market with scale-up in Iodine compounds and expected commercialization of Gadolinium compounds in FY27/28
- recovery in generic API led by new launches.
- steady growth in Nutraceutical business,

Over FY19-25, Divi's delivered an 10% sales CAGR and an 8% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 17% for FY25-28E, and EBITDA margin to improve to 35.7% in FY28E (~31.7% in FY25). This translates into an EBITDA and EPS CAGR of 21% over FY25-28E.

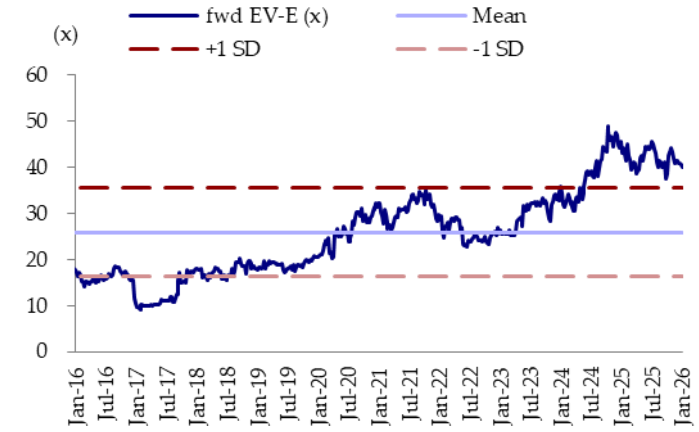
We initiate coverage with a BUY rating and a TP of INR 7,630, based on 39x Q3FY28E EV/EBITDA (implies 55x PE). Divi's integrated service offerings, advanced technological capabilities, commitment to process excellence, and strong regulatory track record position it as the best play in India's CRDMO space.

Exhibit 116: Valuation snapshot

Valuations	EBITDA (INR mn)	Q3FY28E multiple (x)	EV (INR mn)
Reported EBITDA	**50,596**	**39**	**1,973,250**
Less: Net debt (INR mn; as of Q3FY28E)			(52,070)
Equity value (INR mn)			**2,025,320**
Target price (INR/ share)			**7,630**
EPS (INR/ share)			138
Implied PE (x)			55

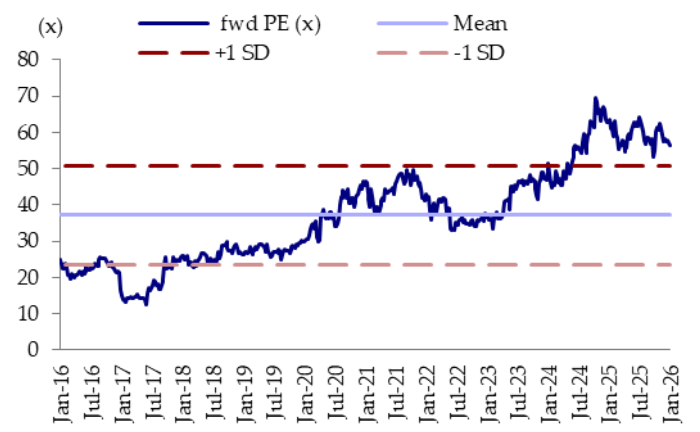
Source: Company, HSIE Research, Total Net debt includes lease liabilities

Exhibit 117: EV/ EBITDA chart



Source: Company, HSIE Research

Exhibit 118: PE chart



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**87,992**	**76,659**	**77,960**	**93,250**	**106,230**	**124,781**	**148,656**
Other operating income	1,606	1,016	490	350	0	0	0
Total operating income	**89,598**	**77,675**	**78,450**	**93,600**	**106,230**	**124,781**	**148,656**
Cost of goods sold	(29,671)	(30,537)	(31,290)	(37,250)	(41,642)	(48,041)	(56,935)
Gross profit	59,927	47,138	47,160	56,350	64,588	76,741	91,721
Gross margin (%)	67	61	60	60	61	62	62
Total operating expenses	(21,108)	(23,460)	(25,110)	(26,670)	(29,957)	(33,566)	(38,650)
EBITDA	**38,819**	**23,678**	**22,050**	**29,680**	**34,631**	**43,174**	**53,070**
EBITDA margin (%)	43.3	30.5	28.1	31.7	32.6	34.6	35.7
Depreciation	(3,115)	(3,432)	(3,780)	(4,020)	(4,556)	(4,820)	(5,195)
EBIT	**35,704**	**20,246**	**18,270**	**25,660**	**30,075**	**38,354**	**47,875**
Net interest	(8)	(7)	(30)	(20)	(164)	(61)	(31)
Other income	733	2,150	3,090	3,040	4,344	3,313	3,317
Profit before tax	**36,429**	**22,390**	**21,330**	**28,680**	**34,254**	**41,607**	**51,162**
Total taxation	(7,231)	(5,453)	(5,630)	(7,250)	(8,819)	(10,402)	(12,790)
Tax rate (%)	20	24	26	25	26	25	25
Profit after tax	29,199	16,937	15,700	21,430	25,436	31,205	38,371
Minorities	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0	0
Adjusted net profit	**29,278**	**17,236**	**15,926**	**21,549**	**25,691**	**31,205**	**38,371**
Adj. PAT margin (%)	33	22	20	23	24	25	26
Net non-recurring items	326	998	74	361	765	0	0
Reported net profit	**29,605**	**18,234**	**16,000**	**21,910**	**26,456**	**31,205**	**38,371**

Balance sheet (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	531	531	531	531	531	531	531
Reserves & surplus	116,751	127,140	135,180	149,160	167,679	190,771	221,084
Net worth	117,282	127,671	135,711	149,691	168,210	191,302	221,615
Borrowing	37	33	30	40	911	611	311
Other non-current liabilities	4,231	5,394	6,250	5,090	8,331	8,414	8,498
Total liabilities	**133,747**	**144,388**	**154,701**	**169,321**	**194,719**	**220,956**	**255,414**
Gross fixed assets	56,243	63,648	67,601	78,681	99,051	114,761	126,701
Less: Depreciation	(12,992)	(16,422)	(20,211)	(24,261)	(28,817)	(33,637)	(38,831)
Net fixed assets	43,251	47,226	47,390	54,420	70,234	81,124	87,869
Add: Capital WIP	4,699	2,119	7,780	10,220	10,500	10,500	10,500
Total fixed assets	47,950	49,345	55,170	64,640	80,734	91,624	98,369
Total Investment	720	771	820	650	670	670	670
Inventory	28,286	30,004	31,840	32,360	35,410	41,247	48,726
Debtors	24,239	17,925	21,560	27,310	28,328	32,928	38,816
Cash & bank	28,189	42,131	39,800	37,150	39,615	43,048	55,592
Loans & advances	0	0	0	0	0	0	0
Current liabilities	12,198	11,290	12,710	14,500	17,267	20,629	24,989
Total current assets	82,938	92,139	96,470	100,680	107,784	122,429	149,335
Net current assets	70,741	80,849	83,760	86,180	90,517	101,799	124,345
Other non-current assets	2,139	2,134	2,241	3,351	5,531	6,234	7,040
Total assets	**133,747**	**144,388**	**154,701**	**169,321**	**194,719**	**220,956**	**255,414**

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	36,429	22,390	21,330	28,680	34,254	41,607	51,162
Depreciation & Amortization	(3,115)	(3,432)	(3,780)	(4,020)	(4,556)	(4,820)	(5,195)
Chg in working capital	(13,705)	4,188	(6,070)	(5,540)	(811)	(8,469)	(10,724)
CF from operations	**19,118**	**24,597**	**12,610**	**16,530**	**25,044**	**24,346**	**29,598**
Capital expenditure	(7,132)	(4,730)	(10,030)	(14,380)	(20,370)	(15,710)	(11,940)
CF from investing	**(21,949)**	**(27,076)**	**(2,690)**	**(8,040)**	**(20,070)**	**(15,710)**	**(11,940)**
Equity raised/ (repaid)	0	0	0	0	0	0	0
Debt raised/ (repaid)	(4)	0	0	0	870	(300)	(300)
Dividend paid	(5,309)	(7,964)	(7,960)	(7,960)	(7,937)	(8,113)	(8,058)
CF from financing	**(8,156)**	**(10,451)**	**1,930**	**500**	**(2,256)**	**162**	**9,269**
Net chg in cash	(10,987)	(12,930)	11,850	8,990	2,718	8,799	26,928

Key ratios

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL							
FDEPS (Rs)	110.3	64.9	60.0	81.2	96.8	117.6	144.6
CEPS (Rs)	123.3	81.6	74.5	97.7	116.8	135.7	164.1
DPS (Rs)	20.0	30.0	30.0	30.0	29.9	30.6	30.4
Dividend payout ratio (%)	17.9	43.7	49.8	36.3	30.0	26.0	21.0
GROWTH							
Net sales (%)	28.3	(12.9)	1.7	19.6	13.9	17.5	19.1
EBITDA (%)	35.7	(39.0)	(6.9)	34.6	16.7	24.7	22.9
Adj net profit (%)	47.3	(41.1)	(7.6)	35.3	19.2	21.5	23.0
FDEPS (%)	47.3	(41.1)	(7.6)	35.3	19.2	21.5	23.0
PERFORMANCE							
RoE (%)	27.9	14.1	12.1	15.1	16.2	17.4	18.6
RoCE (%)	33.4	17.6	15.5	19.3	20.7	22.1	23.8
EFFICIENCY							
Asset turnover (x)	1.7	1.3	1.2	1.3	1.2	1.2	1.2
Sales/ total assets (x)	0.7	0.6	0.5	0.6	0.6	0.6	0.6
Working capital/ sales (x)	0.4	0.5	0.5	0.5	0.5	0.4	0.4
Receivable days	101	85	101	107	97	96	95
Inventory days	203	203	206	185	181	184	186
Payable days	57	52	53	52	56	59	61
FINANCIAL STABILITY							
Total debt/ equity (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt/ equity (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)
Current ratio (x)	6.8	8.2	7.6	6.9	6.2	5.9	6.0
Interest cover (x)	4,463.0	3,021.9	609.0	1,283.0	183.5	627.8	1,538.4
VALUATION							
PE (x)	57.7	98.0	106.1	78.4	65.7	54.1	44.0
EV/ EBITDA (x)	42.8	69.6	74.8	55.7	47.7	38.1	30.8
EV/ Net sales (x)	18.9	21.5	21.2	17.7	15.5	13.2	11.0
PB (x)	14.4	13.2	12.4	11.3	10.0	8.8	7.6
Dividend yield (%)	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Free cash flow yield (%)	0.7	1.2	0.2	0.1	0.3	0.5	1.0

Source: Company, HSIE Research

INSTITUTIONAL RESEARCH

Sai Life Sciences

Integrated CRDMO; expanding for future growth

Sai Life Sciences (SLS) has rooted its position as a science-led, integrated CRDMO, capitalizing on niche capabilities and capacity expansion. We are optimistic about key factors such as: First, SLS's integrated business model across discovery, development, and manufacturing helps it emerge as a one-stop solution with multiple entry points for customer acquisition (200+ clients and 60+ collaborations under CRO). Second, tapping the obesity and metabolic API (GLP) market across peptides, building blocks, and small molecules (lab and commercial scale). Third, a differentiated global integrated delivery, R&D, and discovery model in key innovation hubs (US: Boston and UK: Manchester), with large-scale, cost-efficient manufacturing supported by R&D infrastructure in India (Hyderabad and Bidar). Fourth, growth capex is targeted toward doubling manufacturing capacity and enhancing scientific depth in emerging modalities (peptides, oligonucleotides, lipids, and ADCs). Lastly, focusing on building a CMC capability (portfolio of 36 active molecules with 30 in commercial and six in Phase 3/pre-registration stage). SLS guides for sales CAGR of 15–20% over the next 3–5 years and EBITDA margins in the range of 28–30% over the next couple of years. We see strong visibility of sales growth (21% CAGR over FY25–28E) with improved profitability (EBITDA/PAT CAGR 30%/49%) and return ratios. We initiate coverage with a BUY rating and a TP of INR 1,160, based on 29x Q3FY28E EV/EBITDA (implies 52x PE).

- **CDMO – product portfolio to drive:** Over the past decade, SLS has built integrated end-to-end services from IND filing (clinical supplies) through commercial launch (commercial production). The company's innovator pharma product portfolio includes 30 APIs/intermediates used for commercial drugs and six used in drugs under Phase 3/pre-registration, offering a stable revenue source. 140+ products are in various stages of development (across pre-clinical, Phase I/II). We expect the CDMO segment to see a 24% CAGR over FY25–28E.
- **Gearing up to enter GLP-1 market:** SLS is expanding its peptide business to meet the booming demand for GLP-1 (in non-Semaglutide) drugs (API market of ~USD 8-9bn). It is starting with building blocks and moving to higher-value peptide fragment supplies. SLS possesses clinical assets in GLP-1 and EXIM data reflects small supplies for peptide intermediates. SLS has commissioned a dedicated peptide research centre and is tapping the GLP opportunity.
- **CRO to see strong traction:** CRO is well placed to sustain growth momentum in integrated programs and build capabilities in key modalities such as peptides, oligonucleotides, lipids, and ADCs, along with a robust increase in engagement with large pharma clients. We expect CRO to see a 16% CAGR over FY25–28E.
- **Capacity expansion key:** SLS targeting to increase overall capacity (current capacity at 700KL) by H2FY27 (adding ~430KL) while simultaneously doubling process R&D capacity. It has a planned capex of ~INR 7bn for FY26 to enhance infrastructure and add 30% extra space for discovery R&D.
- **Outlook and valuation:** Over FY22-25, SLS delivered a 25% sales CAGR and a 50% EBITDA CAGR. Looking ahead, we expect a 21% sales CAGR for FY25–28E, with EBITDA margin improving to 29.1% in FY28E (~23.9% in FY25) and EBITDA/EPS CAGR of 30%/49% over FY25–28E. We initiate with a BUY and assign an EV/EBITDA multiple of 28x to arrive at a TP of INR 1,120.

Financial Summary

YE March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	12,171	14,652	16,946	21,939	25,512	30,361
EBITDA	1,649	2,855	4,057	5,880	7,169	8,835
APAT	(73)	682	1,511	3,252	3,901	4,966
Diluted EPS (INR)	(0.3)	3.2	7.2	15.5	18.6	23.7
P/E (x)	NA	293.8	132.6	61.6	51.3	40.3
EV / EBITDA (x)	126.6	72.9	49.1	34.5	28.2	22.7
RoCE (%)	4	9	12	17	18	20

Source: Company, HSIE Research, EBITDA and PAT adjusted for one-offs

BUY

CMP *(as on 5 Jan 2026)*	INR 955
Target Price	INR 1160
NIFTY	26,250

KEY STOCK DATA	
Bloomberg code	SAILIFE IN
No. of Shares (mn)	211
MCap (INR bn) / ($ mn)	195/2,164
6m avg traded value (INR mn)	878
52 Week high / low	INR 963/635

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	4.4	16.3	18.2
Relative (%)	(1.2)	13.5	9.9

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	35.15	34.93
FIs & Local MFs	21.64	29.94
FPIs	14.58	22.49
Public & Others	28.63	12.64
Pledged Shares	-	-

Source: BSE

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Exhibit 119: Revenue and EBITDA; hospital cluster-wise assumptions

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY22-25	CAGR FY25-28E
CDMO	5,954	7,298	9,716	10,690	14,432	17,029	20,605	22%	24%
% YoY growth	4%	23%	33%	10%	35%	18%	21%		
% of sales	68%	60%	66%	63%	66%	67%	68%		
CRO	2,737	4,671	4,972	6,256	7,507	8,483	9,756	32%	16%
% YoY growth	45%	71%	6%	26%	20%	13%	15%		
% of sales	31%	38%	34%	37%	34%	33%	32%		
Total revenues	**8,696**	**12,171**	**14,652**	**16,946**	**21,939**	**25,512**	**30,361**	**25%**	**21%**
% YoY growth	**14%**	**40%**	**20%**	**16%**	**29%**	**16%**	**19%**		
Gross profit	**6,028**	**7,946**	**10,194**	**12,288**	**16,015**	**18,701**	**22,346**	**27%**	**22%**
YoY growth	NA	32%	28%	21%	30%	17%	19%		
Gross margin %	**69.3%**	**65.3%**	**69.6%**	**72.5%**	**73.0%**	**73.3%**	**73.6%**	**319 bps**	**109 bps**
EBITDA	**1,213**	**1,649**	**2,855**	**4,057**	**5,880**	**7,169**	**8,835**	**50%**	**30%**
YoY growth	NA	36%	73%	42%	45%	22%	23%		
EBITDA margin %	**13.9%**	**13.6%**	**19.5%**	**23.9%**	**26.8%**	**28.1%**	**29.1%**	**999 bps**	**516 bps**
Adj PAT	**(36)**	**(73)**	**682**	**1,511**	**3,252**	**3,901**	**4,966**	**NA**	**49%**
YoY growth	22%	34%	9%	9%	8%	11%	12%		
PAT margin %	**-0.4%**	**-0.6%**	**4.7%**	**8.9%**	**14.8%**	**15.3%**	**16.4%**	**932 bps**	**744 bps**

Source: Company, HSIE Research

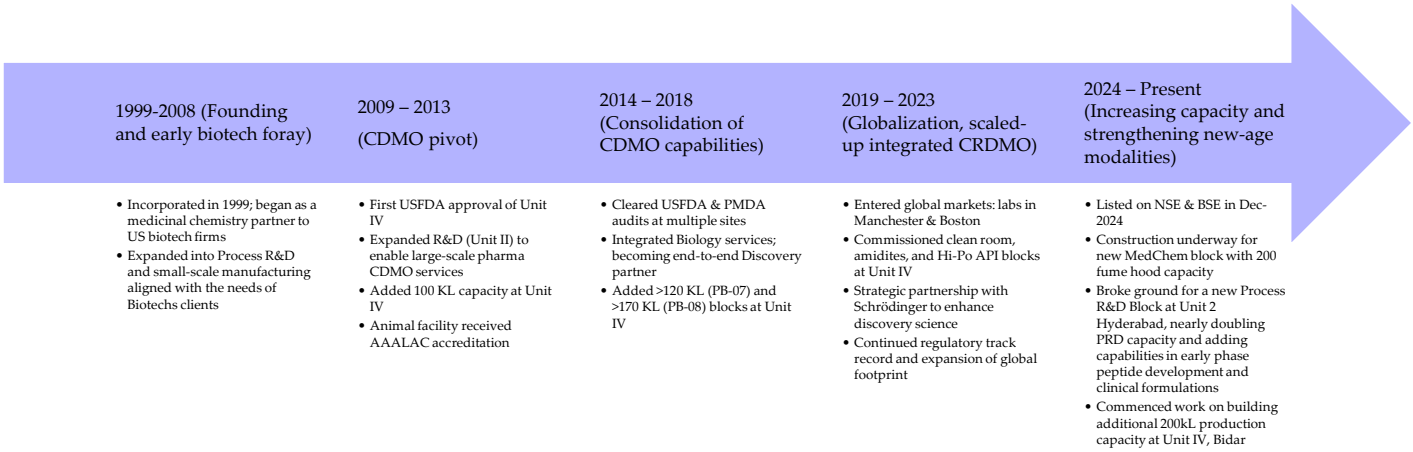
Encouraging growth journey to becoming a leading CRDMO Indian player

SLS was incorporated in 1999, initially providing medicinal chemistry services to U.S. biotech firms. The company later expanded into API manufacturing through the acquisition of Prasad Drugs (Unit III, Bolarum) and Merrifield Pharma (Unit IV, Bidar), increasing its manufacturing capacity from 200 KL in 2017 to 560 KL by March 2025.

Between 2018 and 2019, SLS strategically repositioned itself as a science-driven organization focused on high-end manufacturing and discovery. This transformation was anchored by the *Sai Nxt* initiative—a four-year program (2019–2023) supported by an investment exceeding USD 130 mn. The initiative accelerated SLS's global expansion, consolidating discovery operations in Hyderabad and establishing R&D centers in innovation hubs such as Boston (Discovery Biology) and Manchester (Process R&D) to enhance proximity to customers.

Building on this momentum, SLS has partnered globally to help bring 25–30 new medicines to market. Its strategic focus now centers on emerging modalities, including peptides, oligonucleotides, ADCs, and conjugation technologies. Recent investments include the inauguration of a dedicated Peptide Research Center and an ambitious capacity expansion plan to nearly double its total manufacturing capacity by FY27 from the current ~700 KL.

Exhibit 120: Business evolution in the past 20-25 years



Source: Company, HSIE Research

The evolution of SLS into an integrated business model—a CRDMO—was a multi-phased strategic process, driven by capacity expansion, acquisitions, globalization, and a large-scale organizational transformation initiative. The company's integrated platform supports the full pharma lifecycle, allowing customers to engage at any stage or utilize the "follow the molecule" approach from research to commercial production.

- The CRO segment focuses on integrated discovery capabilities across biology, chemistry, and Drug Metabolism and Pharmacokinetics (DMPK). The objective is to support drug discovery programs from target identification through to Investigational New Drug (IND) studies. This includes:
  - **Medicinal chemistry and computer-aided drug design (CADD)**: Includes Hit identification, lead optimization, Structure-Activity Relationship (SAR) studies, molecular simulations, and leveraging CADD software to design novel molecules.
  - **Synthetic chemistry and small-scale compound delivery**: Dedicated synthetic chemistry teams prepare sample quantities of designed compounds,

with experience across various modalities, including macrocycles, peptides, and sugars.

- **Biology and pharmacology**: This includes target identification and validation, biological assay development (biochemical, cellular, biophysical, and pharmacological assays), assay testing, in vivo studies, and biomarker discovery.
- **DMPK and toxicology studies**: Providing comprehensive in vitro and in vivo DMPK (ADME profiling) and toxicology services to assess pharmacokinetics, safety, and toxicity, crucial for identifying suitable drug candidates for advancement.
- **Preclinical and IND support**: Conducting essential studies, including cross-species DMPK profiling and toxicology evaluations, required for regulatory filings.
- **Integrated programs**: Over 65% of the Discovery programs currently utilize integrated chemistry, biology, and DMPK capabilities, which allows for quicker feedback and accelerated progress toward clinical trials.

- **CDMO (CMC) services:** The CDMO segment provides end-to-end development and manufacturing services for intermediates and APIs, covering the entire span from pre-clinical supply to commercial production. Key offerings include:
  - **Process research, route development, and optimization**: Developing efficient, scalable, quality, and cost-effective manufacturing processes for clinical and commercial use, supported by strong analytical R&D and advanced crystallization capabilities. This includes route scouting, process intensification, and impurity profiling.
  - **Analytical development and validation**: Services encompassing method validation and stability studies.
  - **Early-phase material supply**: Delivery of APIs and intermediates for pre-clinical, Phase I, and Phase II trials.
  - **Late-phase material supply and regulatory support**: Finalization and validation of manufacturing processes for Phase III trials and New Drug Application (NDA) filing support.
  - **Commercial material supply**: Ongoing API and intermediate manufacturing under long-term supply agreements, including lifecycle management, continuous verification, and continuous improvement.
  - **Advanced capabilities**: Expertise is offered in complex chemistry, advanced synthetic approaches (such as chiral chemistry, chemo- and bio-catalysis), and advanced production technologies like flow chemistry, column chromatography, lyophilization, cryogenics, and high-pressure reactions.
  - **Specialty/Emerging modalities**: Services are provided for Hi-Po oncology APIs, peptide APIs, contrast agents, and oligonucleotide building blocks (amidites).
- **Differentiated global delivery model:** The offerings are delivered through a strategically integrated platform combining scientific proximity with cost-effective scalability.
  - **Global R&D presence**: Discovery and development labs are located near key innovation hubs in Greater Boston, US, and Manchester, UK, which allows for close customer collaboration and rapid technology transfer.

- **India manufacturing base**: Large-scale R&D and manufacturing facilities in India (Hyderabad and Bidar) provide the necessary scalability, cost efficiency, and large-scale commercial production capacity.

Exhibit 121: Integrated business model – drug discovery, development to commercial manufacturing

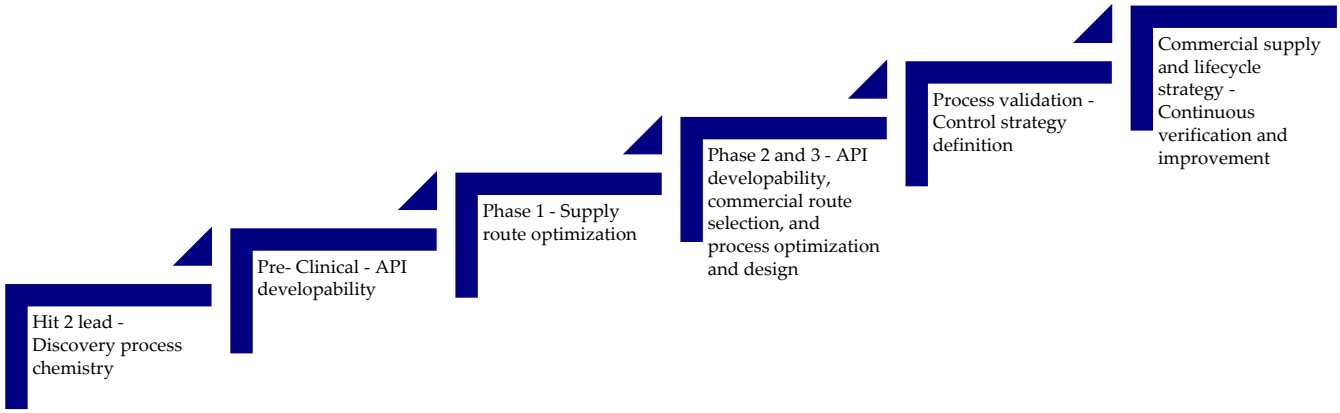
Drug discovery	Pre-clinical and IND support	Drug development	Manufacturing
Medicinal chemistry - Hit identification, lead optimization, and SAR studies	**DMPK & Toxicology** - ADME profiling, safety, and efficacy studies	**Process Research & Development (PRD)** - Route scouting, process intensification, impurity profiling	**GMP manufacturing** - Clinical trial materials (Phase I-III), API
Biology & Pharmacology - In vivo studies and biomarker discovery	**Regulatory support** - Preclinical regulatory documentation, IND filing	**Analytical development & validation** - Method validation, stability studies	**Technology transfer & commercial scale-up** - From lab to large-scale production
Computational drug discovery - Molecular simulations and data analytics			**Regulatory compliance** - USFDA, PMDA-certified facilities
Phase 1 Discovery (CRO)	Phase 2 Development (CRO and CDMO)		Phase 1 Manufacturing (CDMO)
37% of FY25 sales	63% of FY25 sales		

Source: Company, HSIE Research

CDMO with a diverse mix of commercial and development molecules

SLS operates an integrated CRDMO model, offering comprehensive capabilities that support customers throughout the development and scale-up production of APIs and intermediates for both clinical and commercial phases. The company provides end-to-end services, from the IND stage through to commercialization. The CDMO segment is the largest contributor to SLS's revenue, accounting for 63% of total revenue in FY25. SLS's development and manufacturing portfolio includes over 170 innovator pharma products and over 30 commercial and late-phase products (Phase III and commercial). This portfolio features 38 APIs/intermediates used in the manufacturing of 28 commercial drugs, including seven blockbuster drugs (with annual sales exceeding USD 1 billion). Within the CDMO business, ~91% of revenue is generated from large pharma customers, with the remaining 9% coming from biotech clients.

Exhibit 122: CDMO business offerings to support product lifecycle

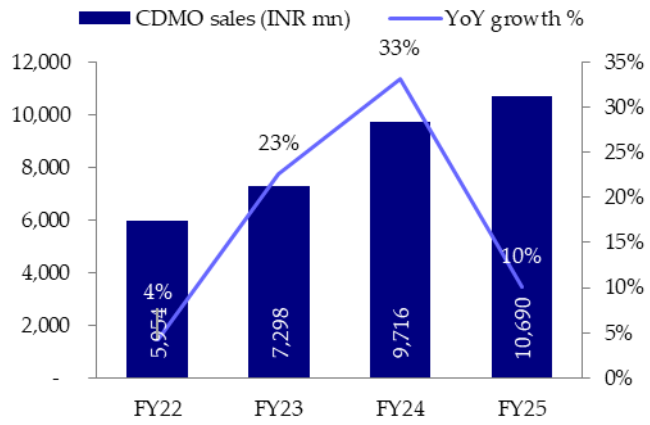


Source: Company, HSIE Research

Over FY22–25, SLS experienced strong growth momentum, achieving a 21% revenue CAGR. The robust growth in FY23 and FY24 was mainly led by increased volumes of commercial and clinical-stage products, capacity additions such as the new Hi-Po API facility at Bidar (commissioned in FY23), the commencement of commercial sales for certain new molecules, and higher development and manufacturing revenues from a

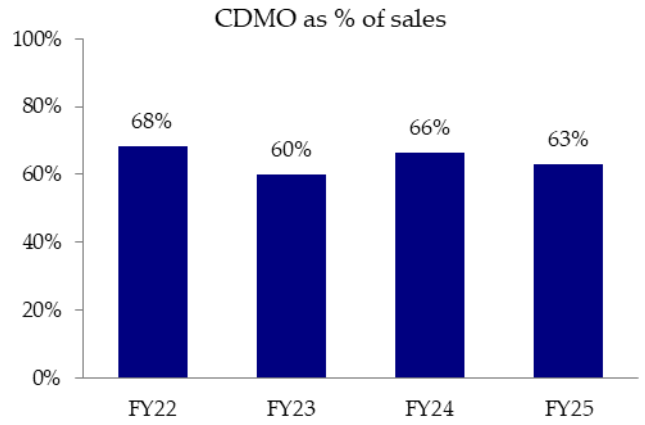
new biotech customer. However, growth moderated to 10% YoY in FY25, mainly due to a high base and lower orders for commercial molecules. According to EXIM data, SLS is scaling up its business in select molecules such as Bilastine, Benzindene Triol, Dapsone, Ubrogepant, and Gepotidacin, in collaboration with global innovators.

Exhibit 123: CDMO saw 21% CAGR over FY22-25



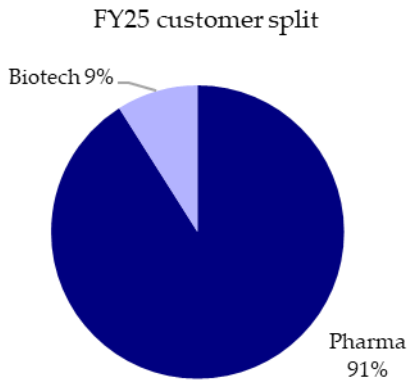
Source: Company, HSIE Research

Exhibit 124: Revenue contribution steady at 60+%



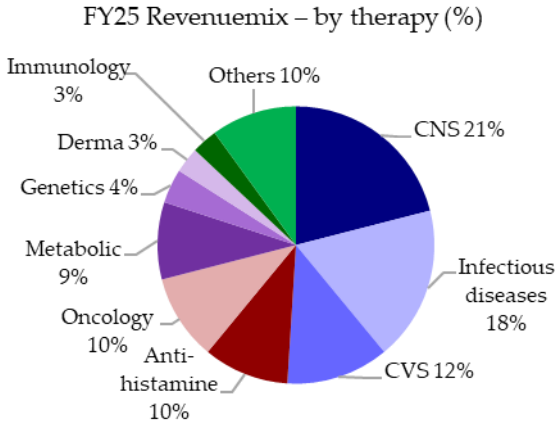
Source: Company, HSIE Research

Exhibit 125: 90+% revenues from global pharma



Source: Company, HSIE Research

Exhibit 126: CNS leading therapeutic contributor



Source: Company, HSIE Research

CDMO to sustain growth momentum

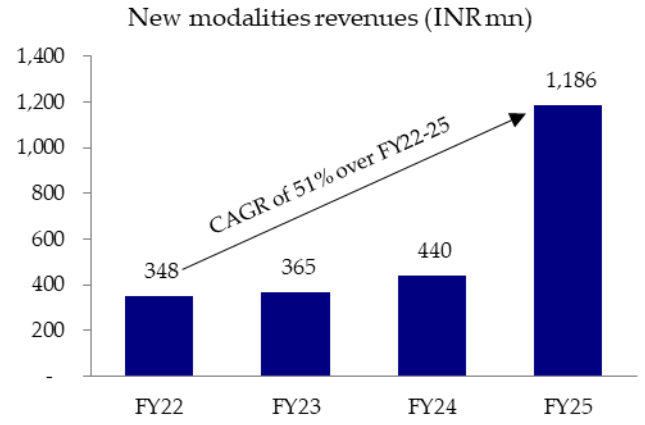
The CDMO business growth is underpinned by structural shifts in the global pharma industry, strategic investments in capacity, and the necessity for reliable, integrated partners. The key growth drivers: (1) global pharma innovators are increasingly seeking partners who offer seamless, end-to-end services across the drug development lifecycle, from discovery to commercial manufacturing (the CRDMO model). This integrated approach eliminates the necessity for pharma innovators to select different CRDMOs, which significantly reduces the cost, time, and risks associated with technology transfer between multiple organizations. SLS with its "follow the molecule" approach allows for scientific continuity and efficient technology transfer from early R&D into large-scale production, enabling faster transition and enhanced cost efficiency; (2) SLS is continuously investing in infrastructure, capacity, and specialized technical capabilities, with strong technical and R&D infrastructure capabilities, alongside agility in responding to different volume needs; and (3) SLS with its end-to-end services offering and investment in differentiated capabilities is well placed to capture the China +1 strategy of global innovators.

SLS has made significant investments in emerging modalities, expanding its capabilities to support several next-generation therapeutic areas beyond traditional small molecules. These include:

1. **Peptides:** SLS has established process and scale-up facilities for clinical supplies, initially focusing on the commercial supply of peptide fragments before moving to full-scale peptide manufacturing. The company has also launched a dedicated Peptide Research Center at its Hyderabad R&D campus to support complex peptide synthesis and discovery.
2. **Antibody-Drug Conjugates (ADCs):** SLS is enhancing its capabilities for ADC conjugation in discovery and is upgrading to provide end-to-end support. The company is currently working on a late-phase ADC asset that has reached the commercial stage.
3. **Oligonucleotides:** The focus here is on manufacturing amidites (building blocks), with SLS involved in multiple projects ranging from development to near-commercial stages.
4. **Lipids:** SLS has been supplying lipids for several years and is now looking to further expand its capacity in this area.

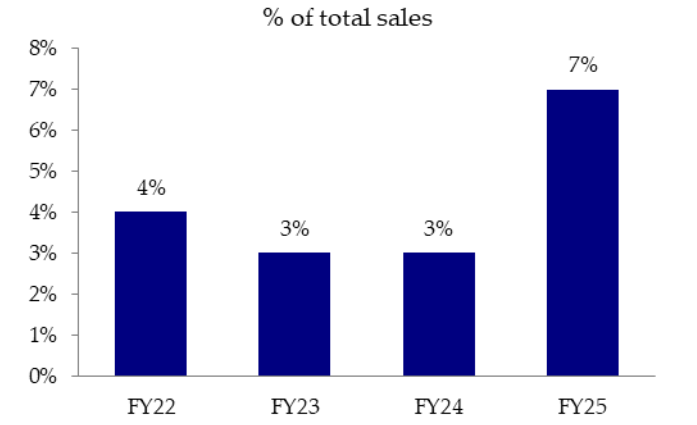
Over the past four years, revenue contribution from these new modalities has scaled up significantly, with a CAGR of ~51% over FY22–25, reaching around INR 1.18bn in FY25 (from about INR 348mn in FY22). As a result, the contribution from new modalities increased to about 7% of total revenues in FY25, up from 4% in FY22.

Exhibit 127: Strong scale-up in revenues from new modalities over FY22-25



Source: Company, HSIE Research

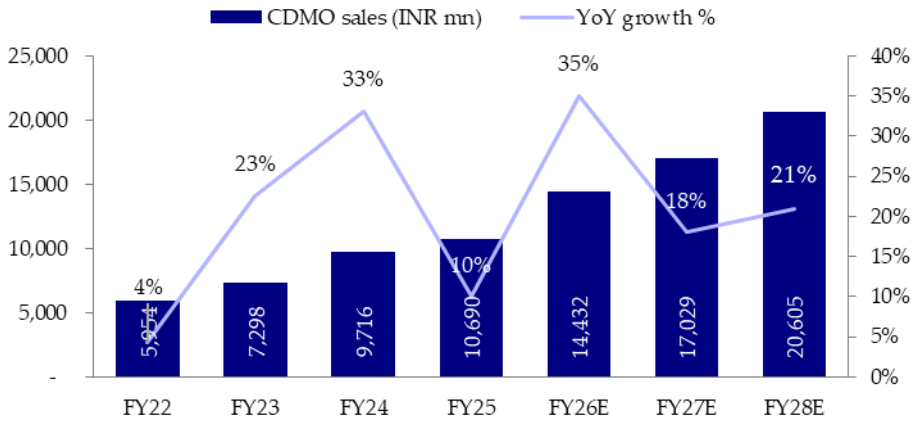
Exhibit 128: Revenue contribution from new modalities on the rise



Source: Company, HSIE Research

Over FY22–25, SLS's CDMO business delivered a 22% sales CAGR, driven by strong traction in global markets and capacity expansion. Looking ahead, the company expects a sales CAGR of 24% for FY25–28E, primarily supported by ongoing capacity expansion, increased traction in recently launched products (in collaboration with innovators), scale-up of development and pre-registration stage molecules, and continuous expansion into new modalities. In Q2FY26, the company partnered with Agility Life Sciences (UK) and Centrix Pharma (UK) to provide end-to-end CMC services from API development to drug product manufacturing and first-in-human trials process to support the innovative portfolios.

Exhibit 129: Steady growth momentum over the next few years

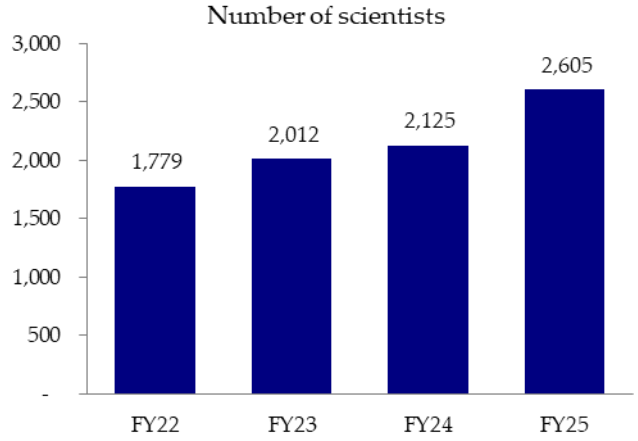


Source: Company, HSIE Research

CRO business evolved in the past few years

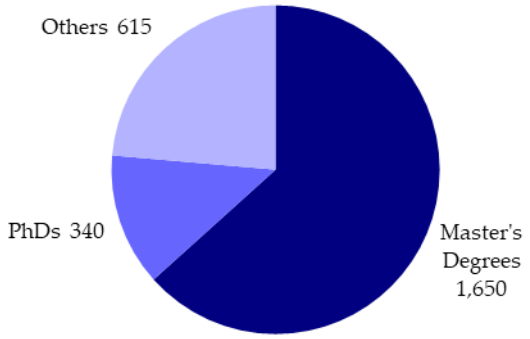
The company launched its transformative Sai Nxt initiative from 2019 to 2023, backed by a USD 150mn investment commitment (with USD 100mn invested early on). This program focused on enhancing people, culture, processes, automation, and expanding scientific capabilities and infrastructure. As a result, SLS's core CRO offering evolved into integrated discovery capabilities spanning chemistry, biology, and Drug Metabolism and Pharmacokinetics (DMPK). The co-location of these technical competencies has improved efficiency, accelerated the drug discovery process, and strengthened continuity for customers. This integrated approach has led to higher client retention and opened opportunities for cross-selling integrated R&D and manufacturing services. SLS established R&D and discovery laboratories near key innovation hubs to provide scientific proximity to clients. The Exploratory Biology Lab in Watertown (Greater Boston, MA, US) enables close customer collaboration and technology transfer, having developed, and transferred over seven biology assays and helped onboard eight drug discovery customers for larger programs in India in FY24.

Exhibit 130: Increasing scientists to improve FTE strength; added ~820+ over FY22-25



Source: Company, HSIE Research

Exhibit 131: Quality work force to support new projects

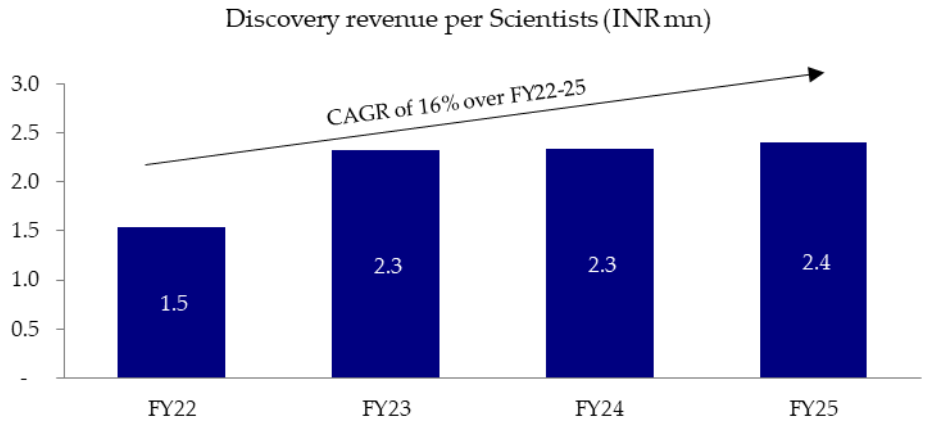


Source: Company, HSIE Research

Additionally, a Process R&D Lab was set up in Alderley Park, Manchester, UK, facilitating non-GMP delivery and successful technology transfer to Indian sites, which supported the consolidation of discovery operations from Pune to the integrated R&D campus in Hyderabad. Discovery R&D capacity in Hyderabad was expanded by 15% in Q3FY25, with plans to nearly double overall Process R&D capacity by the end of FY26. The scientific staff strength also increased significantly, reaching 2,605 scientists as of March 2025, up from 1,779 in March 2022, including ~1,650 with master's degrees and 340 PhDs.

Over the past 4–5 years, SLS has significantly enhanced its scientific capabilities by increasing headcount to support dedicated R&D services. Notably, revenue per scientist has improved from approximately INR 1.5 mn in FY22 to around INR 2.4 mn in FY25, reflecting a CAGR of about 16% over FY22–25. The company's newer capabilities, targeting high-growth modalities such as peptides, biologics, ADCs, and oligonucleotides, are expected to further improve FTE realization, going forward.

Exhibit 132: SLS's productivity per scientist improving



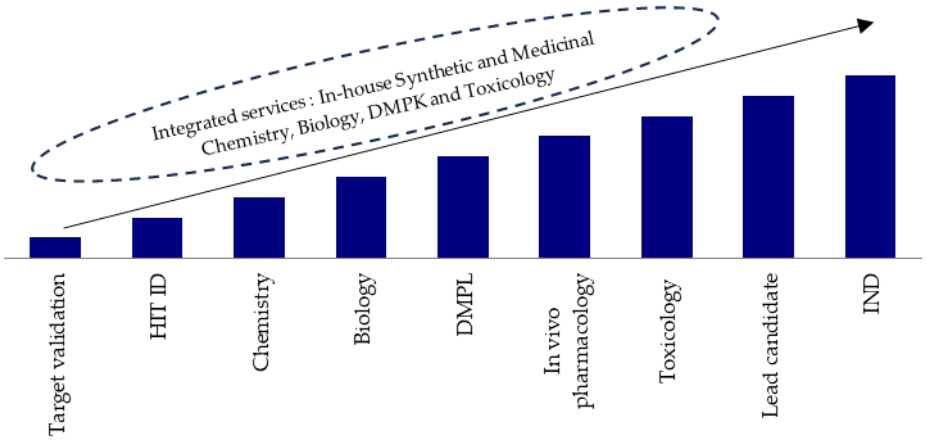
Source: Company, HSIE Research

SLS's CRO services offer integrated discovery capabilities, partnering with global pharmaceutical and biotech companies to support drug discovery programs from target identification through IND-enabling studies. These programs advance molecules across a diverse range of therapeutic areas, including oncology, CNS, inflammation, antivirals, and rare diseases. Notably, SLS is among the few CROs to operate a dedicated R&D facility established in partnership with a global pharma innovator.

CRO or discovery capabilities and offerings include the following:

- **Hit Identification (Hit ID)**: Discovering new chemical entities (NCEs) that bind to biological targets and modify their function, laying the foundation for successful R&D.
- **Biological assay development**: Designing and executing biochemical, cellular, biophysical, and pharmacological assays to evaluate drug candidates.
- **Medicinal chemistry and computer-aided drug design (CADD)**: Leveraging medicinal chemistry expertise and cutting-edge CADD software to design novel molecules.
- **Synthetic chemistry and Small-scale compound delivery**: Dedicated synthetic chemistry teams prepare sample quantities of designed compounds, with experience across macrocycles, peptides, sugars, degraders, and more.
- **DMPK and Toxicology Studies**: Providing comprehensive in-vitro and in-vivo DMPK and toxicology services to assess pharmacokinetics, safety, and toxicity – both standalone and integrated into discovery programs.
- **Lead candidate selection**: Optimizing molecules for pharmacological efficacy, selectivity, and favorable drug-like properties to progress into development.
- **IND-enabling studies**: Conducting essential assays and studies, including cross-species DMPK profiling, drug-drug interaction studies, and toxicology evaluations to support regulatory filings.

Exhibit 133: Discovery services spanning the entire journey from target validation to IND

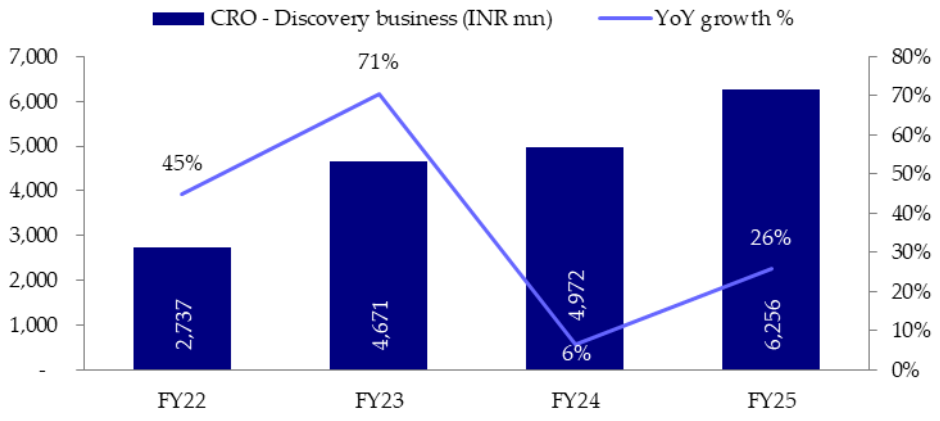


Source: Company, HSIE Research

CRO business to see steady growth momentum

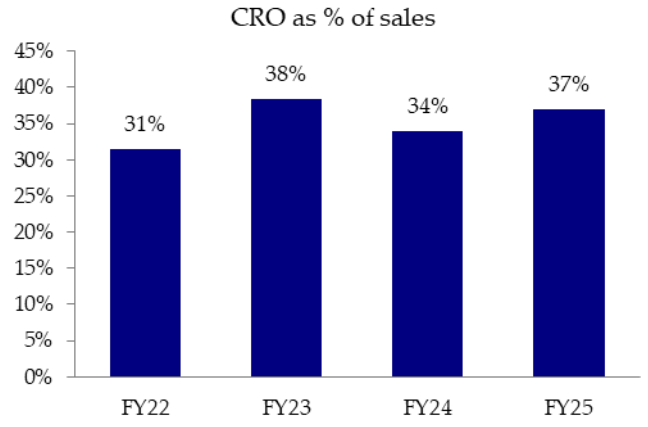
Discovery capacity is undergoing significant expansion, with plans to add about 30% extra space by the end of FY26. Additionally, PRD capacity is expected to nearly double by the end of FY26 through the construction of a new PRD block. Investments are also underway for a new medicinal chemistry block with 200 fume hood capacity. SLS's CRO services have supported over 200 small molecule discovery programs in the past five years, with at least five resulting in commercial drug approvals and 40 resulting in IND filings. The company anticipates that as molecules continue to advance through various development phases, they will generate additional revenue from both development and manufacturing. This ongoing progression also creates strong opportunities for cross-selling related services. Over FY22-25, the company has witnessed strong growth momentum with revenue CAGR of 32%. The strong growth in FY22 and FY23 was driven by the addition of new customers and expansion of biology labs. Moreover, growth moderated in FY24, largely due to the high base and softening of biotech funding. In FY25, the strong growth momentum was led by new projects in medicinal chemistry and biology services expansion, and a recovery in the biotech funding environment.

Exhibit 134: Strong growth over FY22-25



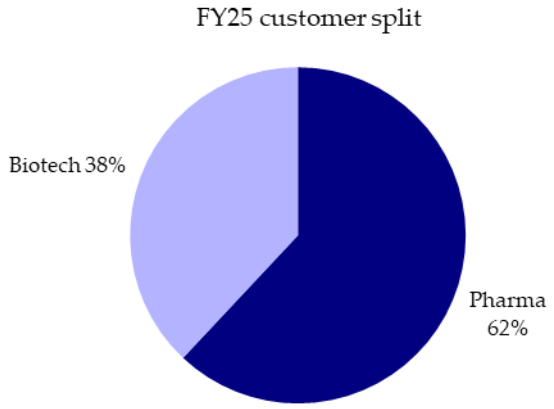
Source: Company, HSIE Research

Exhibit 135: Revenue contribution increasing



Source: Company, HSIE Research

Exhibit 136: Well-balanced between Pharma and Biotech

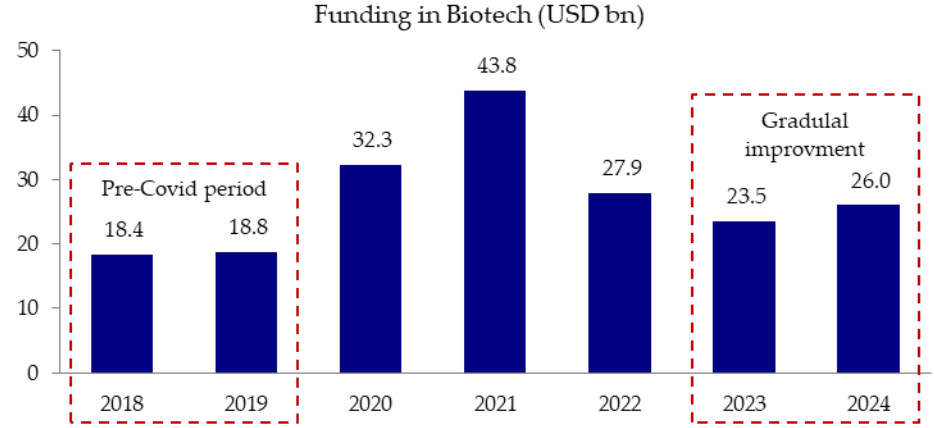


Source: Company, HSIE Research

While R&D spending by large pharmaceutical companies is expected to remain stable over the next few years, with a focus on both small molecules and biologics, the recent slowdown in funding for small and mid-sized biotech firms has emerged as a key near-term concern. Indian companies that rely heavily on biotech-funded customers have indicated that they are likely to experience moderated growth in the near future. Biotech funding experienced a significant surge during the COVID-19 period, increasing 72% YoY in 2020 and 36% in 2021. However, post-pandemic, funding declined by 36% in 2022 and fell another 16% in 2023. Most recently, biotech funding has shown gradual improvement, with 11% YoY growth reported in 2024. The level of private capital funding (private equity and venture capital funds) in the biotech industry has surpassed the pre-pandemic funding levels in 2022 (USD 27.9 bn), 2023 (USD 23.5 bn), and it has reached USD 26.0 bn in 2024 (1.1X higher). However, funding is still below its recent peak of USD 32.3bn in 2020 and USD 43.8 bn in 2021.

Going ahead, with industry expectation of stabilization in funding environment, early-stage research will gradually regain momentum. However, many customers remain cautious and are commissioning smaller work packages and extending timelines. In contrast, demand for CDMO services is picking up, as biotech companies progress late-stage assets toward key value inflection points.

Exhibit 137: Funding environment at pre-Covid levels, expected to improve



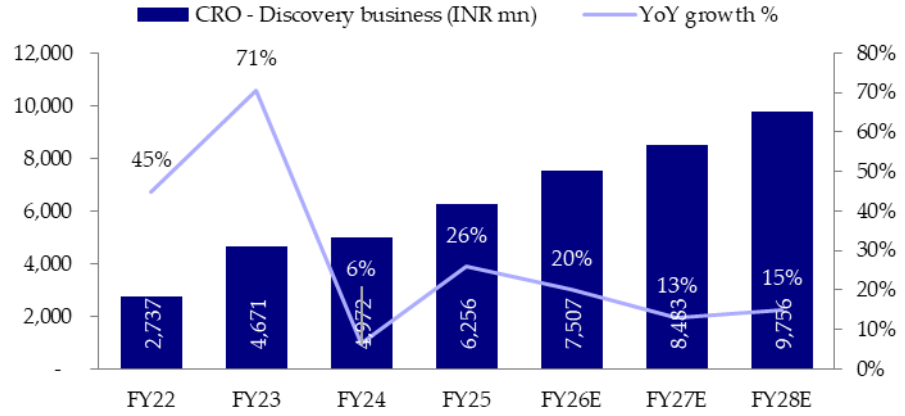
Source: DealForma Database, Frost & Sullivan, Anthem Biosciences RHP, HSIE Research

SLS's CRO segment is well positioned to maintain its growth momentum in integrated programs, while continuing to build advanced capabilities in key modalities such as peptides, oligonucleotides, lipids, and ADCs. The company has also seen a robust increase in engagement with large pharmaceutical clients. Over the past few years, SLS

has proactively invested in emerging areas to address the complexity of new drug candidates. Notable initiatives include: (1) a significant expansion of DMPK capabilities, with laboratory space increased by 25,000 sq. ft. and the team size nearly tripled; (2) strategic investments in next-generation therapeutics, including the establishment of a dedicated Peptide Research Center and expanded expertise in complex chemistry, ADCs, oligonucleotides, lipids, and targeted protein degradation; and (3) the launch of a dedicated R&D facility for a global pharma innovator, staffed by 90 professionals, which demonstrates a high level of trust and long-term partnership.

Over FY22-25, SLS' CRO business delivered an 32% sales CAGR led by capacity expansion and increasing FTE strength. Looking ahead, we expect a sales CAGR of 16% for FY25-28E largely led by the ongoing capacity expansion, continuous expansion in new modalities, and improving biotech funding.

Exhibit 138: CRO business to remain on steady growth path



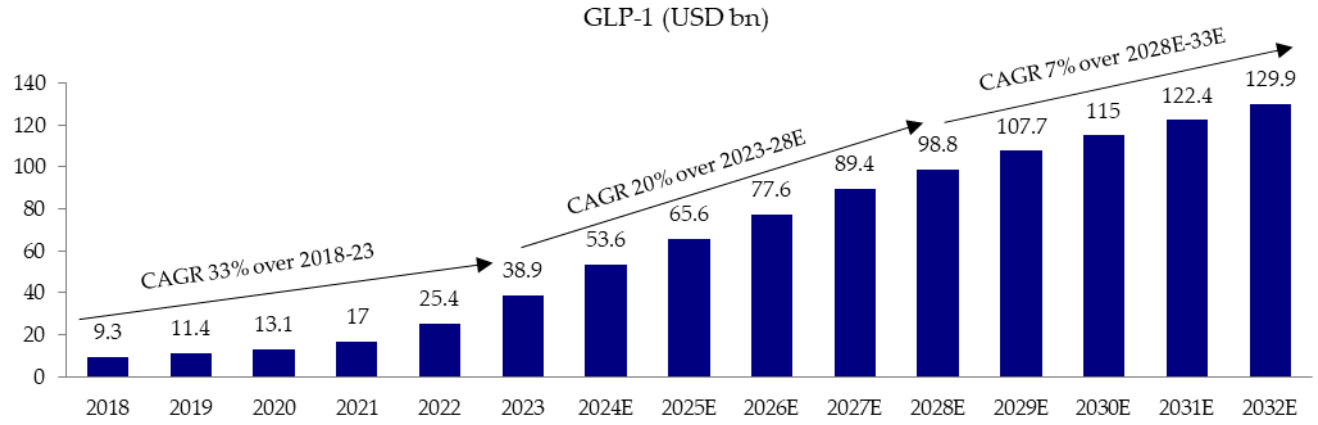
Source: Company, HSIE Research

GLP supplies to be a robust growth opportunity

GLP-1 drugs (for the treatment of anti-diabetic and anti-obesity) has seen a sudden high demand for peptide building blocks, with requirements reaching hundreds of tons, which are often synthetic liquid-phase peptides. Overall market for wight loss management is evolving rapidly with non-Semaglutide molecules picking pace. Overall market is expected to see steady growth as existing approved brands are considered to expand in the global market. With over 170 clinical programs in development with different mechanism of actions (GLP-1, GIP, and glucagon receptor activity) and aims to deliver even greater weight loss outcomes. The rise in obesity drug development demand, the Indian CRDMOs are ready to be part of global supply chain with capabilities across amino acids, fragments, as well as fill-finish capacity, all these at competitive cost.

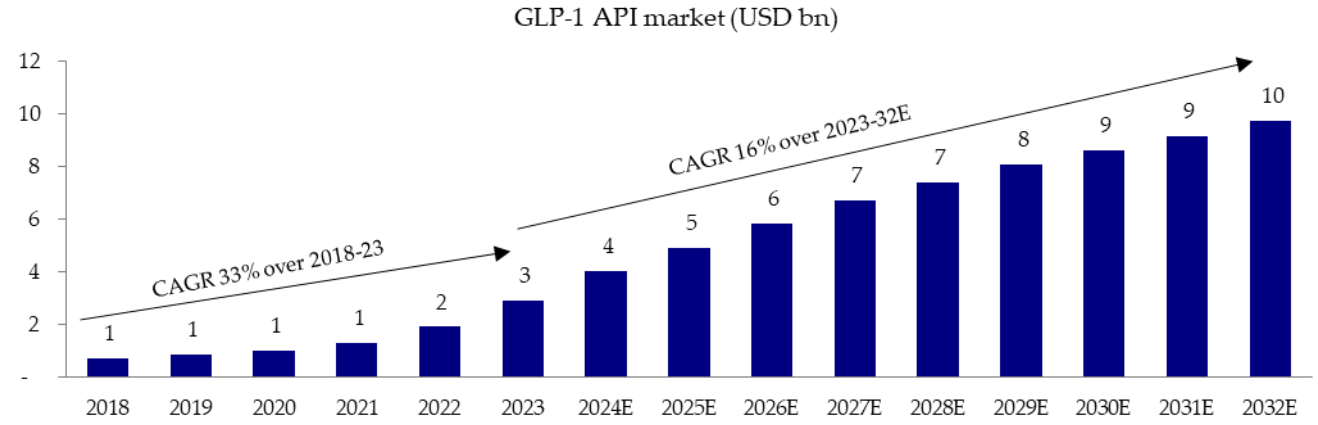
We believe the market shift from exiting product like Semaglutide to other approved products like Tirzepatide as well as potential from product under development provides huge market opportunity for Indian CRDMOs. The Indian CRDMOs have capabilities to manage long peptide processes and creating capacity for future opportunities. With GLP market is expected to increase to ~USD 130 bn by 2032E, assuming 7-8% cost towards API will create market opportunity of USD 9-10 bn by 2032E for GLP APIs and considering 25-40% market share for Indian CRDMOs the market opportunity flowing towards Indian CRDMO peers would be USD 2.5 bn – USD 4 bn by 2032.

Exhibit 139: Robust growth in GLP-1 market from 2023 to 2032E



Source: Frost & Sullivan, HSIE Research

Exhibit 140: GLP-1 API market to create USD 10bn opportunity by 2032E



Source: Frost & Sullivan, HSIE Research

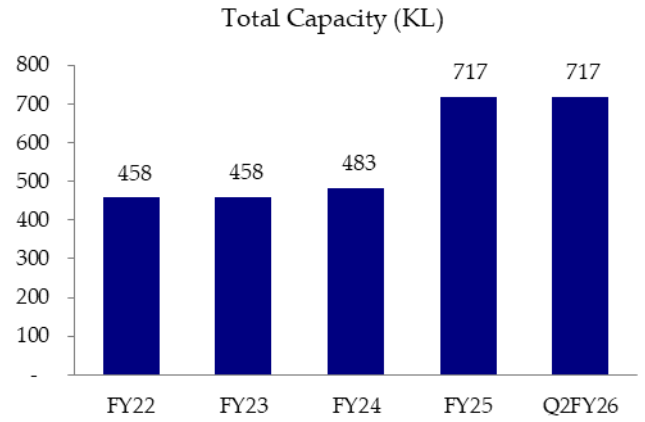
SLS is actively expanding its peptide business to address the surging demand for GLP-1 (non-Semaglutide) drugs, with the GLP-1 API market estimated at ~USD 8–9bn. The company is initially focusing on supplying building blocks and plans to progress toward higher-value peptide fragment supplies. SLS currently has clinical assets in the GLP-1 space, although it has not disclosed specific molecules under development. Notably, analysis of EXIM data indicates that SLS has recently begun small-scale supplies of peptide intermediates related to GLP-1s.

SLS has commissioned a dedicated peptide research center and is tapping into the GLP opportunity. The peptide research center was launched at the integrated R&D campus in Hyderabad (in Q4 FY25). This facility is specifically equipped with advanced automation, robotics, and high-throughput systems to support complex peptide synthesis and discovery. Additionally, construction began on a new process R&D block at the Hyderabad campus (Unit 2, starting Q1FY26), which is designed to nearly double the overall process R&D capacity and add dedicated early-phase peptide development capabilities, along with clinical formulations. The company currently has clinical assets in the metabolic disease area (GLP-1 space). While focusing on peptide discovery and development, the current plan for scale-up facilities includes aiming for the commercial supply of fragments first, before evolving to full-scale peptide manufacturing. Although capabilities are being built, peptides are currently at the clinical stage, and no potential opportunity for GLP-1–led revenue traction has been included in our estimates.

Capacity expansion for future growth

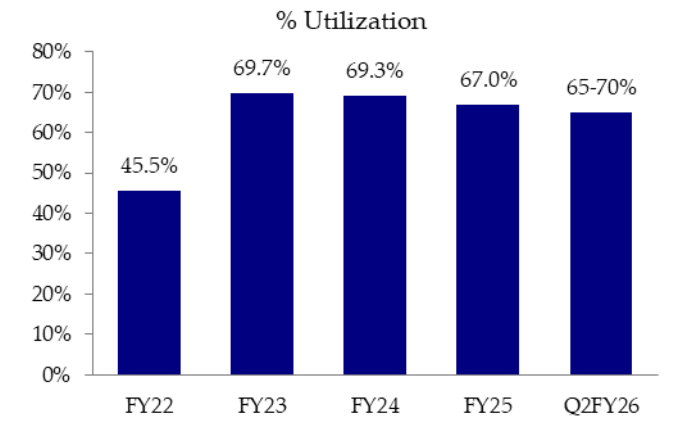
Over the last 5–10 years, the company has expanded its capacity from approximately 200 KL in 2017 to 526 KL in FY25. This was further increased to 717 KL by Sept 2025, with around 100 KL added each at Bidar Unit IV and VI.

Exhibit 141: Capacity addition trend



Source: Company, HSIE Research

Exhibit 142: Utilization improving



Source: Company, HSIE Research

Over the years, the company has expanded with flexible manufacturing setups, including large-scale reactors for high-volume products and some production areas specifically designed to accommodate modern drug development pipelines that produce relatively smaller quantities but involve more intricate chemical processes. The two manufacturing facilities at Bidar and Bollaram are approved by the USFDA, PMDA (Japan), and at the state level by CDSCO.

Exhibit 143: SLS has developed global strength for seamless delivery

Location	Type	Capacity (KL)	Comments
Unit IV Bidar facility	Manufactures APIs and advanced intermediates for highly regulated markets, including the US, EU, and Japan	569	As of Dec-24, the company had a team of 592 scientific staff. This facility has 11 production blocks with a combined capacity of more than 425 KL equipped to supply RSM, intermediates, and APIs for both clinical and commercial purposes. As of Jun-25, the company added additional production block with over 100 kL of capacity and plans to add 100 KL is under construction. This facility also has (1) a dedicated facility designed to manufacture high potency products with six reactors capacity ranging from 100L to 1600L, (2) a dedicated facility to manufacture amidites with six reactors with capacity ranging from 500 L to 1500 L, and (3) a dedicated laboratory with 113 analytical scientists to conduct in-process and final analysis for the products being manufactured at the facility. Additional capabilities include lyophilization at both pilot and commercial scales, high-pressure reactions, commercial-scale chromatography, and cryogenic reactions at 2.5 KL, 4 KL, and 5 KL scales. The Unit IV Bidar Facility has received approval from the USFDA, PMDA, COFEPRIS Mexico.
Unit VI Bidar facility	Manufactures APIs for oncology products with segregation and containment requirements	100	This facility has commenced commercial operation in FY25 end. It has five reactors with volume ranging from 0.25 kL to 2 kL, and one clean room with a containment level of 1 ug/m3 for production of oncology APIs.
Unit III Bollaram facility	Manufactures intermediates and APIs	45	The production blocks and facility with a combined capacity of 44 KL and a hydrogenator with 2.5 L, 100 L and 1000 L.
Unit II Hyderabad facility	The 12-acre integrated R&D campus in Hyderabad houses both SLS' discovery and CMC R&D teams	3	Discovery R&D, CMC process development and clinical phase manufacturing

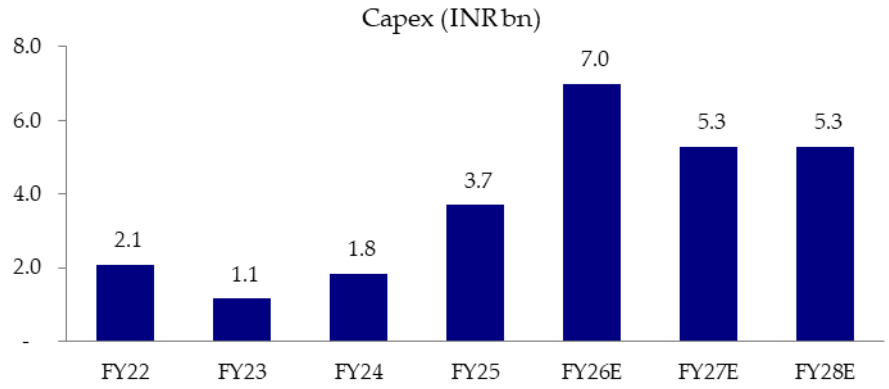
Location	Type	Capacity (KL)	Comments
	Discovery		
	Medicinal chemistry		SLS have 343 fume hoods with each laboratory being self-contained and equipped with dedicated liquid chromatography mass spectrometry for reaction monitoring, CombiFlash units and other complementary infrastructure, alongside industry-leading analytical support
	Biology		A biology laboratory of 52,953 sq ft (~10,300 sq ft expanded in Q1FY26) which is currently in operation. This lab offers custom assay development, high-throughput screening, and structure-activity relationship (SAR) support, cell line generation, cell assays and high-content screening, protein production, biochemical assays, surface plasmon resonance (SPR), electrophysiology, target engagement/ pharmacokinetic-pharmacodynamic (PK-PD) studies, biomarker assessments and efficacy models.
	DMPK		A 26,329 sq ft lab, that includes fully integrated and automated Wave-1 ADME, Isotope Dilution Oligonucleotide Quantification Technique, API7500, High-Resolution Mass Spectrometry, large cell culture suites, validated drug transporter assays and IND packages.
	Hi-Po API		Hi-Po API lab, process safety laboratory, 1 µg/m3 containment and technologies, which include biocatalysis, chemocatalysis, flow chemistry, particle formation, nucleosides and phosphoramidites.
	CDMO		
	Process chemistry		A fully equipped analytical R&D lab with 120 fume cupboards across 14 labs with single-fluid heating and cooling systems, Radleys Parallel Synthesizers, dedicated high pressure liquid chromatography systems for in-process analysis and other complimentary infrastructure, jacketed lab reactors and satellite analytical lab.
	Pilot manufacturing facility		A dedicated facility within R&D campus for early phase supplies up to 15 kg.
	Analytical chemistry labs		Three laboratories of 4,800 sq ft consisting of multiple analytical techniques covering chemical characterization, structural elucidation and solid-state characterization of in-process and final compound samples.
	Process engineering and particle sciences Labs		A 23,032 sq ft of lab with miniature chemical reactors and analytical tools for conducting experiments to mimic manufacturing processes at the small scale as part of the technology transfer process.
	Clinical trial supply manufacturing facility		Two production blocks with 14,000 sq ft reactors of capacities ranging from 100 to 350 L and a cleanroom for API production, used for scale-up trials as well as clinical phase API and intermediate supplies to customers.
	Quality control and quality assurance Labs		A 5,000 sq ft quality control lab where clinical trial API and intermediates for customer supplies are tested and released.
Greater Boston facility	CRO		11,000+ sq. ft. discovery biology Lab supports exploration biology with advanced cellular and biochemical platforms. The facility plays a critical role in assay development and customer onboarding for larger discovery programs in India. It supports the delivery of consistently high-quality outcomes and staying at the forefront of a dynamic R&D environment.
Manchester facility	CRO		A Centre of Excellence in process chemistry, supporting advanced process research, novel process development, clinical API supply, and technology transfer to India-based manufacturing sites. The site includes a 20,000 sq ft process chemistry R&D, analytical, and scale-up lab, as well as a cGMP-compliant pilot and GMP kilo lab for clinical trial supply and scale-up activities.

Source: Company, HSIE Research

SLS has spent ~INR 9bn in capex to expand its facilities and CRO capabilities. The company is on track to add about 30% additional space in Discovery by the end of FY26. This includes ongoing construction of a new Medicinal Chemistry block with a capacity for 200 fume hoods. The new Process R&D block will also enhance capabilities in early-phase peptide development and clinical formulations.

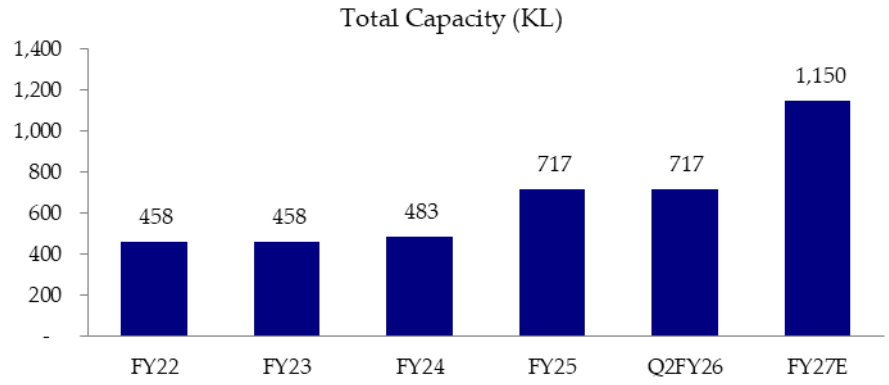
The company is deepening its investments in high-end R&D and emerging modalities such as peptides, amidites, ADCs, and conjugation technologies. It is particularly focused on peptides and has accordingly commissioned a Peptide Research Center at its Hyderabad R&D campus. Looking ahead, the company expects to spend ~INR 7bn in FY26 to expand manufacturing capacity by about 80%, which is expected to be commissioned by H2FY27 (with 60–65% of capex allocated to this). It is also planning to double CRO capacity (with 35–40% of capex allocated to this).

Exhibit 144: Capex momentum to continue across CDMO and CRO



Source: Company, HSIE Research

Exhibit 145: Expanding ~60% CDMO capacity by H2FY27



Source: Company, HSIE Research

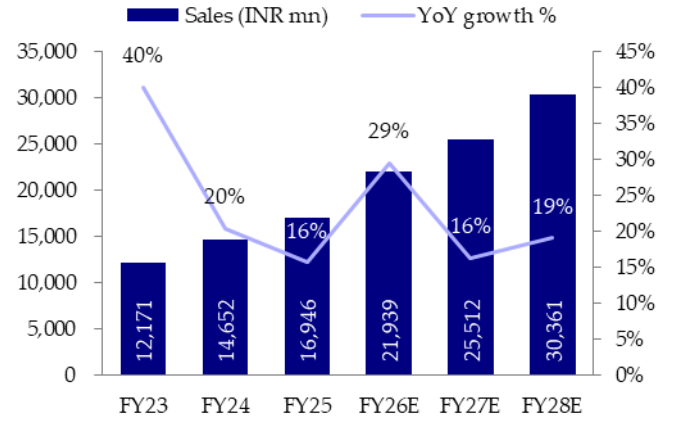
Exhibit 146: Asset turnover to improve

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (INR mn) incl CWIP	14,485	15,694	17,863	22,407	28,648	33,933	39,218
Asset turnover (x) on gross block	0.60	0.78	0.82	0.76	0.77	0.75	0.77
Fixed assets (INR mn) incl CWIP	11,607	11,879	12,867	16,127	20,722	24,095	27,216
Asset turnover (x) on Fixed assets	0.75	1.02	1.14	1.05	1.06	1.06	1.12

Source: Company, HSIE Research

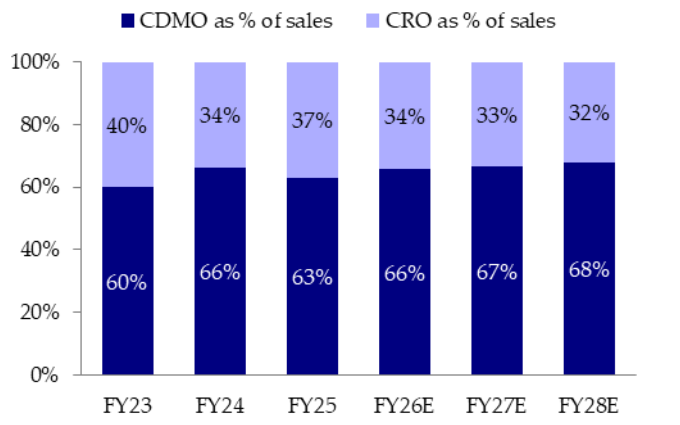
Key financial charts

Exhibit 147: Strong revenue growth visibility



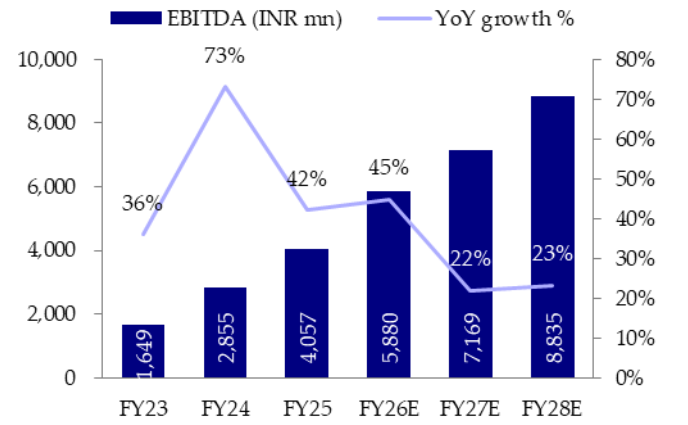
Source: Company, HSIE Research

Exhibit 148: Business mix to remain stable



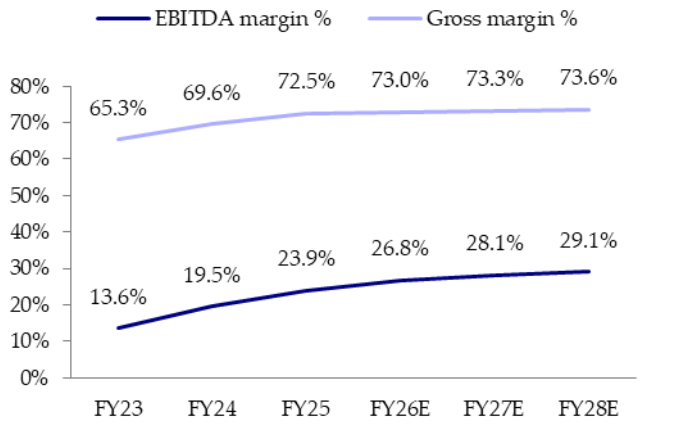
Source: Company, HSIE Research

Exhibit 149: Strong EBITDA growth



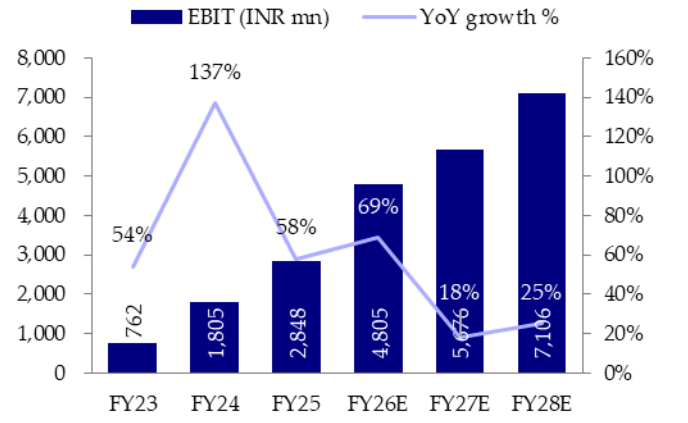
Source: Company, HSIE Research

Exhibit 150: Gross, EBITDA margins to improve notably



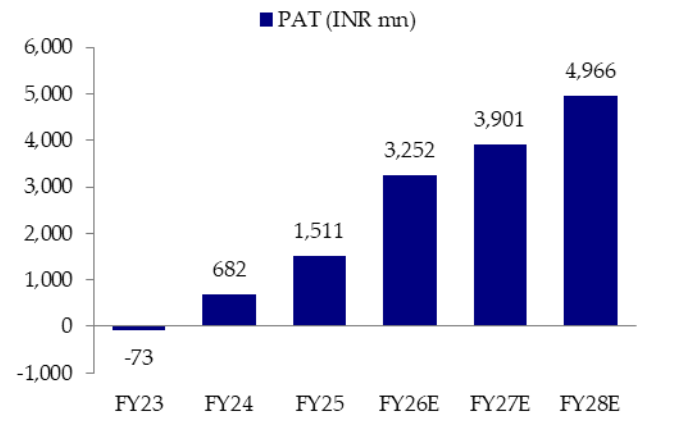
Source: Company, HSIE Research

Exhibit 151: EBIT growth to be in line with EBITDA growth



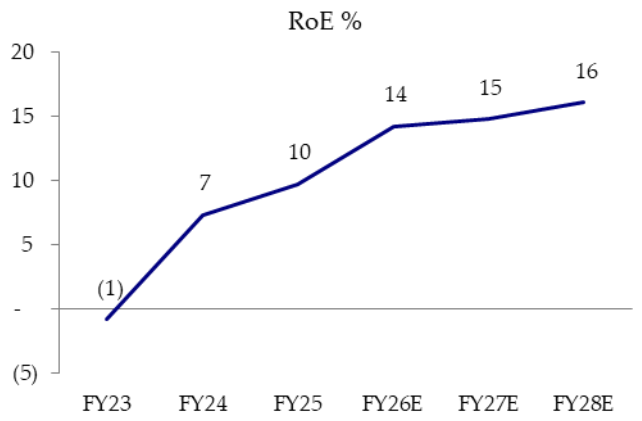
Source: Company, HSIE Research

Exhibit 152: Strong APAT growth visibility



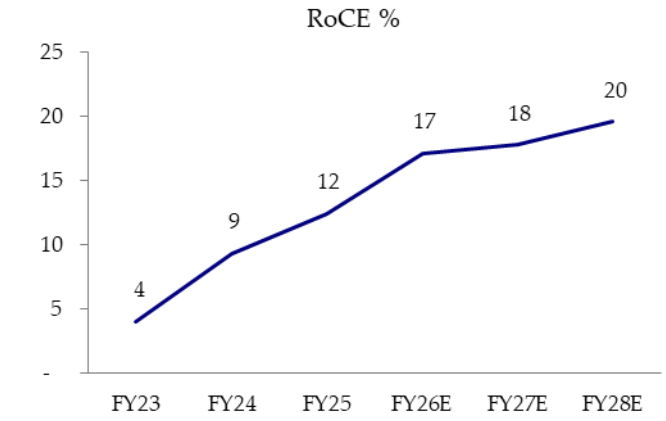
Source: Company, HSIE Research

Exhibit 153: RoE to see steady improvement



Source: Company, HSIE Research

Exhibit 154: Improving margin to drive RoCE



Source: Company, HSIE Research

Exhibit 155: FCF to improve over the next couple of years

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	97	164	1,092	2,277	4,394	5,272	6,711
Operating Profit before WC	**1,375**	**1,886**	**3,152**	**4,668**	**6,450**	**7,587**	**9,271**
(Inc.)/Dec in working capital	-246	349	-382	-1,311	-1,934	-121	-241
Cash flow from operations	**1,130**	**2,235**	**2,770**	**3,357**	**4,516**	**7,466**	**9,030**
Cash Taxes paid	-81	-41	-139	-216	-1,142	-1,371	-1,745
Net Cash from operating activities	**1,049**	**2,194**	**2,631**	**3,140**	**3,373**	**6,095**	**7,285**
Capex	-2,069	-1,149	-1,817	-3,693	-6,985	-5,285	-5,285
Free cash flow	**-1,020**	**1,045**	**814**	**-552**	**-3,612**	**810**	**2,000**
OCF to EBITDA	**86%**	**133%**	**92%**	**77%**	**57%**	**85%**	**82%**

Source: Company, HSIE Research

Outlook and valuations

SLS has rooted its position as a science-led, integrated CRDMO, capitalized on niche capabilities and capacity expansion. We are optimistic about key factors like:

- SLS' integrated business model across discovery, development, and manufacturing helps it emerge as a one-stop solution with multiple entry points for customer acquisition (200+ clients and 60+ collaboration under CRO).
- Tapping obesity and metabolic API (GLP) market across peptides, building blocks, and small molecules (lab and commercial scale).
- Differentiated global integrated delivery, R&D, and discovery model in key innovation hubs (US: Boston and UK: Manchester)) with large-scale, cost-efficient manufacturing, supported by the R&D infra in India (Hyderabad and Bidar).
- Growth capex is aimed at doubling manufacturing capacity and enhancing scientific depth in emerging modalities such as peptides, oligonucleotides, Lipids, and ADCs.
- Focusing on building a CMC capability (portfolio of 36 active molecules with 30 in commercial and 6 in Phase 3/ pre-registration stage).

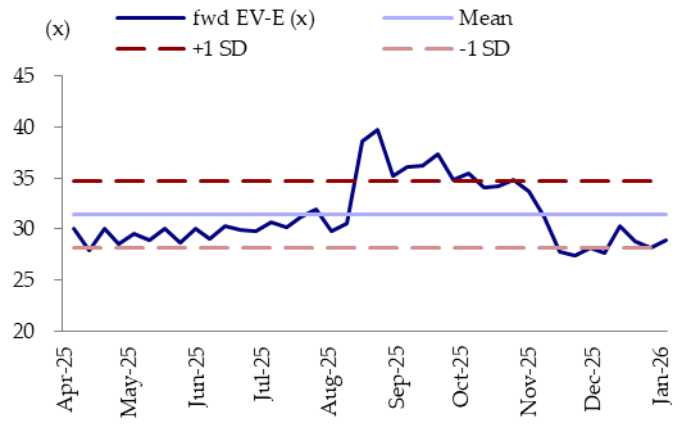
SLS expects to achieve a revenue CAGR of 15–20% over the next 3-5 years and reach EBITDA margins in the range of 28–30% over the next couple of years. Over FY22-25, SLS delivered 25% sales CAGR and a 50% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 21% for FY25-28E, EBITDA margin could improve to 29.1% in FY28E (~23.9% in FY25) and EBITDA/EPS CAGR of 30/49% over FY25-28E. We initiate coverage with a BUY rating and a TP of INR 1,120, based on 28x Q3FY28E EV/EBITDA (implying 50x PE).

Exhibit 156: Valuation snapshot

SOTP Valuations	EBITDA (INR mn)	Q3FY28E multiple (x)	EV (INR mn)
Reported EBITDA	**8,419**	**29**	**244,137**
Less: Net debt (INR mn; as of Q3FY28E)			644
Equity value (INR mn)			**243,493**
Target price (INR/ share)			**1,160**
EPS (INR/ share)			22
Implied PE (x)			52

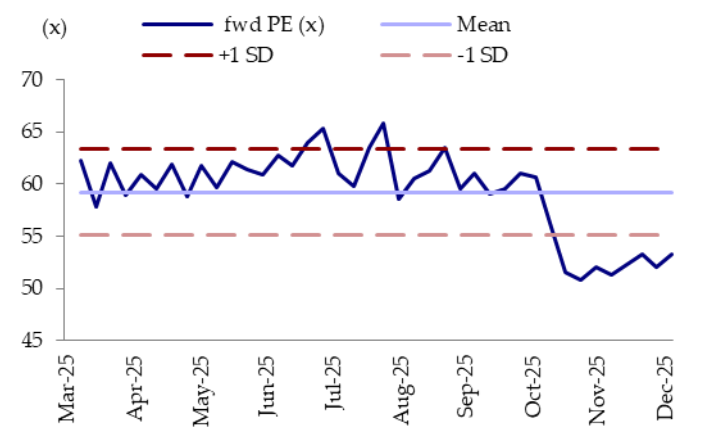
Source: Company, HSIE Research, total net debt includes lease liabilities

Exhibit 157: EV/ EBITDA chart



Source: Company, HSIE Research

Exhibit 158: PE chart



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**12,171**	**14,652**	**16,946**	**21,939**	**25,512**	**30,361**
Other operating income	0	0	0	0	0	0
Total operating income	**12,171**	**14,652**	**16,946**	**21,939**	**25,512**	**30,361**
Cost of goods sold	(4,226)	(4,457)	(4,658)	(5,923)	(6,812)	(8,015)
Gross profit	7,946	10,194	12,288	16,015	18,701	22,346
Gross margin (%)	65.3	69.6	72.5	73.0	73.3	73.6
Total operating expenses	(6,296)	(7,340)	(8,231)	(10,136)	(11,532)	(13,511)
EBITDA	**1,649**	**2,855**	**4,057**	**5,880**	**7,169**	**8,835**
EBITDA margin (%)	13.6	19.5	23.9	26.8	28.1	29.1
Depreciation	(994)	(1,194)	(1,386)	(1,645)	(1,911)	(2,165)
EBIT	**655**	**1,661**	**2,671**	**4,234**	**5,258**	**6,670**
Net interest	(771)	(859)	(762)	(411)	(403)	(396)
Other income	107	145	177	571	418	436
Profit before tax	**(9)**	**946**	**2,086**	**4,394**	**5,272**	**6,711**
Total taxation	(64)	(264)	(576)	(1,142)	(1,371)	(1,745)
Tax rate (%)	(718)	28	28	26	26	26
Profit after tax	(73)	682	1,511	3,252	3,901	4,966
Minorities	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0
Adjusted net profit	**(73)**	**682**	**1,511**	**3,252**	**3,901**	**4,966**
Adj. PAT margin (%)	(1)	5	9	15	15	16
Net non-recurring items	173	146	191	0	0	0
Reported net profit	**100**	**828**	**1,701**	**3,252**	**3,901**	**4,966**

Balance sheet (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	180	181	208	210	210	210
Reserves & surplus	8,701	9,571	21,075	24,235	28,136	33,102
Net worth	8,881	9,751	21,284	24,444	28,346	33,312
Borrowing	9,324	9,277	3,524	4,280	4,201	4,123
Other non-current liabilities	696	876	1,190	1,279	1,292	1,305
Total liabilities	**21,866**	**22,751**	**31,600**	**35,716**	**40,507**	**46,704**
Gross fixed assets	14,184	16,794	21,163	28,148	33,433	38,718
Less: Depreciation	(3,815)	(4,995)	(6,281)	(7,926)	(9,837)	(12,002)
Net fixed assets	10,369	11,798	14,882	20,222	23,595	26,716
Add: Capital WIP	1,510	1,069	1,245	500	500	500
Total fixed assets	11,879	12,867	16,127	20,722	24,095	27,216
Total Investment	19	19	19	19	19	19
Inventory	1,395	874	1,189	1,645	1,843	2,108
Debtors	2,841	2,562	3,548	4,753	5,457	6,410
Cash & bank	863	1,588	4,639	2,026	2,354	3,880
Loans & advances	0	0	0	0	0	0
Current liabilities	2,966	2,847	5,602	5,712	6,668	7,965
Total current assets	9,640	9,451	15,045	13,936	15,343	18,410
Net current assets	6,674	6,604	9,443	8,224	8,675	10,445
Other non-current assets	329	414	409	1,039	1,049	1,059
Total assets	**21,866**	**22,751**	**31,600**	**35,716**	**40,507**	**46,704**

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	(9)	946	2,086	4,394	5,272	6,711
Depreciation & Amortization	(994)	(1,194)	(1,386)	(1,645)	(1,911)	(2,165)
Chg in working capital	349	(382)	(1,311)	(1,934)	(121)	(241)
CF from operations	**2,194**	**2,631**	**3,140**	**3,373**	**6,095**	**7,285**
Capital expenditure	(1,149)	(1,817)	(3,693)	(6,985)	(5,285)	(5,285)
CF from investing	**(1,018)**	**(1,924)**	**(5,367)**	**(6,985)**	**(5,285)**	**(5,285)**
Equity raised/ (repaid)	21	10	10,116	1	0	0
Debt raised/ (repaid)	(897)	332	(5,704)	850	(100)	(100)
Dividend paid	(69)	0	0	0	0	0
CF from financing	**(2,006)**	**(953)**	**3,014**	**535**	**(525)**	**(517)**
Net chg in cash	(830)	(246)	788	(3,077)	285	1,482

Key ratios

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL						
FDEPS (Rs)	(0.3)	3.2	7.2	15.5	18.6	23.7
CEPS (Rs)	5.2	9.6	14.7	23.3	27.7	34.0
DPS (Rs)	0.3	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	69.1	0.0	0.0	0.0	0.0	0.0
GROWTH						
Net sales (%)	40.0	20.4	15.7	29.5	16.3	19.0
EBITDA (%)	36.0	73.1	42.1	44.9	21.9	23.2
Adj net profit (%)	105.5	(1,032.4)	121.5	115.3	20.0	27.3
FDEPS (%)	105.5	(1,032.4)	121.5	115.3	20.0	27.3
PERFORMANCE						
RoE (%)	(0.8)	7.3	9.7	14.2	14.8	16.1
RoCE (%)	4.0	9.3	12.4	17.2	17.8	19.6
EFFICIENCY						
Asset turnover (x)	0.9	0.9	0.9	0.9	0.8	0.8
Sales/ total assets (x)	0.6	0.7	0.6	0.7	0.7	0.7
Working capital/ sales (x)	0.5	0.4	0.3	0.3	0.2	0.2
Receivable days	85	64	76	79	78	77
Inventory days	48	27	34	37	37	36
Payable days	72	62	91	68	71	73
FINANCIAL STABILITY						
Total debt/ equity (x)	1.1	1.0	0.2	0.2	0.2	0.1
Net debt/ equity (x)	1.0	0.8	(0.1)	0.1	0.1	0.0
Current ratio (x)	3.3	3.3	2.7	2.4	2.3	2.3
Interest cover (x)	0.9	1.9	3.5	10.3	13.0	16.9
VALUATION						
PE (x)	NA	293.8	132.6	61.6	51.3	40.3
EV/ EBITDA (x)	126.6	72.9	49.1	34.5	28.2	22.7
EV/ Net sales (x)	17.2	14.2	11.8	9.2	7.9	6.6
PB (x)	22.6	20.5	9.4	8.2	7.1	6.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow yield (%)	0.5	0.4	(0.3)	(1.8)	0.4	1.0

Source: Company, HSIE Research

INSTITUTIONAL RESEARCH

Piramal Pharma

Emerging CRDMO at an attractive valaution

Piramal Pharma (PPL) has a clear vision to achieve USD 2bn+ in revenue, a 25% EBITDA margin, and a net debt-to-EBITDA ratio of ~1x by FY30 through profitable growth. PPL achieved ~USD 1.02bn in sales, with its margin expanding to 15.8% (versus 14.6% in FY24) and APAT growth of 95% YoY in FY25. PPL is strategically investing in differentiated capabilities such as Antibody-Drug Conjugates (ADCs), High Potency APIs (HiPo-APIs), and sterile fill-finish, alongside significant capacity expansions in its CDMO and CHG businesses to capitalize on demand and expand its global footprint (capitalized at ~INR 41bn in capex over FY21-25 and targeted capex of over INR 25bn over FY25-28E). PPL has a deep CDMO pipeline of 145 molecules (31 in Phase III), which are expected to drive long-term commercial contracts. PPL's commitment to operational excellence, demonstrated by a zero OAI status since FY12, underpins its strategy for responsible and sustainable growth. For FY26, PPL has guided for mid-single-digit revenue growth and mid-teen EBITDA margin due to inventory destocking in one of PPL's large on-patent commercial CDMO product (Nurtec), and impact in CHG (phasing of institutional orders and supply constraints in injectable anesthesia). This has led to temporary weakness in the business and stock derating. We see a good buying opportunity, given multiple levers can play out, such as a niche pipeline, asset sweating, margin improvement, and debt reduction. We initiate coverage with a BUY rating and a SoTP of INR 230, based on 16x Q3FY28E EV/EBITDA (implying 44x PE).

- **CDMO to drive long-term growth:** PPL aims for USD 1.2bn revenue with a ~25% EBITDA margin by FY30, led by a robust pipeline of 145 molecules, including 31 in Phase III development, poised for long-term commercial contracts. While there are near-term challenges like inconsistent biotech funding, prolonged customer decision-making (on early-stage orders), and a specific inventory destocking event, the medium to long-term outlook stays positive. We estimate revenue CAGR of 11% over FY25-28E (factoring in 9% dip in sales for FY26).
- **Differentiated capabilities to stand out:** CDMO growth is expected from increasing demand for supply chain diversification, integrated services, and differentiated offerings such as ADCs, HiPo-APIs, and sterile fill-finish. This is led by strong performance in overseas facilities and capacity expansion.
- **CHG to see steady growth:** PPL is targeting USD 600mn sales and over 25% margin by FY30, by strengthening its core in inhalation anesthesia (leadership in Sevoflurane and intrathecal Baclofen in the US) and growing differentiated product portfolio like Neoatricon, supported by new manufacturing capacities in India for global markets. We estimate revenue CAGR of 8% over FY25-28E.
- **Consumer healthcare to see profitable growth:** PPL is targeting USD 200 mn sales with double-digit margins by FY30. This growth will be fuelled by scaling up power brands, expanding into omni-channels, and driving profitable e-commerce sales. We estimate revenue CAGR of 14% over FY25-28E.
- **Outlook and valuation:** We expect PPL to see 10/14% sales/EBITDA CAGRs over FY25-28E and margin to improve to ~17.5% in FY28 (from ~15.8% in FY25). We initiate coverage with BUY rating and assign (1) EV/E of 18x to CDMO, (2) EV/E of 12x to CHG, (3) EV/E of 24x to ICH, and (4) 8x PE for JV PAT to arrive at a SoTP TP of Rs 230 (blended 16x Q3FY28E EV/EBITDA and implied PE of 44x).

Financial Summary

YE March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	70,816	81,712	91,512	89,099	105,365	123,073
EBITDA	6,282	11,963	14,448	10,014	17,069	21,538
APAT	(2,903)	502	978	97	4,223	7,742
Diluted EPS (INR)	(2.2)	0.4	0.7	0.1	3.2	5.8
P/E (x)	NA	472.3	242.5	2,455.2	56.2	30.6
EV / EBITDA (x)	45.5	23.2	19.4	28.0	16.3	12.8
RoCE (%)	1	5	6	3	8	10

Source: Company, HSIE Research, EBITDA and PAT adjusted for one-offs

BUY

CMP *(as on 5 Jan 2026)*	INR 179
Target Price	INR 230
NIFTY	26,250

KEY STOCK DATA

Bloomberg code	PIRPHARM IN
No. of Shares (mn)	1,329
MCap (INR bn) / ($ mn)	237/2,637
6m avg traded value (INR mn)	786
52 Week high / low	INR 256/165

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.1)	(12.4)	(30.0)
Relative (%)	(15.7)	(15.2)	(38.2)

SHAREHOLDING PATTERN (%)

	Jun-25	Sep-25
Promoters	34.86	34.86
FIs & Local MFs	14.26	14.89
FPIs	30.86	30.27
Public & Others	20.02	19.98
Pledged Shares	-	-

Source: BSE

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Exhibit 159: Revenue and EBITDA assumptions

INR mn	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY22-25	CAGR FY25-28
CDMO	39,600	40,010	47,500	54,470	49,669	61,326	73,545	11%	11%
YoY growth	10%	1%	19%	15%	-9%	23%	20%		
% of sales	61%	57%	59%	60%	56%	59%	60%		
Complex Hospital Generics (CHG)	20,020	22,860	24,490	26,330	26,888	29,668	32,970	10%	8%
YoY growth	20%	14%	7%	8%	2%	10%	11%		
% of sales	31%	33%	30%	29%	30%	28%	27%		
India Consumer Healthcare (ICH)	7,410	8,740	9,850	10,930	12,570	14,329	16,335	14%	14%
YoY growth	48%	18%	13%	11%	15%	14%	14%		
% of sales	11%	12%	12%	12%	14%	14%	13%		
Total revenues	**65,591**	**70,816**	**81,712**	**91,512**	**89,099**	**105,365**	**123,073**	**12%**	**10%**
YoY growth	**4%**	**8%**	**15%**	**12%**	**-3%**	**18%**	**17%**		
Gross profit	**41,079**	**43,783**	**52,172**	**59,195**	**57,915**	**68,698**	**80,490**	**13%**	**11%**
YoY growth	-3%	7%	19%	13%	-2%	19%	17%		
Gross margin %	**62.6%**	**61.8%**	**63.8%**	**64.7%**	**65.0%**	**65.2%**	**65.4%**	**206 bps**	**71 bps**
EBITDA	**9,497**	**6,282**	**11,963**	**14,448**	**10,014**	**17,069**	**21,538**	**15%**	**14%**
YoY growth	-33%	-34%	90%	21%	-31%	70%	26%		
EBITDA margin %	**14.5%**	**8.9%**	**14.6%**	**15.8%**	**11.2%**	**16.2%**	**17.5%**	**131 bps**	**171 bps**
APAT	**3,742**	**(2,903)**	**502**	**978**	**97**	**4,223**	**7,742**	**-36%**	**99%**
YoY growth	-50%	-178%	-117%	95%	-90%	4272%	83%		
PAT margin %	5.7%	-4.1%	0.6%	1.1%	0.1%	4.0%	6.3%	-464 bps	522 bps

Source: Company, HSIE Research, EBITDA and PAT adjusted for one-offs

Piramal Pharma has evolved with a three-pronged business model

The Piramal group entered the healthcare business with the acquisition of Nicholas Labs in 1988 and scaled the business to ~INR 36bn. Following multiple transitions and transactions to focus on a niche pharma business model, the company rebuilt its business over FY10-25 to achieve sales of ~INR 91bn by FY25. PPL has a clear vision to become a USD 2+ bn revenue company by FY30, driven by its CDMO (60% of FY25 sales), Complex Hospital Generics (CHG; 29%), and Consumer Healthcare (CH; 11%), targeting a 25% EBITDA margin and a net debt-to-EBITDA ratio of ~1x by FY30 through profitable growth.

Exhibit 160: PPL now has three scalable businesses

FY10 Revenue: INR 36.71 bn	Acquisitions	Exits	Strategic initiatives	FY25 Revenue: INR 91.5 bn
Piramal Healthcare	**CDMO**			**Piramal Pharma (PPL)**
Domestic formulations: 10% of sales	Oxygen Biosearch in Ahmedabad (PDS facility, India), discovery capabilities in 2011	Divested domestic formulation business to Abbott in 2010	Subsidiarized pharma businesses into PPL and raised fresh capital from Carlyle of USD 490 mn for a 20% stake in FY21	**Piramal Pharma solutions (CDMO): 60% of sales**
Piramal Pharma solutions (CDMO): 24% of sales	Coldstream Labs (Lexington) from Kentucky University, sterile fill-finish capabilities in 2015	Sold diagnostic services to Super Religare Laboratories in 2010	Successfully completed Rights Issue of INR 10.5 bn with subscription of 128% in FY24 leading to net debt to EBITDA improvement at 2.9x compared to 5.6x start of FY24	**Complex Hospital Generics (CHG): 29% of sales**
Critical Care (Complex Hospital Generics): 9% of sales	Ash Stevens (Riverview facility) Hi-Po API capabilities in 2016	Closed NCE research unit in 2014	Piramal Pharma demerged from Piramal Enterprises in FY23	**India Consumer Healthcare (ICH): 11% of sales**
Piramal Diagnostics services: 6% of sales	Sellersville facility from G&W Labs Inc, OSD, liquids, creams, and ointments capabilities in 2020	Sold imaging business to Alliance Medical Group in 2018		**JV with AbbVie (49% held by Piramal and 51% by AbbVie)**
Others including OTC business: 7% of sales	Hemmo Pharma, Peptide products & custom peptide synthesis in 2021	Sold DRG business to Clarivate in 2020		**33.33% stake in Yapan Bio**
JV with Allergan India (now AbbVie) for ophthalmology formulations business in the India market (49% held by Piramal and 51% by AbbVie)	Strategic minority stake in Yapan Bio, Biologics / mABs for ADC and vaccine capabilities in 2021			
	CHG Janssen's portfolio of Injectable pain management in 2016 Mallinckrodt's intrathecal portfolio (Gablofen) in 2017 100% stake in Convergence Chemicals (Dahej facility) for raw materials for inhalation anesthesia products in 2020			
	ICH Little's and Naturolax OTC products in infant wellness and digestive segments in 2015 Portfolio of OTC brands from Pfizer in 2016			

Source: Company, HSIE Research

CDMO business service offerings across a molecule's lifecycle

PPL operates as an integrated CDMO company, offering comprehensive, end-to-end services throughout the entire drug development and commercialisation process.

CDMO service offerings:

- **End-to-End services across the drug lifecycle**: PPL provides services from the discovery and development phases through to commercial manufacturing of both drug substances (APIs) and drug products (formulations).
- **Discovery Services**: These include medicinal chemistry, in-vitro ADME (Absorption, Distribution, Metabolism, Excretion) services, discovery analytical support, and non-GMP Kilo Lab operations.
- **Development Services**: This module covers pre-clinical trials and Phase I to Phase III testing various dosage forms. PPL manages a deep pipeline of over 150 molecules across these development stages.
- **Commercial Manufacturing**: PPL undertakes the commercial manufacturing of a wide range of APIs and formulations across various therapeutic areas and dosage forms.
- **On-patent commercial manufacturing**: This segment saw a significant increase in revenue from USD 52 mn in FY23 to USD 179 mn in FY25 led by supply of Nurtec ODT (Rimegepant) to Pfizer as per EXIM data.

Innovation-related work, encompassing discovery, development, and on-patent commercial manufacturing, constituted 54% of CDMO revenue in FY25.

Exhibit 161: PPL presence across the value chain allows multiple entry points

Discovery	**Development**		**Commercial Manufacturing**	
Pre-Clinical	**Phase 1 - 3**		**Launch ----- On-patent commercial ---- Off-patent commercial**	
Comprehensive range of CRO services	**Clinical development services for API and formulation from Phase I to III across dosage forms**		**Ability to manufacture across a wide range of scales in API as well as formulations**	
Synthetic Chemistry	**Small and large API development**	**Formulation Development**	API manufacturing	Finished dosage manufacturing - Oral solids, sterile injectables, liquids, creams, and ointments
In-vitro Biology Services	Route scouting	Pre- formulation studies	Hi-Po API manufacturing	Clinical supply
DMPK (In-Vitro ADME/ In-Vivo PK) Non-GMP-Kilo-Lab	Process and analytical development	Analytical development	ADC manufacturing	Scale-up tech transfer
Analytical Support Services	Pre-GMP scale-up			

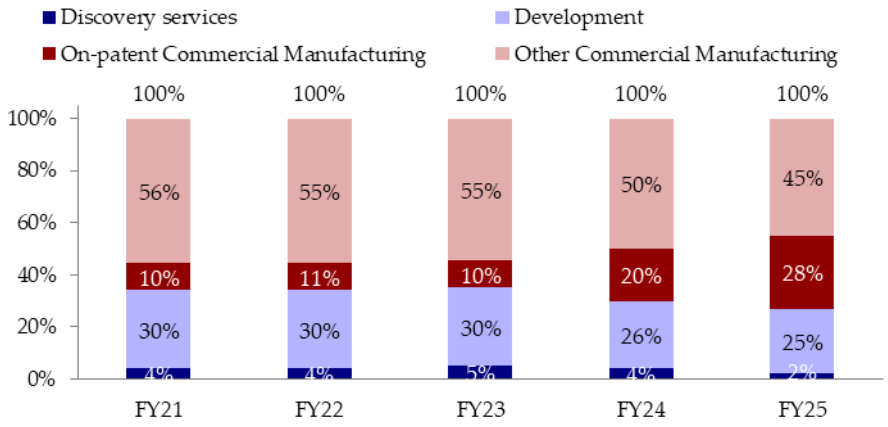
Source: Company, HSIE Research

Exhibit 162: PPL's acquisition in CDMO business over last decade to expand capacity and capabilities

Year	Companies	Assets/ Product portfolio	Acquisition value	Comments
Acquisitions in CDMO segment				
Jan'15	Coldstream Laboratories Inc	CDMO which specializes in manufacturing of cytotoxic injectable products	USD 30.65 mn	Enhanced company's existing capabilities in developing sterile products and antibody-drug conjugates with Coldstream's know-how
Aug'16	Ash Stevens	Ash Stevens facility at Michigan, US	USD 44.8 mn	Acquisition was synergistic with Piramal's antibody drug conjugates and injectable business PEL invested USD 14 mn towards expansion and increased revenue from USD 20 mn to USD 67 mn in FY24
Jun'20	G&W Laboratories	Solid oral dosage manufacturing facility, Pennsylvania, USA	USD 17.5 mn	helped expand offering of Piramal Pharma Solutions (PPS) by adding solid oral dosage form capabilities in North America
Mar'21	Hemmo Pharma	One of the largest manufacturers of peptide APIs	USD 106 mn (INR 7.75 bn) + earn-outs linked to achievement of milestones	Gained access to the growing peptide API market
Dec'21	Yapan Bio	India-based CDMO for biologics/ vaccines	USD 16 mn (INR 1.2 bn) for 33.3% stake	Yapan's FY21 sales were INR 124 mn which has risen to INR 544 mn in FY25 and turned PAT positive of INR 115 mn PAT in FY25. The investment allows it to broaden its service offerings in the biologics CDMO space

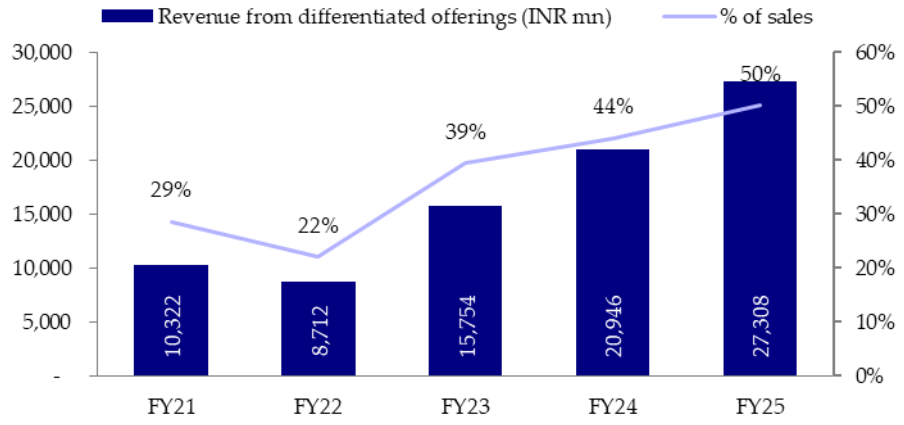
Source: Company, HSIE Research

Exhibit 163: CDMO business mix: innovation-related work constituted 54% of CDMO revenue in FY25



Source: Company, HSIE Research

Exhibit 164: Revenue from differentiated offerings is on rise



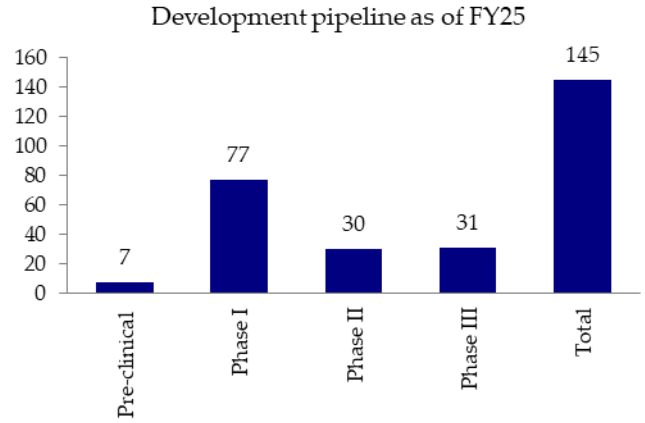
Source: Company, HSIE Research

Exhibit 165: PPL's global network of manufacturing facilities to offer integrated services

Facilities	Discovery	Development	Commercial Manufacturing	Differentiated Offerings	Fully Integrated ADC Services
India	Ahmedabad	Ahmedabad, Ennore, Digwal, Turbhe	Digwal, Turbhe, Pithampur, Ennore, Mahad	On-patent API Development and Manufacturing - Digwal Peptide APIs Synthesis - Turbhe Vaccines & Biologics / Bio-therapeutics - Yapan Bio	mABs - Yapan Bio Hyderabad, India
US and Canada		Aurora, Lexington, Riverview, Sellersville	Aurora, Lexington, Riverview, Sellersville	Potent Sterile Injectables – Lexington High Potent APIs (Hi-Po APIs) - Riverview, Aurora	Payload / Linker - Riverview, USA and Aurora, Canada Fill Finish - Lexington, USA
UK/Europe		Grangemouth, Morpeth	Grangemouth, Morpeth	Antibody Drug Conjugates – Grangemouth Hormone Drugs - Morpeth	Conjugation - Grangemouth, UK

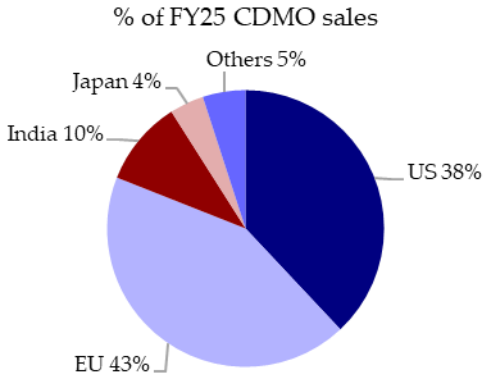
Source: Company, HSIE Research

Exhibit 166: Development product pipeline – phase-wise



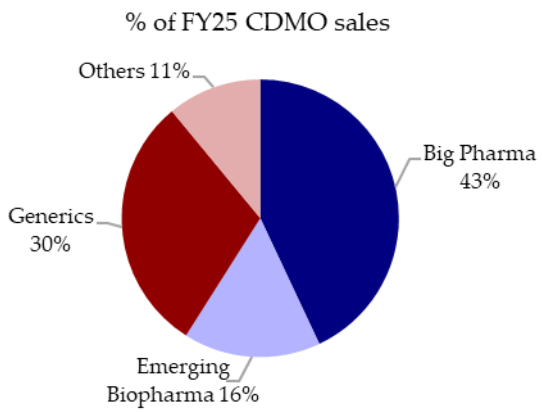
Source: Company, HSIE Research

Exhibit 167: Geographical mix for CDMO business



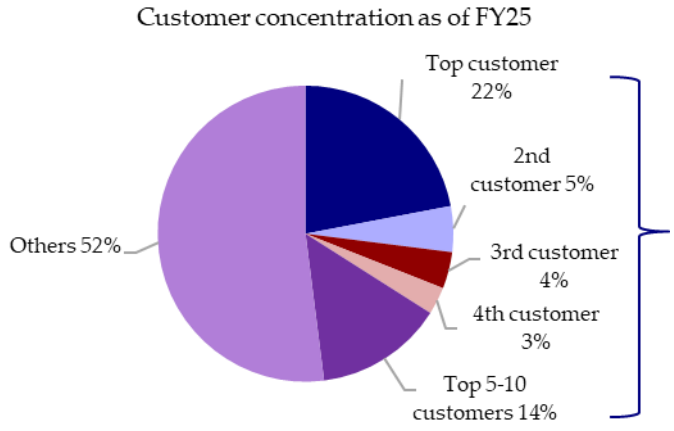
Source: Company, HSIE Research

Exhibit 168: Customer mix for CDMO business



Source: Company, HSIE Research

Exhibit 169: Customer mix for CDMO business

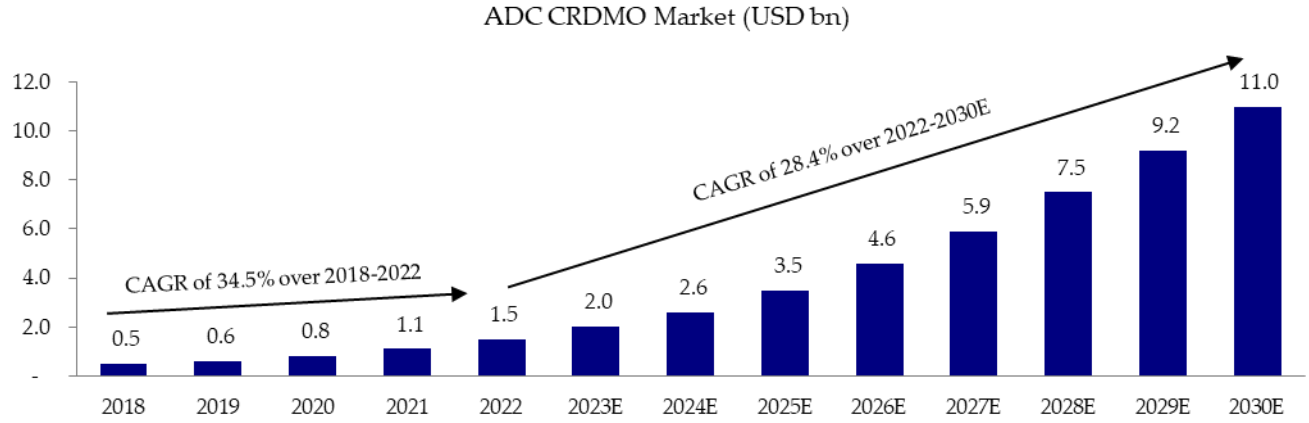


Source: Company, HSIE Research

ADCs to be rapidly growing segment for PPL

According to Frost & Sullivan, the ADCs market is projected to grow at a robust CAGR of ~27.6% from 2024 to 2029, reaching a market size of USD 13.3bn. The ADC CDMO sector is being fuelled by three primary drivers: (1) **ADC technology** — significant advancements in targets, antibodies, linkers, payloads, and conjugation methods; (2) **Manufacturing** — ADCs require multiple intricate steps and advanced technological capabilities; and (3) **Expanding portfolio and indications** — global pharmaceutical companies are increasing investment in ADC pipelines for both cancer and non-cancer treatments, opening up more opportunities for development and manufacturing services. The worldwide market for ADC outsourcing services hit USD1.5bn in 2022, showing a CAGR of 34.5% between 2018 and 2022. Projections indicate that by 2030, the global ADC outsourcing services market will rise considerably to USD11bn, with a CAGR of 28.4% from 2022 to 2030.

Exhibit 170: Global ADC outsourcing services market size



Source: Frost & Sullivan, HSIE Research

PPL boasts nearly two decades of experience in the ADC market. Its Grangemouth facility in the UK is renowned as the world's first USFDA-approved commercial ADC CDMO site. The company offers fully integrated ADC solutions, encompassing Payload-Linkers, Monoclonal Antibodies (mAb), ADC Drug Substance, and Sterile Fill-Finish.

- **Payload-Linkers**: Handled at the Riverview facility in the US, specializing in High Potent APIs (HPAPI) and process development.
- **Monoclonal Antibodies (mAb)**: Provided through a strategic minority investment in Yapan Bio in Hyderabad, India.
- **Bioconjugation:** Expertise resides at the Grangemouth site, covering various conjugates from pre-clinical to commercial stages.
- **Sterile Fill-Finish**: Conducted at the Lexington facility in the US, offering clinical and commercial scale production with advanced technology.

PPL has supported over 200 distinct conjugates from 120 antibodies and completed more than 1,000 commercial batches. Over the past few years, Piramal Pharma has made substantial investments to bolster its ADC capabilities such as (1) a ~USD 60mn gross investment made to expand ADC capacity at the Grangemouth facility by ~70-80%, which became commercialized in FY24. In FY25, a USD 90mn investment was announced to more than double the capacity at the Lexington sterile fill-finish facility by 2027, alongside the addition of development and commercial-scale capabilities for payload-linkers at the Riverview site. These expansions are critical components of their integrated ADC development and manufacturing program. The payload-linker capabilities at Riverview are exclusively dedicated to ADCs.

In FY24, PPL received its first integrated ADC order involving all three key sites: Yapan, Grangemouth, and Lexington. The company has witnessed strong customer interest and increasing inquiries for its ADC segment, particularly for integrated capabilities across the value chain, leading to robust order inflows at overseas sites like Grangemouth, Riverview, and Lexington in Q4FY25. Further, in Q1FY26, PPL broke ground on the Lexington capacity expansion, which is expected to fuel the integrated ADC development and manufacturing program in the medium to long term. The completed and ongoing investments in Lexington and Riverview are expected to provide further impetus to PPL's integrated ADC development and manufacturing program (branded ADCelerate). The Riverview payload-linker expansion is anticipated to be operational in FY26.

The company observes strong demand and increasing customer inquiries for its differentiated offerings, including ADCs, reflecting a growing need for integrated services and geographically diversified manufacturing networks. This demand is supported by a broad base of large pharma and emerging biopharma customers. While the ADC segment faces a longer sales cycle and a longer lead time from purchase order to revenue due to its complexity and supply chain requirements, PPL remains confident in the underlying demand and its strategic positioning.

Hi-Po APIs capabilities to complement ADCs growth visibility

The High-Potency API (Hi-Po API) market is undergoing significant expansion, spurred by the increasing demand for specialized drugs, especially in oncology and targeted therapies. As more chronic diseases, particularly cancer and neurological disorders rise globally, the need for Hi-Po APIs, such as those used in ADCs and precision medicines, has intensified. At the same time, regulatory changes, technological advancements, and shifting manufacturing landscapes towards emerging and developing countries are shaping the future of this vital sector. The global Hi-Po API market, estimated to be worth USD 29.34bn in 2025, is projected to grow to USD 45.7bn by 2030, at a CAGR of 9.27%. Factors such as the growing prevalence of chronic diseases, the expiration of patents on key oncology drugs, and increasing interest in biosimilars are driving demand.

PPL's Hi-Po APIs business is a key component of its CDMO segment and is strategically positioned for significant growth, driven by sustained investment in differentiated capabilities and a strong market demand for complex therapeutics. PPL's Hi-Po API capabilities are primarily based at the Riverview facility in the US and at Aurora, Canada.

PPL expanded capacity at its Riverview Hi-Po API facility, which became operational in FY23. This investment was part of over USD 150mn dedicated to new capacity, debottlenecking, and technology upgrades for differentiated offerings in FY23 and FY24. Following these expansions, the Riverview facility has experienced strong order inflows for Hi-Po APIs. PPL has also noted increasing customer inquiries and requests for proposals (RFPs) for its differentiated capabilities and integrated service offerings. In Q2FY26, a significant number of new program additions at Riverview were observed, though many are in the early stages. The company plans to continue investing to increase the scale of operations for Hi-Po APIs.

Strong momentum in CDMO over past few years; FY26 to be muted

After Covid, the micro and business execution-related challenges led to slower growth over FY21-23 (CAGR of 5% and 1% YoY growth in FY23). The key reasons for muted performance were (1) slowdown in biotech funding, which directly impacted early-stage orders in discovery and development segments, (2) delays in customer decision-making linked to the biotech funding environment and macroeconomic conditions, customers prolonged their decision-making timelines, particularly for early-stage projects and overall orders, (3) softer demand for PPL's generic API, (4) PPL faced

execution issues at some of its overseas sites such as scientific and senior staff attritions, and (5) a substantial rise in raw material and energy prices in FY22 and FY23 impacted overall profitability.

PPL marked a strong recovery in FY24 and FY25 for the CDMO business, which achieved a robust 17% CAGR over FY23-25 growth driven by a significant inflow of new orders, particularly for the commercial manufacturing of on-patent molecules which saw sharp improvement to USD 179 mn in FY25 from USD 52 mn in FY23 led by supply of Nurtec ODT (Rimegepant) to Pfizer as per EXIM data.

Exhibit 171: PPL had strong traction from Nurtec ODT, with no major supplies expected in FY26

USD mn	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	FY24	FY25
Rimegepant Sulphate	23	33	26	27	35	-	-	37	121

Source: EXIM, Companies, HSIE Research

Furthermore, revenue from differentiated offerings (such as Hi-Po APIs, ADCs, and peptides) contributed 50% to CDMO revenue (from 39% in FY23), demonstrating a 32% CAGR over FY23-25. For FY26, PPL to see muted growth in CDMO business due to a brief period of inventory normalization for a recently launched blockbuster on-patent commercial product from a large customer. This customer had built significant inventories in FY24 and FY25 to gain market share, and a temporary pause in deliveries. Moreover, other key products like Gemtesa (Vibegron) and Nexletol (Bempedoic acid) are gaining traction since last few quarters could tone down the impact of Nurtec marginally in FY26.

Exhibit 172: Key product exports trend for PPL

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	FY24	FY25	YoY growth %
Vibegron	-	0	8	4	4	0	20	12	13	34	12	36	194%
Atorvastatin	4	6	6	8	5	6	6	5	4	-	24	22	-9%
Ketoconazole	3	3	3	6	3	5	4	6	4	4	14	19	32%
Bempedoic Acid	1	1	1	1	5	6	8	8	8	5	5	27	454%
Mebeverine Hcl	1	2	1	4	2	2	2	3	0	3	9	10	11%
Paroxetine	1	1	2	5	-	3	2	2	1	1	9	8	-14%
Eluxadoline	0	0	-	0	1	0	1	5	2	3	0	8	NA
Diltiazem Hcl	1	2	1	2	0	2	2	3	2	2	6	7	12%

Source: EXIM, Company, HSIE Research

In Aug-25, PPL announced a multi-million-dollar joint investment at their Sellersville facility, with NewAmsterdam Pharma for commercial manufacturing capacity of fixed-dose formulation of Obicetrapib (investigational CETP inhibitor an experimental drug designed to treat dyslipidemia as a monotherapy with combination of Ezetimibe), to meet commercial demand of the drug. The development of this product was done at their Ahmedabad site, with the product now advancing towards commercialization, through the establishment of a dedicated manufacturing suite at the Sellersville facility as well as dual sourcing at the Pithampur site in India. In Aug-25, NewAmsterdam announced that the European Medicines Agency validated the Marketing Authorization Applications (MAAs) for Obicetrapib 10 mg monotherapy and 10 mg Obicetrapib plus 10 mg ezetimibe fixed-dose combination for patients with primary hypercholesterolemia, both HeFH and non-familial or mixed dyslipidemia. Obicetrapib + Ezetimibe is under review process in various country and PPL is the first supplier for the APIs.

CDMO growth to see recovery from FY27

PPL expects that in FY27, its CDMO business will experience strong growth momentum, driven primarily by the following factors: (1) An expected increase in orders from a major customer for a recently launched, on-patent blockbuster commercial product, with order resumption projected from FY27 onwards, as the underlying product continues to perform well in the market. (2) The base business (excluding patent molecule supplies) is expected to grow at a mid-teen rate, supported by healthy demand for differentiated capabilities and integrated service offerings across the key therapies. (3) PPL's consistent investments in specialized capabilities (investment with NewAmsterdam Pharma) are projected to yield significant returns over the medium to long term. (4) The USD 90mn expansion at the sterile fill-finish facility in Lexington (US) and the payload-linker facility at Riverview (US) are scheduled for completion by 2027. These expansions are critical components of PPL's integrated ADC development and manufacturing program, with several clients already committed to commercializing their products at the expanded Lexington site. (5) PPL's strengths in differentiated areas—such as Hi-Po APIs, peptides, sterile injectables, and hormonal products—continue to attract strong demand due to their technical complexity. (6) The company maintains a substantial pipeline of 145 molecules across various development stages, including 31 in Phase III, which could result in long-term commercial manufacturing contracts upon successful approval in the US, EU, and other key markets. (7) While the recovery in biotech funding has been inconsistent for early-stage orders, PPL has seen a significant uptick in funding for Sep/Oct-25, particularly for differentiated offerings and increase in M&A activities, which display early signs of recovery of biopharma funding. A more consistent recovery in this environment could further boost the CDMO business.

Excluding a specific inventory adjustment, the underlying CDMO performance is projected to grow at a mid-teen rate in FY26, driven by healthy demand for differentiated capabilities and integrated service offerings. The biotech funding environment is expected to remain uncertain, likely resulting in slower growth for early-stage discovery and development orders. The generic API business is expected to deliver healthy growth. We estimate a 11% sales CAGR over FY25-28E (H1FY26 sales was down 14% YoY), reaching sales of INR 73.54 bn (~USD 845 mn) in FY28. The company is on track to achieve its long-term guidance of approximately USD 1.2 bn in revenue with an EBITDA margin of around 25% by FY30.

Exhibit 173: CDMO business to see muted growth in FY26, strong recovery from FY27

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY21-25	CAGR FY25-28E
Discovery services	**1,446**	**1,584**	**2,001**	**1,900**	**1,089**	**1,177**	**1,412**	**1,765**	-7%	17%
YoY growth	-8%	10%	26%	-5%	-43%	8%	20%	25%		
% of CDMO sales	4%	4%	5%	4%	2%	2%	2%	2%		
Development	**10,848**	**11,880**	**12,003**	**12,350**	**13,618**	**13,890**	**16,946**	**20,504**	**6%**	**15%**
YoY growth	27%	10%	1%	3%	10%	2%	22%	21%		
% of sales	30%	30%	30%	26%	25%	28%	28%	28%		
On-patent Commercial Manufacturing	**3,787**	**4,174**	**4,180**	**9,604**	**15,134**	**7,264**	**12,349**	**17,289**	**41%**	**5%**
YoY growth	NA	10%	0%	130%	58%	-52%	70%	40%		
% of sales	10%	11%	10%	20%	28%	15%	20%	24%		
Other Commercial Manufacturing	**20,078**	**21,962**	**21,827**	**23,646**	**24,630**	**27,339**	**30,620**	**33,988**	5%	11%
YoY growth	-6%	9%	-1%	8%	4%	11%	12%	11%		
% of sales	56%	55%	55%	50%	45%	55%	50%	46%		
CDMO	**36,160**	**39,600**	**40,010**	**47,500**	**54,470**	**49,669**	**61,326**	**73,545**	11%	11%
YoY growth	15%	10%	1%	19%	15%	-9%	23%	20%		
% of sales	58%	61%	57%	59%	60%	56%	59%	60%		

Source: Company, HSIE Research

Complex Hospital Generics (CHG) focus on differentiated portfolio

PPL's CHG business has evolved through strategic acquisitions, establishing a leading position in high-entry barrier segments like inhaled anesthetics and intrathecal therapies. Its future evolution focuses on expanding manufacturing capacity for inhalation anaesthetics in emerging markets and investing in a pipeline of differentiated and specialty injectable products to drive long-term growth and reduce dependence on current key products. PPL is a prominent player in hospital generics, offering a diverse portfolio of differentiated products.

The CHG business maintains a leadership position in key products within its portfolio, which spans inhalation anaesthetics, intrathecal therapies, and injectable pain management and anaesthesia drugs.

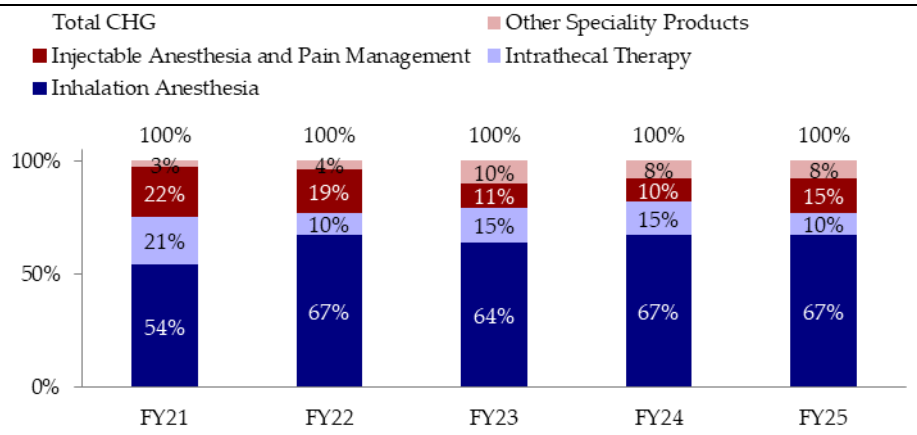
- **Inhalation anesthetics (IA)**: Sevoflurane is a flagship product, with PPL being the market leader in the US, holding a 45% market share in FY25 (vs 44% in FY24). Sevoflurane is the most preferred IA drug, accounting for ~86% of the global IA market, and PPL is recognized as the 4th largest IA company globally. The company also manufactures Isoflurane and Desflurane in which it is gaining traction.
- **Intrathecal Therapies**: Baclofen (Gablofen) is another leading product, where PPL ranks 1 in the US Baclofen pre-filled syringe and vial market with a 75% market share in FY25. This dominance is significantly driven by its differentiated pre-filled syringe presentation and an experienced sales team. The morphine sulphate brand, Mitigo, also recorded healthy growth in FY25.
- **Injectable anesthesia and pain management**: The portfolio includes brands such as Dipidolor (Piritramide), Sublimaze (Fentanyl Citrate), Rapifen (Alfentanil HCL), Sufenta (Sufentanil Citrate), and Hypnomidate (Etomidate). Fentanyl (ampoules) (Sublimaze) is a key product, ranking 1 by USD value in Japan, South Africa, and Indonesia markets.
- **Differentiated and specialty products**: Neoatricon, an approved pre-diluted, pediatric-appropriate dopamine formulation, received approval in FY2025 for key markets including the UK, Germany, France, and Italy through a partner, BrePco Biopharma. It was launched in select EU markets in Q1FY26 and is expected to expand to more markets. While Neoatricon to see strong momentum over the next few years, it will remain a small contributor to overall business.

Exhibit 174: PPL's acquisition in CHG business over the last decade to expand capacity and capabilities

Year	Companies	Assets/ Product portfolio	Acquisition value	Comments
Acquisitions in CHG segment				
Oct'16	Janssen	Portfolio of five branded products in injectable anesthesia and pain management- Sublimaze, Sufenta, Rapifen, Dipidolor and Hypnomidate	USD 161.2 mn; additional consideration may go up to USD 20 mn	Provided Piramal with marketing authorizations in over 50 countries. The acquired products had high entry barriers and enhanced overall company profitability
Mar'17	Mallinckrodt LLC	Portfolio of intrathecal spasticity and two pain management products under development	Initial consideration of USD 171 mn; additional USD 32 mn payable on financial performance of acquired assets over next 3 years	Portfolio has seen steady growth and significant improvement in margin
Jun'18	Edenbridge	Miglustat	Undisclosed	Medication used to treat type I Gaucher disease
Oct'20	Convergence Chemicals	Completely acquired it by buying 49% stake from Navin Fluorine	USD 9 mn	The company develops and manufactures raw materials for Inhalation anesthesia products

Source: Company, HSIE Research

Exhibit 175: CHG business mix



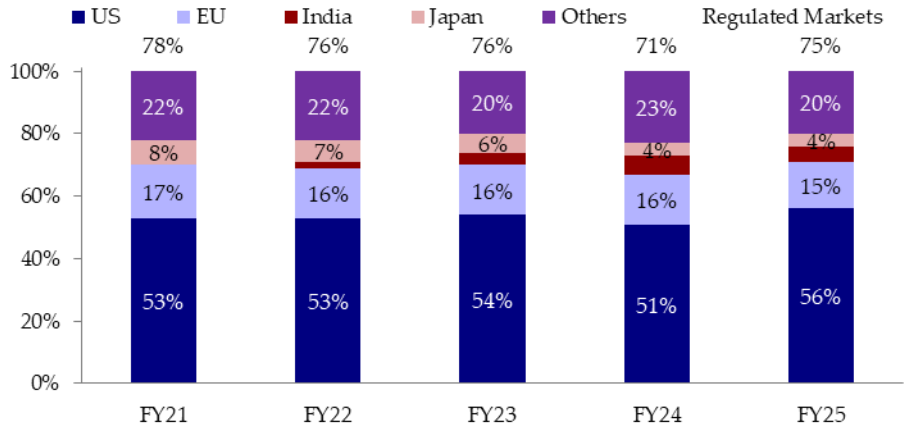
Source: Company, HSIE Research

Exhibit 176: PPL's vertical integration provides better cost controls and supply chain

Facilities	Location	Capabilities
Inhalation Anesthesia	Bethlehem, USA	In-house manufacturing of Sevoflurane and Desflurane
Inhalation Anesthesia	Digwal, India	In-house manufacturing of Isoflurane
Specialty Fluorochemicals	Dahej, India	Vertically integrated in-house manufacturing for KSM

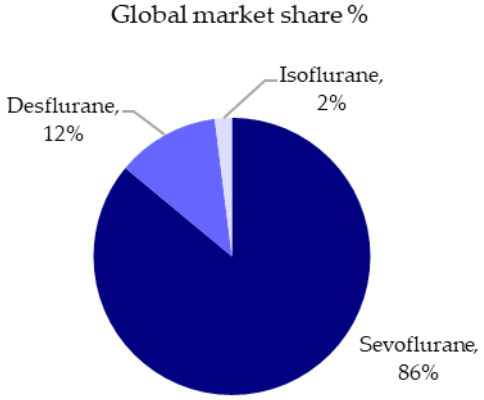
Source: Company, HSIE Research

Exhibit 177: CHG geographical mix



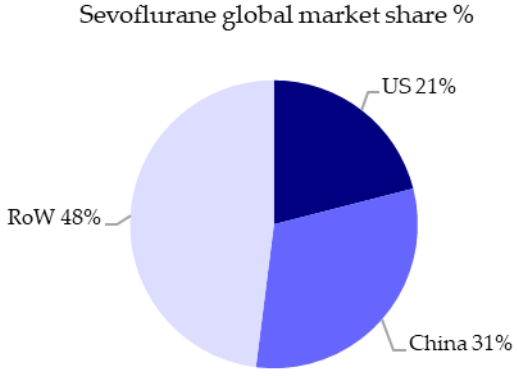
Source: Company, HSIE Research

Exhibit 178: Global IA market worth ~USD 1 bn



Source: Company, HSIE Research

Exhibit 179: ~USD 850 mn global market for Sevoflurane



Source: Company, HSIE Research

Exhibit 180: Key products export trend for PPL from India

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	FY24	FY25	YoY growth %
Isoflurane	8	8	6	7	7	11	12	9	8	9	29	39	35%
Hexafluoro Isopropyl	7	9	9	10	5	4	11	11	11	7	35	31	-11%
Sevoflurane	0	1	0	1	0	1	2	1	1	1	2	4	100%

Source: EXIM, Company, HSIE Research

CHG to see steady growth over the next few years

After consecutive growth trends in FY22 and FY23, the CHG business has seen some growth moderation during FY24 and FY25. The volume growth was steady over FY24 and FY25 across key products and the price erosion in the US market for its inhalation anesthesia portfolio as well as its injectable pain management growth was constrained by supply limitations from third-party CMOs. As a result, growth CAGR over FY20-23 was strong at 17%, moderating to 7% over FY23-25. Further, the CHG business experienced muted growth in H1FY26 (+1% YoY) due to the phasing of institutional orders and timing of shipments, but growth is expected to pick up significantly, particularly in H2FY26. While there are some non-recurring expenses for regulatory product transitions and business continuity planned for FY25 that had an impact on its EBITDA margin, these are aimed at ensuring greater stability of supplies in the future.

The company is optimistic about the medium-to-long-term growth potential for the CHG business, with aspirations to achieve revenues of USD 600 mn and improve EBITDA margins to ~25% by FY30. PPL is expected to manage the price volatility through vertical integration and limited competition. The strategic investment in a differentiated and specialty product portfolio is key to driving long-term growth and reducing dependence on current key products like Sevoflurane. It is expected to maintain a strong market position and drive significant growth by expanding its core offerings, investing in a pipeline of complex and differentiated products, and enhancing operational efficiencies across its global network.

Moreover, PPL is building a differentiated and specialty portfolio with a focus on 505(b)(2), complex generics, differentiated generics, branded products (addressable market size of USD 50 bn and ~30 molecules losing exclusivity in next five years) to fit its salesforce focus to leverage its experience with existing portfolio (e.g., Gablofen, Mitigo, Neoatricon) of differentiated and specialty products. The company is looking to expand its product portfolio through either co-investing or in-licensing products, which offer higher barriers to entry. We have estimated the 8% sales CAGR over FY25-28E to reach sales of INR 32.97bn (~USD 379mn) in FY28.

Exhibit 181: CHG business to see steady growth

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY21-25	CAGR FY25-28E
Inhalation Anesthesia	**9,013**	**13,413**	**14,630**	**16,408**	**17,641**	**17,994**	**19,613**	**21,771**	**18%**	**7%**
YoY growth	-12%	49%	9%	12%	8%	2%	9%	11%		
% of CHG sales	54%	67%	64%	67%	67%	67%	66%	66%		
Intrathecal Therapy	**3,505**	**2,002**	**3,429**	**3,674**	**2,633**	**2,738**	**3,067**	**3,435**	**-7%**	**9%**
YoY growth	5%	-43%	71%	7%	-28%	4%	12%	12%		
% of sales	21%	10%	15%	15%	10%	10%	10%	10%		
Injectable Anesthesia and Pain Management	**3,672**	**3,804**	**2,515**	**2,449**	**3,950**	**4,028**	**4,754**	**5,419**	**2%**	**11%**
YoY growth	-21%	4%	-34%	-3%	61%	2%	18%	14%		
% of sales	22%	19%	11%	10%	15%	15%	16%	16%		
Other Specialty Products	**501**	**801**	**2,286**	**1,959**	**2,106**	**2,127**	**2,234**	**2,346**	**43%**	**4%**
YoY growth	35%	60%	185%	-14%	8%	1%	5%	5%		
% of sales	3%	4%	10%	8%	8%	8%	8%	7%		
Complex Hospital Generics Business (CHG)	**16,690**	**20,020**	**22,860**	**24,490**	**26,330**	**26,888**	**29,668**	**32,970**	**12%**	**8%**
YoY growth	**-10%**	**20%**	**14%**	**7%**	**8%**	**2%**	**10%**	**11%**		
% of sales	**27%**	**31%**	**33%**	**30%**	**29%**	**30%**	**28%**	**27%**		

Source: Company, HSIE Research

India Consumer Healthcare (ICH) diversifying portfolio and power brands

PPL has evolved significantly, starting as a three-brand company with INR 1 bn in sales in FY08, expanding to over 25+ brands by 2025 through strategic acquisitions and new product launches to cross revenues of INR 10.9+ bn in FY25. Over the last many years, PPL has developed key brands (licenses, acquired, and launched) including Lacto Calamine (1993), Saridon (1993, licensed from Bayer), I-pill (2010 from Cipla), Little's (2015), and the adult hygiene brand CIR (2023). PCH also has a manufacturing and distribution agreement with Bayer for brands such as Saridon, Supradyn, Becozym, and Benadon. The core strategy is focusing on power brands such as Little's, Lacto Calamine, CIR, I-range, Polycrol, and Tetmosol. These brands receive continuous investments in media and trade promotions, including celebrity endorsements, to build a strong consumer pull.

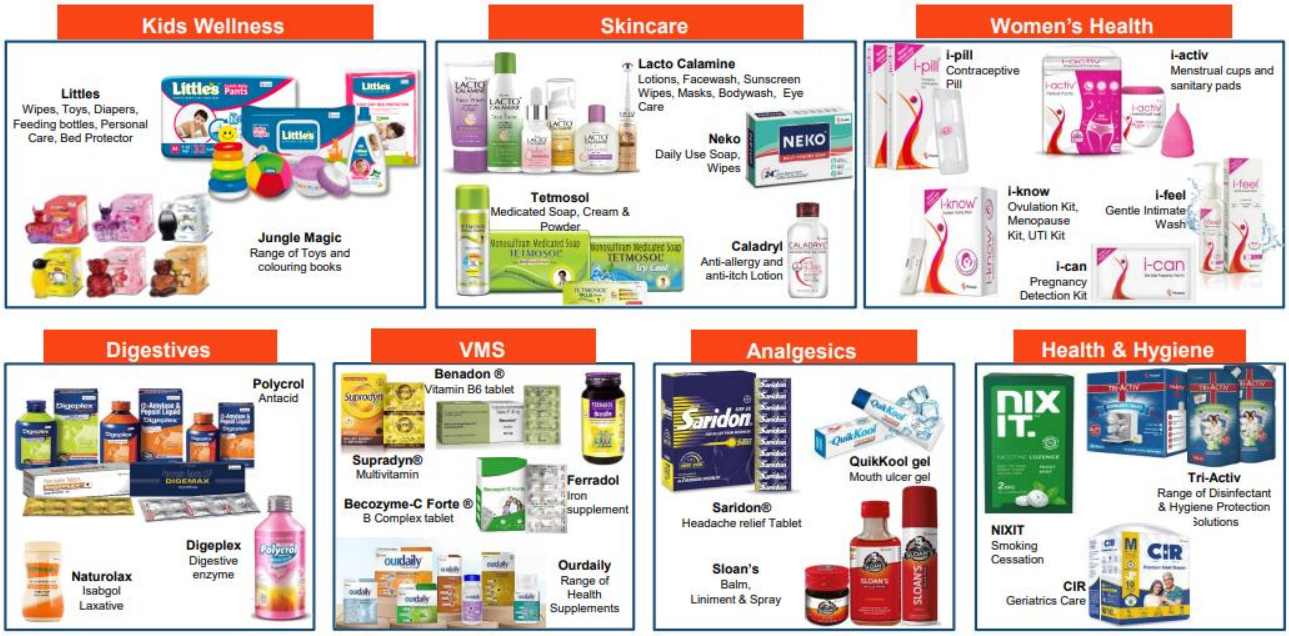
Over the years, the company has created a presence across traditional and alternate trade channels, with wide coverage of general trade and chemist shops (~180k chemists and cosmetic shops), strengthening presence in modern trade with 8,000+ modern trade outlets, continuously expanding its presence in e-commerce with 20+ leading online marketplaces/ platforms, and focus on own Direct-to-Customer (D2C) website handing 8k+ consumer orders per months.

Exhibit 182: PPL's acquisition in ICH business to expand market presence and product portfolio

Year	Companies	Assets/ Product portfolio	Acquisition value	Comments
Acquisitions in ICH segment				
Nov'15	Little's India	Baby care brand - entire product range across six categories	USD 10 mn	Little's is country's oldest baby care product brand and is present across a wide range of products including feeding bottles, skin- care, grooming accessories, apparels, and toys for babies
Dec'15	MSD BV & Organon	Five brands including Naturolax, Lactobacil and Farizym	USD 14 mn	Helped expand presence in gastrointestinal segment through OTC route. Helped improve profitability and ranking in OTC market
May'16	Pfizer	Four consumer product brands namely, Ferradol, Neko, Sloan's and Waterbury's compound	USD 18 mn	Acquisition included brands namely, Ferradol, Neko, Sloan's and Waterbury's compound and additionally, trademark rights for Ferradol and Waterbury's compound for Bangladesh and Sri Lanka
Nov'17	Shreya Lifesciences	Digeplex and associated brands	Undisclosed	Helped the company in strengthening its position in gastrointestinal segment and was complementary to its existing portfolio - Polycrol and Naturolax, in the GI segment

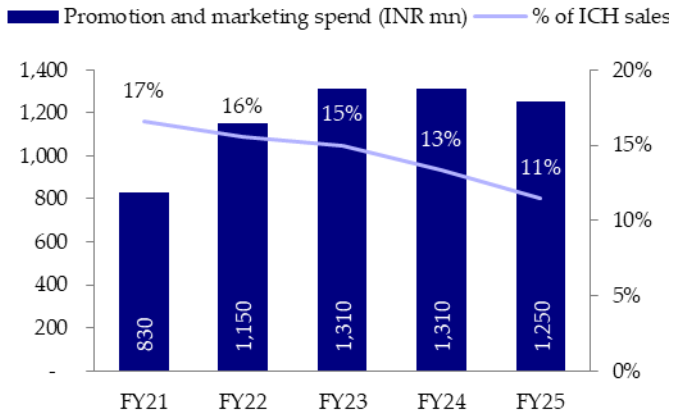
Source: Company, HSIE Research

Exhibit 183: ICH's diversified portfolio of healthcare and wellness



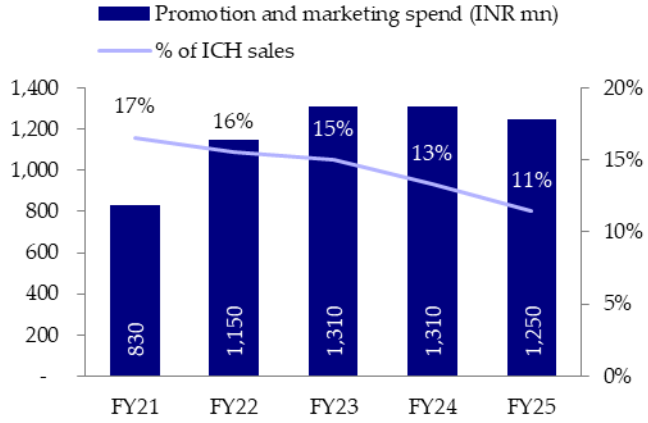
Source: Company, HSIE Research, Note: ®Registered Trademark for Bayer (Group)

Exhibit 184: Investment trends in brand promotion and marketing



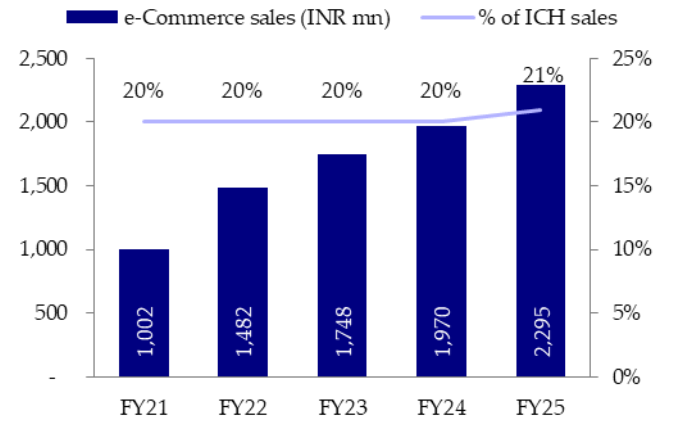
Source: Company, HSIE Research

Exhibit 185: Power brands had a strong CAGR of 29% over FY21-25



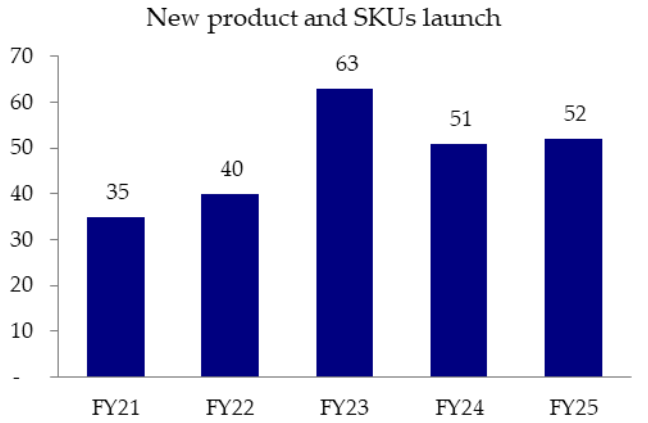
Source: Company, HSIE Research

Exhibit 186: e-Commerce business growing steadily



Source: Company, HSIE Research

Exhibit 187: New launches driving growth



Source: Company, HSIE Research

Growth softens in last two years on lower demand and regulatory impact

PPL's ICH business had strong runway of growth over the last decade (until FY24) with a CAGR of over 23% in the last five years, led by strong traction in power brands, brand acquisition, and market expansion. However, growth momentum moderated in the last two years to ~12% CAGR over FY23-25 (FY24 it grew 13% YoY and in FY25 growth was at 11% YoY), largely due to (1) macro factors like overall demand slowdown in Indian consumer industry and a high base of post-Covid growth in FY22 (+48% YoY) and FY23 (+18% YoY), (2) unseasonal rains and erratic weather patterns impacting the growth PPL's power brand Tetmosol in FY24, (3) the fact that in FY25, another power brand I-pills classified under NLEM led to a price reduction, impacting the company's value growth; and (4) discontinuation of Covid detection KITs that had a strong traction during FY22 and FY23.

We note that despite the high base, the company is managing to clock double-digit growth, which was largely led by continued investment in marketing, expansion of sales force as well as distribution network, and robust growth in power brands (grew 20% YoY in FY25 and contributing 49% of sales; CAGR of 29% over FY21-25), and new launches that offset the muted growth in balance 51% of the business, which had a 3% YoY growth in FY25 (in FY24 growth was at 6% YoY). Further, it sustains strong momentum in H1FY26 with growth of ~15% YoY.

ICH to maintain steady growth momentum in the near term

PPL's aspiration to reach a revenue of USD 200mn revenues from its owned brands and double-digit EBITDA margin by FY30. The key growth drivers: (1) scale-up of power brands (49% of sales in FY25) employing a strategy of building profitable brands with annual turnovers ranging from INR 1 -5 bn, supported by continuous investments in media and trade promotions, new product launches, and channel expansion; (2) PPL aims to transition from a pharmacy-dominant to an Omni-channel consumer healthcare; (3) broadening its distribution network through expanding reach in smaller towns, increasing presence in top-weighted non-chemist outlets, and continued expansion in modern trade formats such as supermarkets and hypermarkets; (4) focus to scale up its e-commerce operations through new product launches and channel expansion, leveraging operating leverage; (5) focus on improving profitability through better price realization, optimized product and portal mix, and efficient management of advertisement and distribution costs, supported by its own D2C channel; and (6) regular new product launches and brand extensions remain a crucial growth lever. In FY25, 50+ new products and SKUs were launched, with new products from the last two years contributing 8% to sales. In H1FY26, 26 new products and SKUs were launched. The innovation strategy involves exploring unique concepts, high-potential low-complexity segments, and fast-growing e-commerce trends.

We believe the ICH business is well placed to outperform the OTC pharma market growth of 8% over 2024-29 (~USD 7 bn in 2024 and reach ~USD 11 bn by 2029). This coupled with cost optimization and better control over promotional expenses would improve the EBITDA margin over the next few years. We have estimated the 14% sales CAGR over FY25-28E to reach sales of INR 16.33 bn (~USD 188 mn) in FY28.

Exhibit 188: ICH business to see steady growth

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY21-25	CAGR FY25-28E
India Consumer Healthcare Business (ICH)	**5,010**	**7,410**	**8,740**	**9,850**	**10,930**	**12,570**	**14,329**	**16,335**	**22%**	**14%**
YoY growth	20%	48%	18%	13%	11%	15%	14%	14%		
% of CHG sales	8%	11%	12%	12%	12%	14%	14%	13%		

Source: Company, HSIE Research

Capacity expansion across the business to drive long-term growth

Over the last five years, PPL has spent ~USD 80-150 mn capex p.a. towards multiple expansion projects across CDMO and CHG businesses. Cumulative capex over the same period was ~INR 57 bn (~USD 680 mn) directed toward the expansion of facilities in high-demand areas such as Riverview (US), Grangemouth (UK), Turbhe, and Ahmedabad as well as capex for new capacity additions, debottlenecking, and technology upgradation, particularly in differentiated offerings for the CDMO business.

PPL's capital allocation in CDMO business was for expanding differentiated capabilities such as ADCs, Hi-Po APIs, peptides, sterile fill-finish, hormones, and on-patent API development. Notable investments include a USD 60 mn expansion of the ADC facility in Grangemouth (UK), which was commercialized in FY24. In CHG, investments have been made to set up new Sevoflurane manufacturing lines at the Digwal facility and increase KSM manufacturing at the Dahej facility to ensure vertical integration.

PPL has guided for USD 100-125 mn capex in FY26, which includes USD 90 mn capex for doubling capacity at the sterile fill-finish facility in Lexington (US) by 2027 and adding development and commercial-scale capabilities for payload-linkers at the Riverview site. These are crucial for the integrated ADC development and manufacturing program. Moreover, in CHG, ongoing investment at Digwal facility is expected to commence the commercial production of Sevoflurane in Q1FY27. The company expects an average capex momentum of USD 80-90 mn annually to create or debottleneck capacities across its facilities as part of its five-year plan.

We note the company's gross asset turnover is lower at 0.71x in FY25, which marginally improved from 0.63-0.68x in the past years. We see asset sweating led by traction in new capabilities such as ADCs, Hi-Po APIs, peptides, sterile fill-finish, and hormones over the next few years as well as scale-up in Sevoflurane from FY27 to help improve the asset turnover to ~0.78x by FY28.

Exhibit 189: Asset turnover to improve

	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (INR mn) incl CWIP	79,434	96,788	111,889	121,307	129,463	139,007	148,107	157,207
Asset turnover (x) on gross block	0.79	0.68	0.63	0.67	0.71	0.64	0.71	0.78
Fixed assets (INR mn) incl CWIP	58,757	70,210	77,797	79,832	79,621	81,057	81,593	81,574
Asset turnover (x) on Fixed assets	1.1	0.9	0.9	1.0	1.1	1.1	1.3	1.5

Source: Company, HSIE Research

Debt reduction and overseas subsidiaries' turnaround key earnings driver

PPL with its focus on expanding its presence in the global CDMO as well as IA markets, has undertaken multiple acquisitions, capacity expansions (investing ~INR 57 bn over the last few years), and addressed working capital requirements. The debt increase was largely attributed to growth-oriented acquisitions and capex, particularly in areas believed to have the highest potential for growth, such as ADCs, Hi-Po APIs, peptides, etc. The company completed a rights issue in FY24 of INR 10.5 bn, which enabled PPL to successfully reduce gross debt by ~INR 9 bn to INR 47.1 bn in FY24 (from INR 56.3 bn in FY23); net debt reduction was at INR 40.23 bn in FY24 (from INR 49.02 bn in FY23). PPL continued investing across its businesses, with capex of ~USD 100mn in FY25. A marginal increase in working capital requirements kept gross debt largely unchanged, but net debt increased to INR 43.3bn in FY25.

The company maintains that its debt has largely been directed toward investments focused on areas believed to have the highest potential for growth. Moreover, a recently announced USD 90 mn expansion investment at two U.S. sites (Lexington for sterile injectable and Riverview - payload linkers for bioconjugates) is intended to meet increasing demand from the customer for linker payloads. While the long-term intent

is to bring the net debt-to-EBITDA ratio down to 1:1 by FY30, the management anticipates a temporary spike in debt quantum in FY26, driven by planned capex and debt reduction from FY27 onwards through better control over working capital and some moderation in capex (guiding for annual capex of ~USD 80-90 mn for the next few years, down from USD 100- 125 mn in FY26E).

Exhibit 190: Focus on debt reduction, targeting net debt to EBITDA of 1:1 by FY30

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross debt (including lease liabilities)	30,251	41,279	56,371	47,102	48,565	48,838	46,651	44,465
Equity	56,050	66,966	67,735	79,114	81,255	81,388	85,399	92,755
EBITDA	14,280	9,497	6,282	11,963	14,448	10,014	17,069	21,538
Cash and equivalents (incl current investments)	4,056	3,794	7,347	6,273	5,210	5,958	5,544	6,876
Net debt	26,195	37,485	49,024	40,829	43,355	42,880	41,107	37,588
Gross debt to equity (x)	0.54	0.62	0.83	0.60	0.60	0.60	0.55	0.48
Gross debt to EBITDA (x)	2.12	4.35	8.97	3.94	3.36	4.88	2.73	2.06
Net debt to equity (x)	0.47	0.56	0.72	0.52	0.53	0.53	0.48	0.41
Net debt to EBITDA (x)	1.83	3.95	7.80	3.41	3.00	4.28	2.41	1.75
Interest coverage ratio (x)	6.03	3.14	0.19	1.34	1.83	1.27	3.36	4.77

Source: Company, HSIE Research

Exhibit 191: Working capital to remain steady over the next few years

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Inventories	12,320	13,888	16,814	21,759	23,127	26,730	29,268	33,503
Receivables	15,749	17,853	17,993	21,344	23,495	19,800	23,707	28,033
Payables	9,179	10,264	11,927	15,384	15,338	15,592	18,731	21,880
Working capital	**18,890**	**21,477**	**22,880**	**27,719**	**31,285**	**30,937**	**34,243**	**39,657**
% of sales	30%	33%	32%	34%	34%	35%	33%	32%
Nos of days (on sales)								
Inventories	71	77	87	97	92	108	100	98
Receivables	91	99	93	95	94	80	81	82
Payables	53	57	61	69	61	63	64	64
Working capital	**109**	**120**	**118**	**124**	**125**	**125**	**117**	**116**

Source: Company, HSIE Research

PPL expects improvement in its overseas operations over the next few years. The performance of overseas CDMO facilities has been a primary driver of overall revenue growth with increased traction in innovation-related work, especially on-patent commercial manufacturing. In Q4FY25, the company witnessed strong traction in new order inflows, particularly for its overseas sites, which include Grangemouth, Riverview, Sellersville, and Lexington. This trend continued into H1FY26, where the base CDMO business growth was primarily led by the overseas facilities coupled with an improvement in profitability.

The improvement in consolidated margins is substantially aided by higher utilization and better execution at these overseas sites, as the operating leverage impact at these smaller facilities is significant. The management anticipates that scaling up the utilization and revenue base of these overseas sites (including Grangemouth, Lexington, Sellersville, and Riverview) will continue to generate operating leverage.

In the past few years, the higher tax outgo was a key drag for earnings growth as the company had unrecognized Deferred Tax Assets (DTAs) amounting to INR 7.53bn, related to unused tax losses, temporary differences, and tax credits because PPL and its subsidiaries have a history of tax losses in recent years.

However, better utilization and sales from overseas facilities is anticipated. The long-term aspiration is for the ETR to progressively reduce, moving toward 24% to 25% by FY30. This normalization is expected to occur as the profitability in the overseas entities increases and the geographical mix changes with the higher utilization of those

facilities. Once these entities demonstrate consistent profitability, PPL may begin creating deferred tax assets, further helping the ETR normalization to 24-25%.

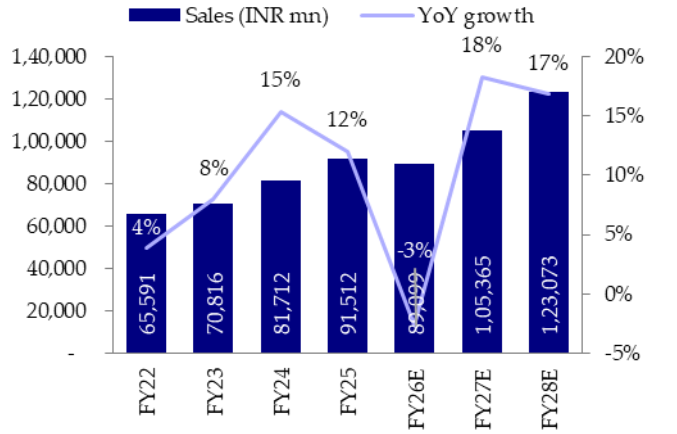
Exhibit 192: Performance of the key overseas subsidiaries

Key subsidiaries (INR mn)	% stake	FY22	FY23	FY24	FY25
Revenues					
Piramal Critical Care Inc (CHG)	100%	13,478	15,756	19,622	19,712
YoY growth		NA	17%	25%	0%
Piramal Critical Care Limited (CHG)	100%	2,660	2,844	2,611	2,897
YoY growth		NA	7%	-8%	11%
Piramal Critical Care BV (CHG)	100%	1,822	1,532	2,420	2,595
YoY growth		NA	-16%	58%	7%
Piramal Healthcare (UK) (CDMO)	100%	7,416	7,813	9,097	10,021
YoY growth		NA	5%	16%	10%
PPL Pharma Solutions Riverview LLC (CDMO)	100%	3,988	5,067	6,787	4,183
YoY growth		NA	27%	34%	-38%
Piramal Pharma Solutions Inc (CDMO)	100%	1,836	1,847	1,267	2,527
YoY growth		NA	1%	-31%	99%
Gross profit and margin					
Piramal Critical Care Inc (CHG)	100%	6,889	8,038	9,728	9,291
Gross margin %		51.1%	51.0%	49.6%	47.1%
Piramal Critical Care Limited (CHG)	100%	960	1,217	1,126	1,448
Gross margin %		36.1%	42.8%	43.1%	50.0%
Piramal Critical Care BV (CHG)	100%	611	391	493	589
Gross margin %		33.5%	25.6%	20.4%	22.7%
Piramal Healthcare (UK) (CDMO)	100%	3,522	4,002	5,418	5,393
Gross margin %		47.5%	51.2%	59.6%	53.8%
PPL Pharma Solutions Riverview LLC (CDMO)	100%	1,722	1,855	3,839	1,647
Gross margin %		43.2%	36.6%	56.6%	39.4%
Piramal Pharma Solutions Inc (CDMO)	100%	25	(181)	(641)	183
Gross margin %		1.4%	-9.8%	-50.6%	7.2%
EBITDA and margin					
Piramal Critical Care Inc (CHG)	100%	3,841	4,965	6,244	6,002
EBITDA margin %		28.5%	31.5%	31.8%	30.5%
Piramal Critical Care Limited (CHG)	100%	83	346	210	466
EBITDA margin %		3.1%	12.2%	8.0%	16.1%
Piramal Critical Care BV (CHG)	100%	(118)	(281)	(180)	(174)
EBITDA margin %		-6.5%	-18.4%	-7.4%	-6.7%
Piramal Healthcare (UK) (CDMO)	100%	(294)	116	78	(1,486)
EBITDA margin %		-4.0%	1.5%	0.9%	-14.8%
PPL Pharma Solutions Riverview LLC (CDMO)	100%	788	861	2,319	178
EBITDA margin %		19.8%	17.0%	34.2%	4.3%
Piramal Pharma Solutions Inc (CDMO)	100%	(328)	(934)	(1,121)	(358)
EBITDA margin %		-17.9%	-50.5%	-88.5%	-14.2%
PAT and PAT margin					
Piramal Critical Care Inc (CHG)	100%	1,404	2,019	2,738	2,560
PAT margin %		10.4%	12.8%	14.0%	13.0%
Piramal Critical Care Limited (CHG)	100%	(1,042)	(1,029)	(1,634)	(1,403)
PAT margin %		-39.2%	-36.2%	-62.6%	-48.4%
Piramal Critical Care BV (CHG)	100%	(221)	(393)	(290)	(367)
PAT margin %		-12.1%	-25.6%	-12.0%	-14.2%
Piramal Healthcare (UK) (CDMO)	100%	386	(440)	(367)	(2,693)
PAT margin %		5.2%	-5.6%	-4.0%	-26.9%
PPL Pharma Solutions Riverview LLC (CDMO)	100%	592	498	1,732	(346)
PAT margin %		14.8%	9.8%	25.5%	-8.3%
Piramal Pharma Solutions Inc (CDMO)	100%	(765)	(1,368)	(1,771)	(1,136)
PAT margin %		-41.7%	-74.1%	-139.8%	-44.9%

Source: Company, HSIE Research, note: PAT adjusted for one-offs

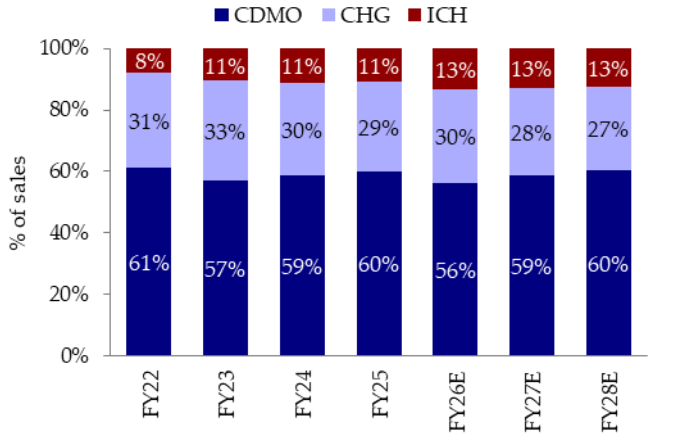
Key financial charts

Exhibit 193: Revenue recovery from FY27



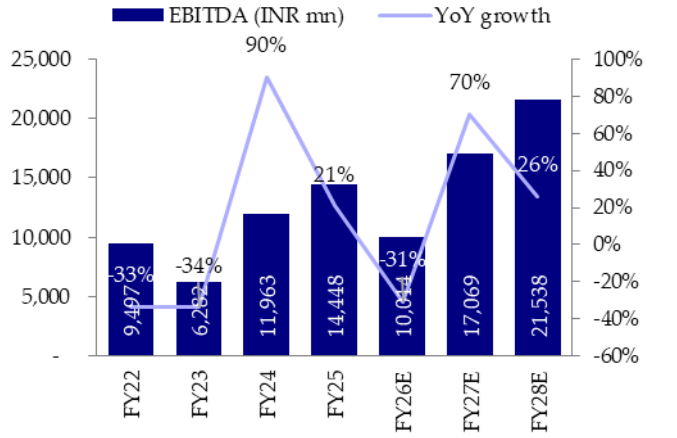
Source: Company, HSIE Research

Exhibit 194: Business mix to improve toward CDMO



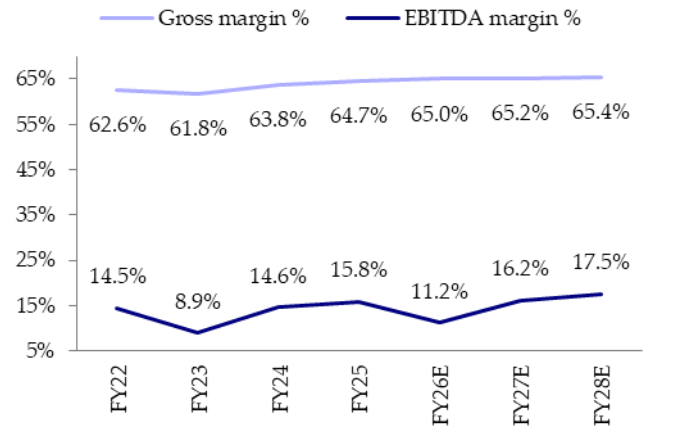
Source: Company, HSIE Research

Exhibit 195: Strong EBITDA growth



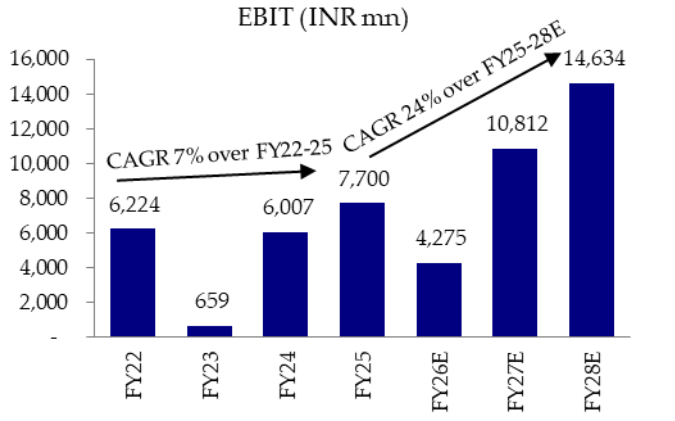
Source: Company, HSIE Research

Exhibit 196: Gross and EBITDA margin to see significant improvement from FY27



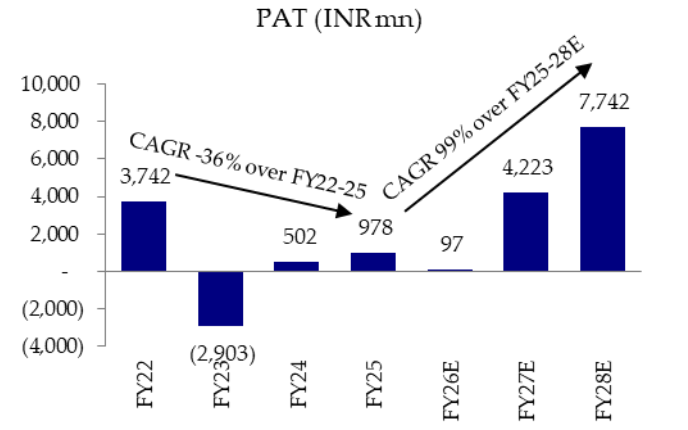
Source: Company, HSIE Research

Exhibit 197: EBIT growth in line with margin improvement



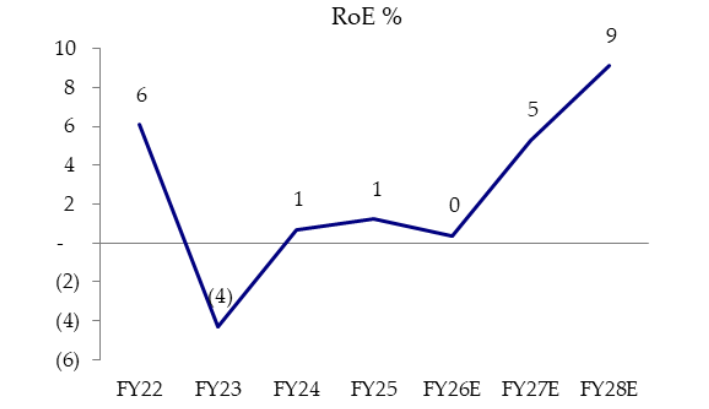
Source: Company, HSIE Research

Exhibit 198: Strong PAT growth visibility



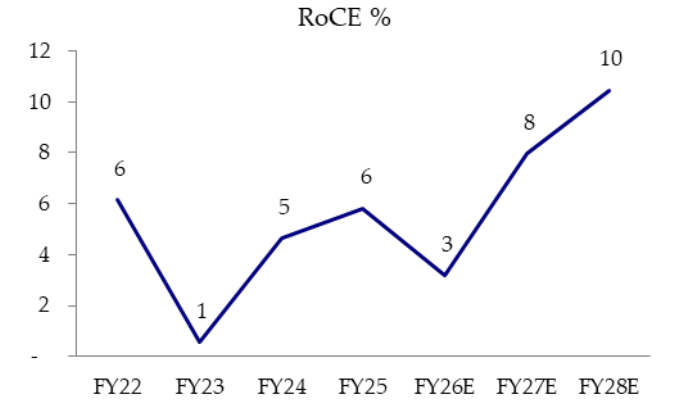
Source: Company, HSIE Research

Exhibit 199: RoE to see steady improvement



Source: Company, HSIE Research

Exhibit 200: Improving margin to drive RoCE



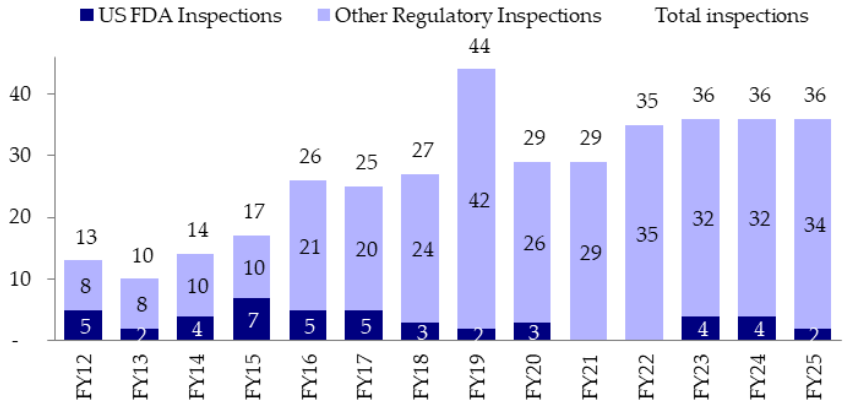
Source: Company, HSIE Research

Exhibit 201: Turn FCF positive in FY24; steady FCF generation visibility for next few years

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	4,850	(1,202)	1,793	4,146	1,900	8,445	12,488
Operating Profit before WC	**12,281**	**9,750**	**13,957**	**17,144**	**12,573**	**19,611**	**24,166**
(Inc.)/Dec in working capital	(2,923)	(3,021)	(2,343)	(4,877)	2,111	(1,703)	(3,856)
Cash flow from operations	**9,358**	**6,729**	**11,614**	**12,267**	**14,684**	**17,908**	**20,311**
Cash Taxes paid	(1,694)	(1,890)	(1,568)	(3,344)	(1,596)	(4,223)	(4,745)
Net Cash from operating activities	**7,664**	**4,839**	**10,045**	**8,923**	**13,088**	**13,685**	**15,565**
Capex	(16,942)	(7,648)	(7,120)	(6,644)	(11,600)	(9,100)	(9,100)
Free cash flow	**(9,278)**	**(2,809)**	**2,925**	**2,279**	**1,488**	**4,585**	**6,465**
OCF to EBITDA	**81%**	**77%**	**84%**	**62%**	**131%**	**80%**	**72%**

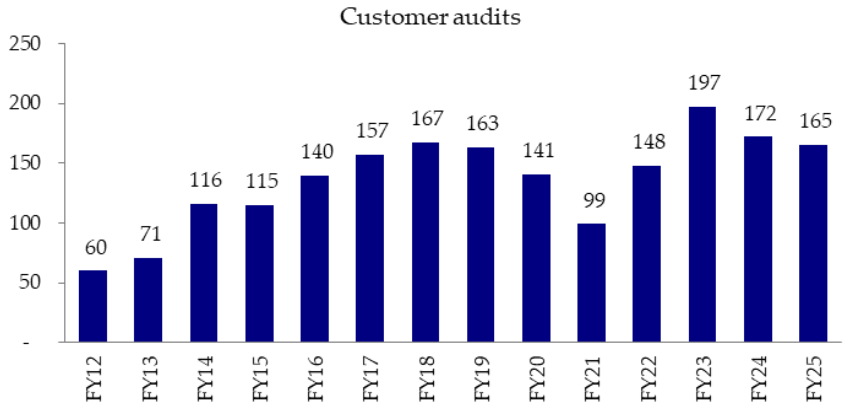
Source: EXIM, Company, HSIE Research

Exhibit 202: 375+ Regulatory inspections with no OAI since FY12



Source: Company, HSIE Research

Exhibit 203: Successfully cleared 1,911 customer audits since FY12



Source: Company, HSIE Research

Outlook and valuation

PPL has a clear vision to achieve a USD 2bn+ revenue, 25% EBITDA margin, and a net debt to EBITDA ratio of ~1x by FY30 through profitable growth. The company achieved ~USD 1.02bn in sales with margin expanding to 15.8% (vs 14.6% in FY24) and APAT growth of 95% YoY in FY25. The key drivers are:

- Strategic investment in differentiated capabilities like Antibody-Drug Conjugates (ADCs), High Potency APIs (HiPo-APIs), and sterile fill-finish, alongside significant capacity expansions in its CDMO and CHG businesses to capitalize on strong demand and expand its global footprint (capitalized ~INR 41 bn capex over FY21-25 and targeted capex of INR 25 bn over FY25-28E).
- A deep CDMO pipeline of 145 molecules, with 31 in Phase III, is expected to drive long-term commercial contracts.
- PPL's commitment to operational excellence, demonstrated by a zero OAI status since FY12 underpins its strategy for responsible and sustainable growth.

PPL has guided flattish revenue growth and mid to low-teens EBITDA margin due to inventory destocking in one of PPL's large on-patent commercial CDMO product (Nurtec), slow pick-up in early-stage projects, and impact in CHG (phasing of institutional orders and supply constraint in injectable anesthesia). This has led to temporary weakness in a business and stock de-rating. We see a good buying opportunity given that multiple levers could play out like niche pipeline, asset sweating, margin improvement, and debt reduction.

We expect PPL to see 10/14% sales/EBITDA CAGRs over FY25-28E and margin to improve to ~17.5% in FY28 (from ~15.8% in FY25).

We initiate coverage with a BUY rating and assign (1) EV/EBITDA multiple of 18x to CDMO; (2) EV/EBITDA of 12x to CHG; (3) EV/EBITDA of 24x to ICH; and (4) 8x PE for JV PAT to arrive at an SoTP of INR 230 (blended 16x Q3FY28E EV/EBITDA and implied PE of 44x).

Exhibit 204: SoTP valuations

SOTP Valuations	EBITDA (INR mn)	Q3FY28E multiple (x)	EV (INR mn)	Comments
CDMO	**13,308**	**18**	**239,540**	Valuing at ~15% premium to select global CDMO peers given strong growth and margin improvement visibility
CHG	**6,227**	**12**	**74,725**	Multiple at par with global peers, given steady growth and margin for next few years
ICH	**886**	**24**	**21,259**	We value the consumer business at ~14% discount to peers, as the business is currently in the investment and scale-up phase
Total Pharma EV (INR mn)	**20,421**	**16**	**335,524**	
Net debt (INR mn; as of Q3FY28E)			38,468	
Market Cap			**297,056**	
Equity value (INR/ share)			**224**	
JV PAT			7,234	
JV value per share (INR)	**904**	**8**	**5**	
Target price (INR/ share)			**230**	
EPS (INR)			5.2	
PE (x)			44	

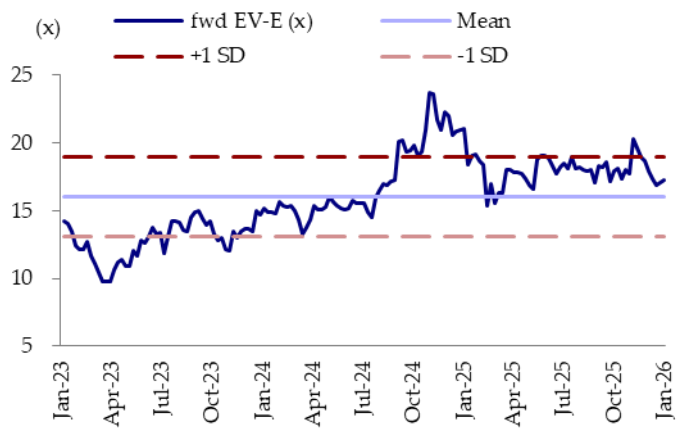
Source: Company, HSIE Research, Total Net debt includes lease liabilities

Exhibit 205: Peer financial and valuation snapshot

Companies	Mcap (USD bn)	Sales CAGR		EBITDA CAGR		PAT CAGR		P/E (x)					EV/EBITDA (x)			
		FY22-25	FY25-28E	FY22-25	FY25-28E	FY22-25	FY25-28E	FY23	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Divi Labs	18.7	10	17	12	21	12	21	105.6	78.4	65.7	54.1	44.0	55.7	47.7	38.1	30.8
Sai Life Science	2.2	18	22	56	30	313	42	na	117.5	62.9	52.5	40.9	50.0	34.3	28.3	22.9
Piramal Pharma	2.6	14	10	52	14	NA	99	na	242.5	na	56.2	30.6	19.4	28.0	16.3	12.8
Anthem Bioscience	4.0	32	20	25	22	17	24	na	81.6	63.2	54.2	43.2	53.4	44.9	36.1	29.1
Laurus Labs	6.6	-4	16	-19	30	-33	48	370.0	165.8	78.7	62.5	51.1	59.0	37.6	31.3	26.5
Cohance Life	2.2	-6	48	12	19	-19	48	43.5	48.8	42.2	32.5	23.9	28.0	28.0	21.4	16.8
Syngene International	2.9	7	12	3	12	3	13	51.6	53.1	63.6	46.0	36.8	24.8	26.4	20.9	17.7
Concord Biotech	1.6	18	19	20	18	24	19	45.4	37.7	36.9	28.5	22.6	27.4	26.0	20.5	16.6
Gland Pharma	3.1	24	13	11	20	-5	27	36.2	40.1	29.6	23.3	19.6	20.2	16.5	13.6	11.8
Neuland Labs	2.1	10	28	9	43	26	35	64.3	74.6	57.2	40.3	30.0	60.0	36.4	27.0	20.3
Wuxi Apptec	40.4	27	18	34	23	38	20	28.8	32.5	18.0	17.7	15.3	18.7	13.1	11.5	10.1
Wuxi Biologics	17.9	23	26	3	33	-16	28	40.9	41.1	25.9	22.0	18.4	24.6	13.3	12.1	10.3
Wuxi XDC Cayman	10.3	149	87	105	131	153	41	225.9	71.3	44.4	32.8	24.7	169.9	27.0	20.3	13.7
Pharmaron Beijing	7.2	19	22	13	20	10	14	36.9	33.0	30.3	24.8	20.8	16.9	12.8	11.0	9.7
Celltrion Inc	34.0	0	36	-9	33	-14	49	61.1	115.6	55.2	38.1	33.4	49.6	25.0	22.2	21.1
Samsung Biologic	55.2	44	24	42	29	13	25	91.8	74.9	49.3	41.6	35.3	44.9	25.8	22.8	21.0
IQVIA Holdings	40.0	4	9	7	12	12	21	34.7	33.4	19.7	18.1	16.3	12.2	10.0	9.3	8.7
Lonza Group	47.6	12	20	9	36	-25	42	74.9	71.9	32.3	27.3	22.9	28.5	14.8	12.8	11.2
Labcorp Holdings	21.0	-13	10	-40	24	-24	28	57.7	30.7	15.5	14.5	13.2	13.9	8.4	7.9	7.4
Icon Plc	15.1	22	3	49	5	25	12	28.9	22.2	15.1	14.9	13.5	9.8	9.7	9.2	8.5
Global CRDMO Peers Wtg Average		**21**	**22**	**17**	**29**	**10**	**30**	**69.3**	**63.4**	**36.0**	**30.1**	**25.3**	**34.9**	**19.8**	**17.0**	**14.9**
CHG companies																
Baxter International	10.2	-10	4	-19	6	-48	na	4.1	-16.9	8.4	8.8	8.1	5.7	4.5	4.2	4.8
AbbVie	389.1	-2	13	-10	26	-40	87	88.5	98.9	20.7	15.6	13.8	18.0	10.6	9.8	8.9
Amneal Pharm	4.0	7	16	6	26	-5	na	-28.9	-36.1	16.0	13.8	11.4	8.9	5.5	4.9	4.5
Hikma Pharma	4.6	6	11	-7	20	38	19	26.3	13.8	9.2	8.6	7.7	7.3	5.1	4.7	4.3
Viatris Inc	14.2	-7	-1	-11	9	na	na	270.4	-25.2	5.4	5.0	4.6	4.0	3.4	3.2	3.0
Global CHG Peers Wtg Average		**-2**	**12**	**-10**	**25**	**-38**	**81**	**90.8**	**89.7**	**19.7**	**15.0**	**13.3**	**17.0**	**10.1**	**9.3**	**8.5**
Wellness/ OTC peers																
Zydus Wellness	1.7	10	31	6	37	6	17	57.5	44.3	44.9	33.1	27.5	48.1	32.8	23.3	18.6
Sanofi Consumer	1.1	NA	15	NA	14	NA	21	na	na	45.1	37.0	32.2	36.8	34.0	28.2	24.5
Procter & Gamble	4.7	5	8	8	14	8	16	62.0	62.3	47.5	42.4	39.5	42.5	34.8	31.5	29.0
Emami	2.5	6	6	9	7	12	7	31.8	28.5	27.2	24.9	22.7	21.7	21.6	19.6	18.0
Dabur India	10.2	4	8	3	10	2	10	50.1	52.3	48.1	43.1	38.7	38.8	35.8	32.2	29.2
Indian Wellness/ OTC Wtg Average		**5**	**10**	**5**	**13**	**5**	**13**	**48.4**	**48.0**	**44.9**	**39.5**	**35.6**	**38.2**	**33.5**	**29.5**	**26.6**

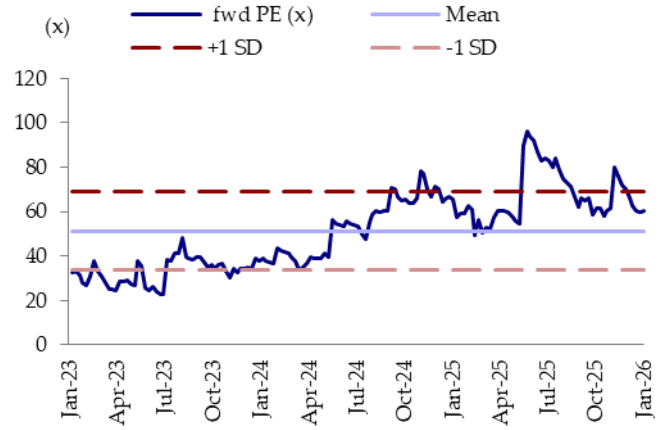
Source: Source: Companies, HSIE Research, Bloomberg, Note: Price as on 5-Jan-2025. Estimates for Divi's Lab, Sai Life, Piramal Pharma, Anthem Biosciences, and Laurus Labs as per HSIE.

Exhibit 206: EV/ EBITDA chart



Source: Company, HSIE Research

Exhibit 207: PE chart



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**64,715**	**70,324**	**81,064**	**90,610**	**88,217**	**104,321**	**121,855**
Other operating income	876	491	648	902	882	1,043	1,219
Total operating income	**65,591**	**70,816**	**81,712**	**91,512**	**89,099**	**105,365**	**123,073**
Cost of goods sold	(24,512)	(27,033)	(29,540)	(32,317)	(31,185)	(36,667)	(42,583)
Gross profit	41,079	43,783	52,172	59,195	57,915	68,698	80,490
Gross margin (%)	63	62	64	65	65	65	65
Total operating expenses	(31,582)	(37,500)	(40,209)	(44,747)	(47,901)	(51,629)	(58,952)
EBITDA	**9,497**	**6,282**	**11,963**	**14,448**	**10,014**	**17,069**	**21,538**
EBITDA margin (%)	14.5	8.9	14.6	15.8	11.2	16.2	17.5
Depreciation	(5,862)	(6,767)	(7,406)	(7,716)	(8,108)	(8,564)	(9,119)
EBIT	**3,635**	**(484)**	**4,557**	**6,732**	**1,905**	**8,505**	**12,419**
Net interest	(1,983)	(3,442)	(4,485)	(4,216)	(3,370)	(3,219)	(3,068)
Other income	2,589	1,143	1,450	967	2,370	2,307	2,215
Profit before tax	**4,224**	**(3,821)**	**1,846**	**3,550**	**698**	**7,593**	**11,566**
Total taxation	(1,090)	(663)	(1,615)	(3,235)	(1,596)	(4,223)	(4,745)
Tax rate (%)	26	(17)	87	91	229	56	41
Profit after tax	3,134	(4,484)	231	315	(898)	3,371	6,821
Minorities	0	0	0	0	0	0	0
Profit/ Loss associate co(s)	590	543	595	729	787	852	922
Adjusted net profit	**3,742**	**(2,903)**	**502**	**978**	**97**	**4,223**	**7,742**
Adj. PAT margin (%)	6	(4)	1	1	0	4	6
Net non-recurring items	18	1,038	(324)	(67)	207	0	0
Reported net profit	**3,760**	**(1,865)**	**178**	**911**	**304**	**4,223**	**7,742**

Balance sheet (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	11,859	11,933	13,230	13,244	13,255	13,255	13,255
Reserves & surplus	55,107	55,802	65,884	68,011	68,133	72,144	79,499
Net worth	66,966	67,735	79,114	81,255	81,388	85,399	92,755
Borrowing	41,279	56,371	47,102	48,565	48,838	46,651	44,465
Other non-current liabilities	4,178	4,034	4,374	4,336	4,632	5,093	5,590
Total liabilities	**127,970**	**145,226**	**153,118**	**156,776**	**158,653**	**165,419**	**175,692**
Gross fixed assets	85,065	97,703	110,149	119,694	131,294	140,394	149,494
Less: Depreciation	(26,578)	(34,093)	(41,476)	(49,842)	(57,950)	(66,514)	(75,633)
Net fixed assets	58,487	63,611	68,674	69,852	73,344	73,880	73,861
Add: Capital WIP	11,723	14,186	11,158	9,769	7,713	7,713	7,713
Total fixed assets	70,210	77,797	79,832	79,621	81,057	81,593	81,574
Total Investment	2,672	6,390	3,850	2,907	4,868	4,868	4,868
Inventory	13,888	16,814	21,759	23,127	26,730	29,268	33,503
Debtors	17,853	17,993	21,344	23,495	19,800	23,707	28,033
Cash & bank	3,290	3,076	4,826	5,015	3,733	3,319	4,652
Loans & advances	0	0	0	0	0	0	0
Current liabilities	15,547	17,086	22,529	22,621	23,795	28,275	32,883
Total current assets	40,168	44,084	53,198	57,711	54,994	61,151	71,370
Net current assets	24,621	26,998	30,669	35,090	31,199	32,876	38,487
Other non-current assets	4,615	5,880	5,014	5,055	5,850	5,923	5,997
Total assets	**127,970**	**145,226**	**153,118**	**156,776**	**158,653**	**165,419**	**175,692**

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	4,224	(3,821)	1,846	3,550	698	7,593	11,566
Depreciation & Amortisation	(5,862)	(6,767)	(7,406)	(7,716)	(8,108)	(8,564)	(9,119)
Chg in working capital	(2,923)	(3,021)	(2,343)	(4,877)	2,111	(1,703)	(3,856)
CF from operations	**7,664**	**4,839**	**10,045**	**8,923**	**13,088**	**13,685**	**15,565**
Capital expenditure	(16,942)	(7,648)	(7,120)	(6,644)	(11,600)	(9,100)	(9,100)
CF from investing	**(18,121)**	**(13,388)**	**(4,340)**	**(4,775)**	**(11,293)**	**(9,100)**	**(9,100)**
Equity raised/ (repaid)	0	0	10,500	0	0	0	0
Debt raised/ (repaid)	9,830	11,558	(9,965)	120	287	(2,214)	(2,214)
Dividend paid	(500)	(134)	0	(145)	(182)	(211)	(387)
CF from financing	**7,942**	**8,178**	**(4,224)**	**(4,408)**	**(3,265)**	**(5,644)**	**(5,669)**
Net chg in cash	(2,515)	(371)	1,482	(260)	(1,471)	(1,058)	796

Key ratios

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL							
FDEPS (Rs)	2.8	(2.2)	0.4	0.7	0.1	3.2	5.8
CEPS (Rs)	7.3	3.7	5.7	6.5	6.3	9.6	12.7
DPS (Rs)	0.4	0.1	0.0	0.1	0.1	0.2	0.3
Dividend payout ratio (%)	13.3	(7.2)	0.0	15.9	60.0	5.0	5.0
GROWTH							
Net sales (%)	3.2	8.7	15.3	11.8	(2.6)	18.3	16.8
EBITDA (%)	(33.5)	(33.8)	90.4	20.8	(30.7)	70.5	26.2
Adj net profit (%)	(50.5)	(177.6)	(117.3)	94.8	(90.1)	4,271.9	83.4
FDEPS (%)	(50.5)	(177.6)	(117.3)	94.8	(90.1)	4,271.9	83.4
PERFORMANCE							
RoE (%)	6.1	(4.3)	0.7	1.2	0.1	5.1	8.7
RoCE (%)	6.1	0.5	4.6	5.8	3.2	7.9	10.5
EFFICIENCY							
Asset turnover (x)	0.8	0.8	0.8	0.8	0.7	0.8	0.8
Sales/ total assets (x)	0.5	0.5	0.5	0.6	0.6	0.6	0.7
Working capital/ sales (x)	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Receivable days	101	93	96	95	82	83	84
Inventory days	90	95	114	110	123	121	120
Payable days	67	67	81	73	72	77	79
FINANCIAL STABILITY							
Total debt/ equity (x)	0.7	0.8	0.6	0.6	0.6	0.6	0.5
Net debt/ equity (x)	0.6	0.7	0.6	0.5	0.5	0.5	0.4
Current ratio (x)	2.6	2.6	2.4	2.6	2.3	2.2	2.2
Interest cover (x)	1.8	(0.1)	1.0	1.6	0.6	2.6	4.0
VALUATION							
PE (x)	63.4	(81.7)	472.3	242.5	2,455.2	56.2	30.6
EV/ EBITDA (x)	28.9	45.5	23.2	19.4	28.0	16.3	12.8
EV/ Net sales (x)	4.2	4.1	3.4	3.1	3.2	2.7	2.3
PB (x)	3.5	3.5	3.0	2.9	2.9	2.8	2.6
Dividend yield (%)	0.2	0.1	0.0	0.1	0.1	0.1	0.2
Free cash flow yield (%)	(3.9)	(1.2)	1.2	1.0	0.6	1.9	2.7

Source: Company, HSIE Research

INSTITUTIONAL RESEARCH

Anthem Biosciences

In a sweet spot to post steady growth and margins

Anthem Biosciences (Anthem) is an innovation-driven CRDMO with integrated operations spanning the molecule life cycle and capabilities in both NCEs and NBEs. Its key growth strategies are: (1) an integrated service model to create multiple entry points to expand the customer base (160+ clients); (2) manufacturing capabilities (from lab to commercial scale) across ADCs, oligonucleotides, RNAi, peptides, and newer technologies, providing strong growth visibility; (3) a focus on developing long-term partnerships with small pharma and emerging biotech companies by offering services from the early (discovery phase) stage of the drug development cycle, primarily utilizing its Fee-For-Service (FFS) model; (4) a focus on increasing its commercial portfolio (~14 molecules). Recently, commercial products had marginal drive in Q2FY26, and there is significant headroom for growth; and (5) a focus on the specialty ingredient business by tapping into the GLP-1 and biosimilar space. Anthem expects to sustain a mid-to-long-term revenue CAGR of ~20% with stable margins. We see visibility of sales growth (20% CAGR over FY25–28E) with steady profitability (EBITDA/PAT CAGR of 22%/24% and margin at 38% in FY28E). We initiate coverage with an ADD and a TP of INR 740, based on 35x Q3FY28E EV/EBITDA (implying 52x PE).

- **CRDMO: capabilities and new molecules to drive growth:** Anthem's existing capabilities across ADCs, oligonucleotides, RNAi, peptides, and investment in new technologies (photochemistry and electrosynthesis) help gain wallet share and win new customers. Moreover, scale-up in its recently approved commercial molecules (total of 14) and steady traction from other key molecules like Rimegepant (Nurtec) and Zavegepant (Zavzpret) are expected to drive growth. We estimate the CRDMO segment to see a 21% CAGR over FY25–28E.
- **CRO to act as feeder to CRDMO:** Anthem primarily utilizes the FFS model for R&D services. It targets both small pharma and emerging biotech companies using DavosPharma customer portfolio in the US to expand molecules.
- **Specialty ingredients to remain strong:** Anthem has created a sizable presence with its specialized fermentation-based APIs. Going ahead, it will focus on biosimilars (insulin analogues and GCSF), peptides (GLP - Semaglutide) and capacity expansion. We estimate a 18% revenue CAGR for FY25-28E.
- **Capacity expansion key:** Anthem is targeting a ~60% capacity expansion for its custom synthesis business (from ~271 KL to ~425 KL) while simultaneously increasing the fermentation capacity (from 142 KL to 182 KL). It has started construction of phase I of Unit-4 (in Harohalli; ~INR 10 bn capex over next 2 years to add ~400 KL) and plans to use its land parcel in Hosur for future expansion.
- **M&A route for inorganic opportunities:** Given its strong cash position (net cash of ~INR 9.93 bn), the company is focusing on M&As to enhance technical strength, gain manufacturing scale (specifically in the EU), and attain revenue synergies.
- **Outlook and valuation:** Over FY23-25, Anthem delivered 32% sales and 25% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 20% for FY25-28E, improvement in margin at 38% in FY28E (~36.4% in FY25). This translates into an EBITDA/EPS CAGR of 22/24% over FY25-28E. We initiate coverage with an ADD rating and assign an EV/EBITDA of 35x to arrive at our TP of INR 740.

Financial Summary

YE March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	10,569	14,194	18,446	21,443	26,223	32,083
EBITDA	4,289	5,050	6,708	7,934	9,860	12,191
APAT	3,273	3,561	4,462	5,767	6,723	8,433
Diluted EPS (INR)	5.8	6.3	7.9	10.3	12.0	15.0
P/E (x)	111.3	102.3	81.6	63.2	54.2	43.2
EV / EBITDA (x)	83.3	71.3	53.4	44.9	36.1	29.1
RoCE (%)	26	23	28	27	26	27

Source: Company, HSIE Research, Note: EBITDA/ PAT adjusted for one-offs

ADD

CMP *(as on 5 Jan 2026)*	INR 649
Target Price	INR 740
NIFTY	26,250

KEY STOCK DATA	
Bloomberg code	ANTHEM IN
No. of Shares (mn)	562
MCap (INR bn) / ($ mn)	367/4,085
6m avg traded value (INR mn)	-
52 Week high / low	INR 874/620

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(13.8)	-	-
Relative (%)	(19.4)	-	-

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	74.69	74.69
FIs & Local MFs	3.61	7.22
FPIs	1.50	1.67
Public & Others	20.20	16.42
Pledged Shares	-	-

Source: BSE

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Exhibit 208: Revenue and EBITDA; hospital cluster-wise assumptions

INR mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY23-25	CAGR FY25-28E
R&D	1,731	1,856	2,006	2,126	2,445	2,836	8%	12%
YoY growth	0%	7%	8%	6%	15%	16%		
% of sales	16%	13%	11%	10%	9%	9%		
D&M	6,350	8,976	13,055	15,797	19,272	23,705	43%	22%
YoY growth	0%	41%	45%	21%	22%	23%		
% of sales	60%	63%	71%	74%	73%	74%		
CRDMO	**8,081**	**10,832**	**15,061**	**17,923**	**21,717**	**26,541**	**37%**	**21%**
YoY growth	**0%**	**34%**	**39%**	**19%**	**21%**	**22%**		
% of sales	**76%**	**76%**	**82%**	**84%**	**83%**	**83%**		
Specialty Ingredients Business	2,488	3,362	3,385	3,520	4,506	5,542	17%	18%
YoY growth	0%	35%	1%	4%	28%	23%		
% of sales	24%	24%	18%	16%	17%	17%		
Total revenues	**10,569**	**14,194**	**18,446**	**21,443**	**26,223**	**32,083**	**32%**	**20%**
YoY growth	**-14%**	**34%**	**30%**	**16%**	**22%**	**22%**		
Gross profit	7,176	8,198	11,006	12,716	15,576	19,153	24%	20%
YoY growth	-13%	14%	34%	16%	22%	23%		
Gross margin %	**67.9%**	**57.8%**	**59.7%**	**59.3%**	**59.4%**	**59.7%**	**-823 bps**	**3 bps**
EBITDA	**4,289**	**5,050**	**6,708**	**7,934**	**9,860**	**12,191**	**25%**	**22%**
YoY growth	-24%	18%	33%	18%	24%	24%		
EBITDA margin %	**40.6%**	**35.6%**	**36.4%**	**37.0%**	**37.6%**	**38.0%**	**-421 bps**	**163 bps**
Adj PAT	**3,273**	**3,561**	**4,462**	**5,808**	**6,723**	**8,433**	**17%**	**24%**
YoY growth	-17%	9%	25%	30%	16%	25%		
PAT margin %	**31.0%**	**25.1%**	**24.2%**	**27.1%**	**25.6%**	**26.3%**	**-678 bps**	**209 bps**

Source: Company, HSIE Research

Anthem: A leading CRDMO operating across the molecule life cycle

Anthem is an innovation-driven and technology-focused CRDMO with fully integrated operations spanning drug discovery, development, and manufacturing. Anthem is one of the few companies in India with integrated New Chemical Entity (NCE) and New Biological Entity (NBE) capabilities. As a one-stop service provider, Anthem serves a range of customers, including innovator-focused emerging biotech and large pharma companies globally.

Its business comprises CRDMO services and the manufacture and sale of specialty ingredients. The CRDMO business caters to customers in regulated markets, while the specialty ingredients business complements the CRDMO business by targeting both regulated markets (such as the US and Europe) and semi-regulated markets (such as India, South and Southeast Asia, Latin America, and the Middle East). The specialty ingredients business leverages technological capabilities across chemistry and biology, along with fermentation capacity, to manufacture and commercialize specialty ingredients as an additional revenue stream.

- **CRDMO services (82% of FY25 sales)**: Anthem offers a comprehensive, integrated and highly customizable range of CRDMO services across the NCE and NBE lifecycles, from target identification and lead selection to preclinical development, supporting customers by manufacturing development batches of molecules used for clinical trials (phase I, II, and III) and offering commercial manufacturing capabilities.
- **Specialty ingredients (18% of FY25 sales)**: Anthem is into complex specialized fermentation-based APIs, including probiotics, enzymes, peptides, nutritional actives, vitamin analogues, and biosimilars.

Exhibit 209: Integrated drug discovery, development, and manufacturing capabilities

Source: Company, HSIE Research

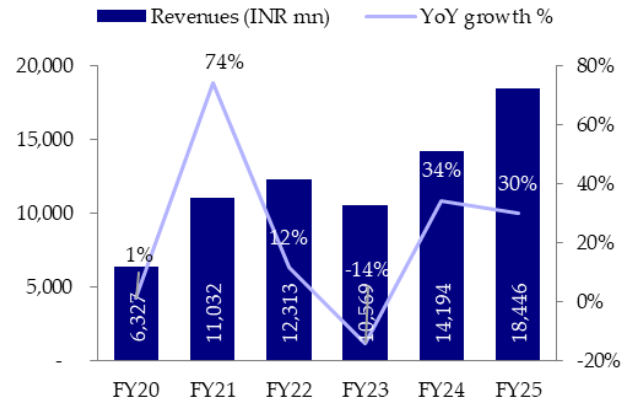
Anthem evolution over past few years makes it a leading CRDMO

Anthem was incorporated in 2006, and it started by offering chemistry services (custom synthesis) from its Unit-1 at Bommassandra, Karnataka, which had a capacity of ~6KL. Further, in 2008, the company ventured into CRO services as discovery biologics. The company expanded its custom synthesis services by ~4x in 2010 to 25KL and it received approval from the USFDA for Unit-1 in 2013. In 2016, Anthem added Hi-Po API and solid phase peptide synthesis GMP Lab. In 2017, the company expanded its capacity with a new plant, Unit-2 at Harohalli, in Karnataka, having a capacity of ~135 KL for custom synthesis and ~51KL fermentation API facility which was further expanded to 324KL (50KL added in H1FY26) for custom synthesis and 142KL for fermentation by H1FY26.

Over the same period, the company expanded its service offering across discovery, development, and commercial manufacturing to create multiple entry points and its capability to provide end-to-end has helped it monetize long-term partnership agreements with leading pharma companies.

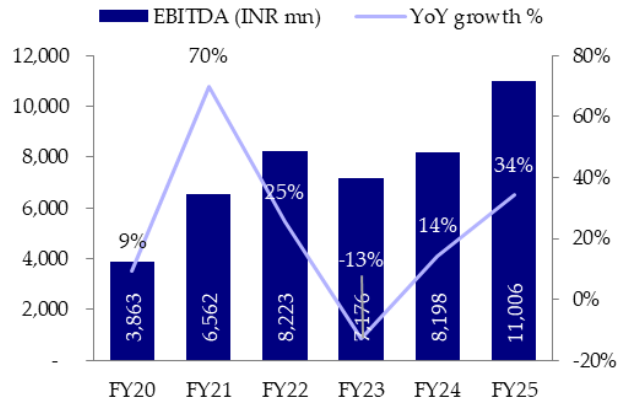
The company has seen strong scale-up in the past 5-6 years, with revenue increasing to INR 18.45bn by FY25 from INR 6.3bn in FY20, reflecting a revenue CAGR of ~24% over FY20-25. The revenue dip in FY23 was due to a few factors such as (1) high base of FY21 and FY22, (2) delay in USFDA inspection of Unit-2 at Harohalli on account of Covid-19, causing some customers to defer their orders, and (3) subdued demand from some of its customers. After receiving the USFDA approval (in Jun-23) for Unit-2, the company registered strong growth of 34% YoY in FY24 and sustained the growth momentum in FY25 delivering 30% YoY growth in FY25. EBITDA and PAT performance were also in line with revenues and witnessed CAGRs of ~23% and 37% over FY20-25.

Exhibit 210: Strong sales growth



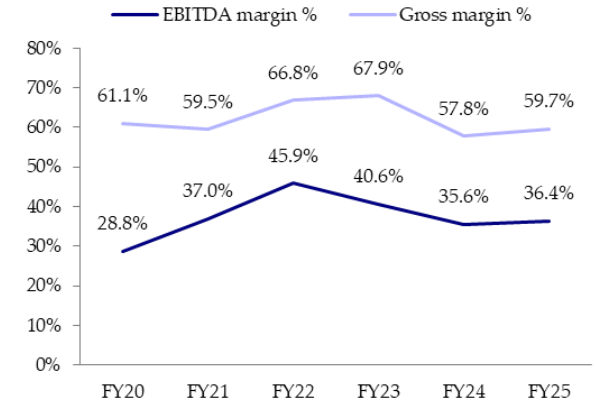
Source: Company, HSIE Research

Exhibit 211: EBITDA growth remains strong



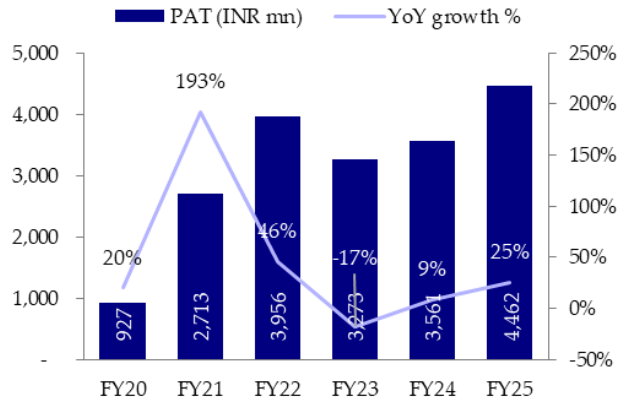
Source: Company, HSIE Research

Exhibit 212: Gross and EBITDA margins remain steady



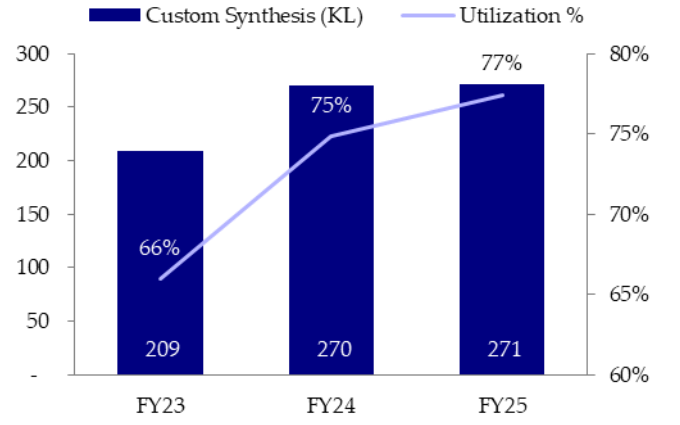
Source: Company, HSIE Research

Exhibit 213: Strong PAT growth



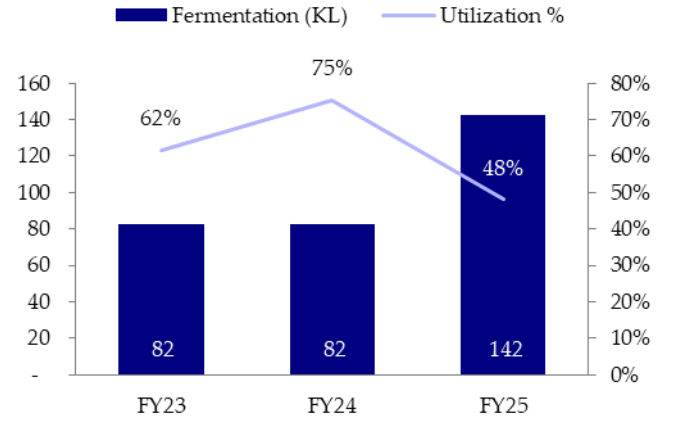
Source: Company, HSIE Research

Exhibit 214: Custom synthesis capacity utilization improving



Source: Company, HSIE Research

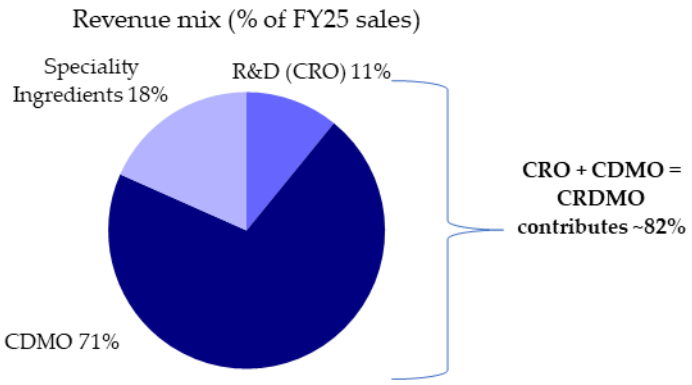
Exhibit 215: Added ~70% capacity for fermentation-API



Source: Company, HSIE Research

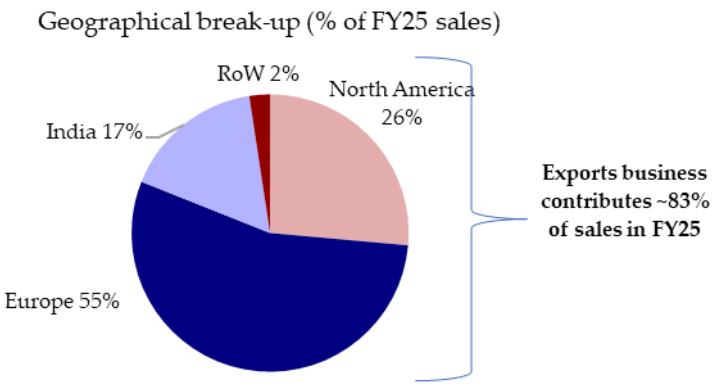
- **CRDMO services**: The company offers a comprehensive, integrated, and highly customizable range of CRDMO services across the NCE and NBE lifecycles, from target identification and lead selection to preclinical development, supporting its customers by manufacturing development batches of molecules used for clinical trials (phase I, II and III) and offering commercial manufacturing capabilities. The company has created strong capabilities in both small molecules and biologics (large molecules), boasting a presence across various modalities, such as RNAi, ADC, peptides, lipids and oligonucleotides, and manufacturing techniques, such as flow chemistry, enzymatic processes, biocatalysis, and fermentation.
- **Specialty ingredients**: The company manufactures complex specialized fermentation-based APIs, including probiotics, enzymes, peptides, nutritional actives, vitamin analogues, and biosimilars.

Exhibit 216: Anthem revenue mix – majority of business comes from CRDMO



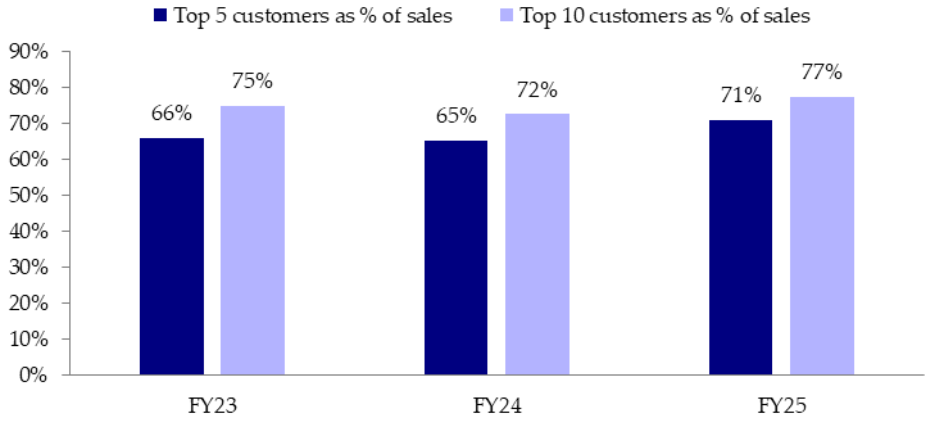
Source: Company, HSIE Research

Exhibit 217: Anthem geographical mix – EU and the US contribute 81% of sales



Source: Company, HSIE Research

Exhibit 218: Anthem customer concentration, with top 10 clients contributing 77% of sales in FY25



Source: Company, HSIE Research

Anthem has accelerated services across key modalities in past few years

Anthem has developed capabilities across CDMO and CRO to manage drug development lifecycle and enable specialty ingredients to become a one-stop shop, providing end-to-end services. In CRDMO services, the company engages with its clients from the concept stage, preclinical, supporting its customers by manufacturing development batches of molecules used for clinical trials (phase I, II, and III) up to commercial manufacturing, for large and small therapeutic molecules. This comprehensive approach enables the company to serve as a CRDMO partner to its customers throughout all stages of a drug development lifecycle. It started with small scale custom synthesis business and expanded to fermentation as well as other emerging modalities, accompanied by consistent upgradation of technology platform.

Exhibit 219: Timeline for the scale-up of modalities and manufacturing capabilities

Modalities	Manufacturing capabilities	
	Lab scale	Commercial scale
Fermentation	2012	2017
Biotransformation	2014	2017
ADCs	2016	2025
RNAi	2016	2021
Hi-Po APIs	2016	2025
Complex peptides	2017	2025
Flow chemistry	2019	2023
Oligonucleotides	2023	

Source: Company, HSIE Research

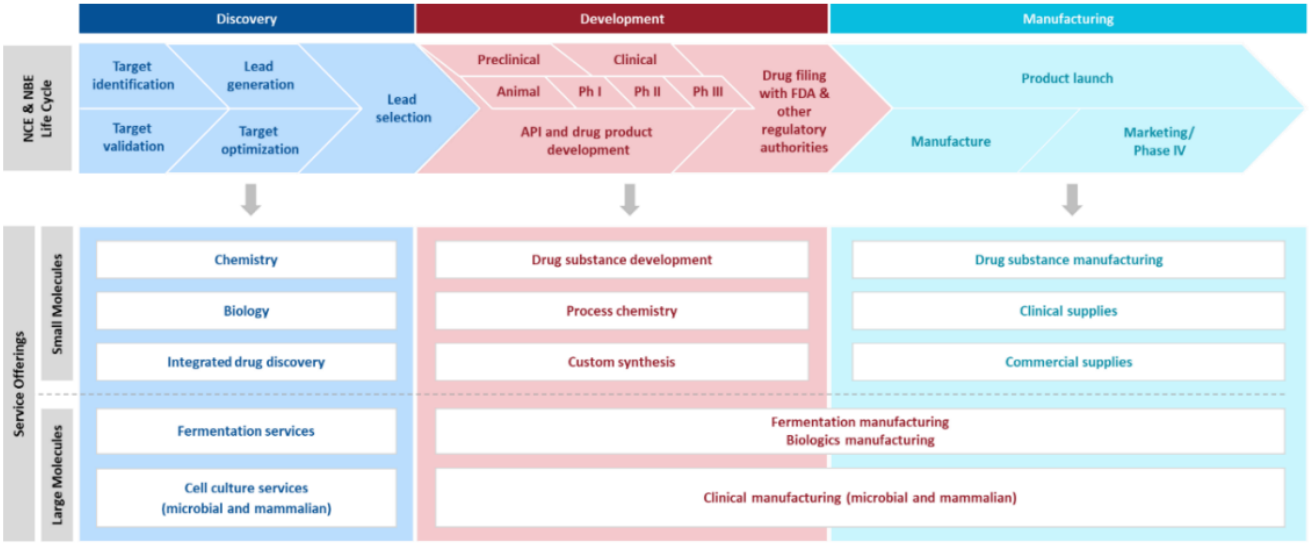
The company offers end-to-end services across key modalities:

- **RNAi platform:** The company offers solutions for the development and manufacturing of RNA-based therapies, including siRNA, offering comprehensive support from early-stage research to commercial-scale production. In 2016, the company involved glycolipids as a modality for RNAi delivery, where the molecule was successfully commercialized.
- **Antibody-drug Conjugates (ADCs):** Anthem's ADC capabilities encompass advanced site-specific conjugation techniques and linker technologies to achieve a precise attachment of cytotoxic drugs to monoclonal antibodies. The company has a large-scaled cGMP compliant containment facility in Harohalli, India. This facility can also produce oncology APIs including Tinibs (tyrosine kinase inhibitors). The company is engaged in six early-stage ADC development projects and one late-stage ADC development project as of FY25.
- **Peptides:** Anthem follows three distinct approaches in peptide synthesis process, namely (a) solution phase synthesis (SPS), (b) solid phase peptide synthesis (SPPS), and (c) hybrid model synthesis (HMS), which provide the flexibility in designing an efficient synthesis route for the molecule. Its services to support peptide synthesis include route scouting or design, process optimization, and process validation. The company has experience in protection and deprotection strategies on both the N-terminal and C-terminal of amino acids as well as purification of the resultant peptides through small- and mid-scaled high performance liquid chromatography and dynamic axial compression chromatograph. The company is engaged in 11 early phase peptide development projects, as of FY25.
- **Oligonucleotides:** Anthem's oligonucleotide technology platform is equipped with advanced technologies including oligonucleotide solid-phase synthesizer and purification equipment on gram-scale. In 2023, the company added an oligonucleotide lab in Unit (Bommasandra) to support the operations. Near-term focus is to capture clients through CRO capabilities and lab scale supplies in oligonucleotides; commercial scale is being targeted for the future.
- **Lipids**: Lipids are used as a delivery vehicle for mRNA, particularly in the context of mRNA vaccines and therapeutic applications. The company is engaged in seven early-stage and one late-stage lipids project involving sterols, fatty acids, amino lipids, lipids for siRNA and glycolipids, as of FY25.

CRDMO business with established integrated business model

Anthem provides comprehensive, integrated services across the NCE and NBE life cycle, covering discovery, development, and manufacturing. For small molecules, Anthem's expertise includes medicinal chemistry, biology, integrated drug discovery, as well as drug substance development, process chemistry, and custom synthesis. For large molecules, Anthem offers specialized fermentation services, including high-density fermentation and biologics manufacturing, alongside cell culture services for microbial and mammalian systems to support clinical-scale production.

Exhibit 220: CRDMO service offerings across the NCE and NBE lifecycles

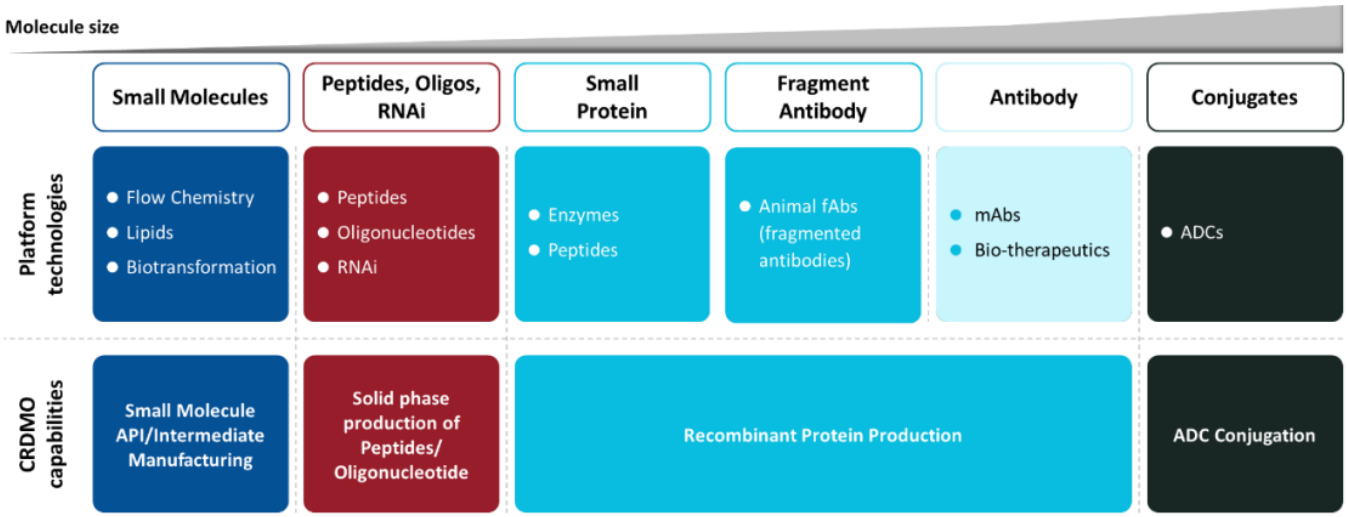


Source: Company, HSIE Research

As an end-to-end CRDMO, Anthem has the capability to provide integrated services and onboard, transfer, and deliver drug technology across various stages of the drug development lifecycle, which leads to reduced lead time and cost efficiencies for customers. Anthem's integrated CRDMO services provide versatile and adaptable solutions catering to a wide spectrum of therapeutic areas and scientific disciplines, which poses significant entry barriers to new emerging competitors.

The modalities offerings such as ADCs, RNAi, peptides, and oligonucleotides, are among the fastest growing technologies in the pharma industry (according to the F&S Report), which positions Anthem well to capture the expected market growth. Moreover, its bio-catalysis and biosynthesis capabilities enable the company to provide differentiated solutions for custom synthesis and chemical manufacturing using enzymes, and its advanced capabilities for high-potency compounds position Anthem as one of the preferred partners for large pharma companies and emerging biotech companies. Anthem's expertise in complex technologies has given it a competitive advantage as well as placed it for growing the business at scale.

Exhibit 221: Anthem's modalities and technological capabilities



Source: Company, HSIE Research

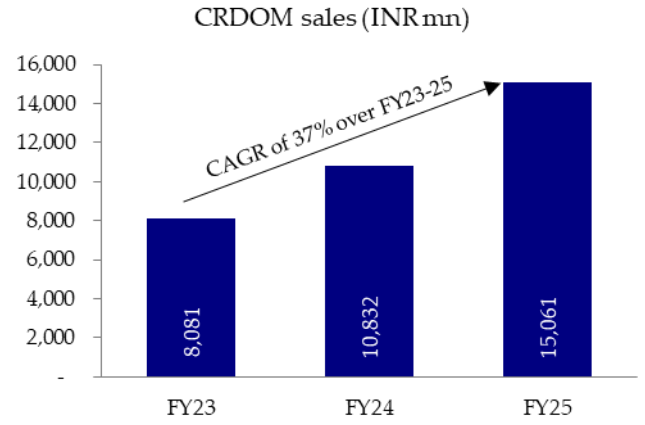
CRDMO growth backed by both commercial and development molecules

The CRDMO segment is Anthem's largest revenue contributor, accounting for 82% of total revenue in FY25. The company has a total commercial manufacturing portfolio of 14 molecules (four recently approved) and 10+ late-phase molecules (Phase III); 145 of its projects are in early phases of development (phases I and II), while ~68+ projects are in the discovery phase. Within CRDMO, the company serves 145 large pharma companies, 16 emerging and small biopharma ones, and eight mid-size pharma firms, with a total of 1,744 projects, as of FY25.

The revenues split with CRDMO – (1) Development and manufacturing (D&M) contributed 71% of FY25 sales. This includes phase 1-3 development related services as well as lab scale supplies and commercial molecule manufacturing and (2) R&D services that contribute ~11% of sales. This business offers discovery services such as target identification, lead generation, target validation, target optimization, and lead selection, all aimed at identifying and refining potential molecules for further development. The company offers both FFS and FTE services as CRO function as a feeder to D&M business for lab to commercial scale manufacturing opportunities.

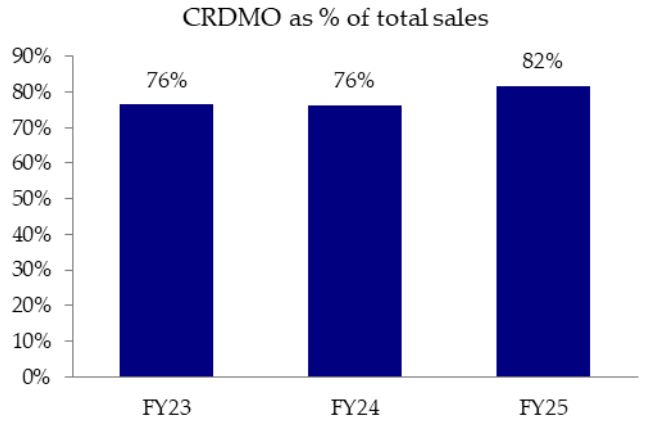
Over FY23-25, Anthem's CRDMO business has witnessed strong growth momentum with a revenue CAGR of 37%. After the USFDA approval (in Jun-23) for Unit 2, the company registered a robust growth of 34% YoY in FY24 and sustained growth momentum in FY25 with growth of 30% YoY. Within CRDMO: (1) D&M business saw strong CAGR of ~43% over FY23-25, led by increasing late phase molecules from seven in FY23 to 10 in FY25 and increasing commercial molecules from eight in FY23 to 14 in H1FY26 while obtaining approvals for four new molecules in H1FY26 and (2) R&D business seeing steady 8% CAGR due to reduction in projects to 68 in FY25 from 72 in FY23 due to a slowdown in global funding. This was also impacted by lower number of molecules synthesized (355 in FY25, down from 736 in FY23).

Exhibit 222: CRDMO saw 37% CAGR over FY23-25



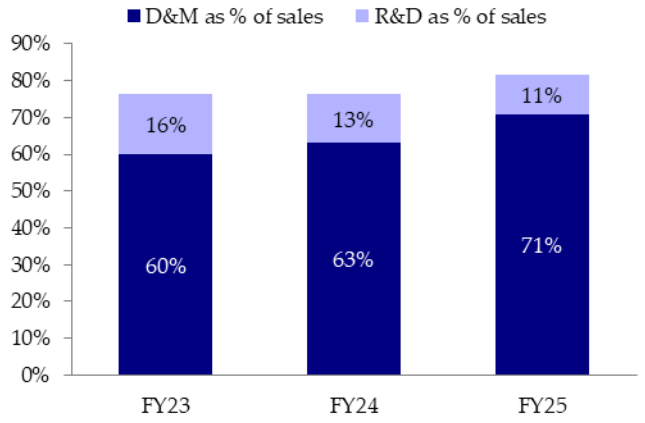
Source: Company, HSIE Research

Exhibit 223: Revenue contribution increased to 82%



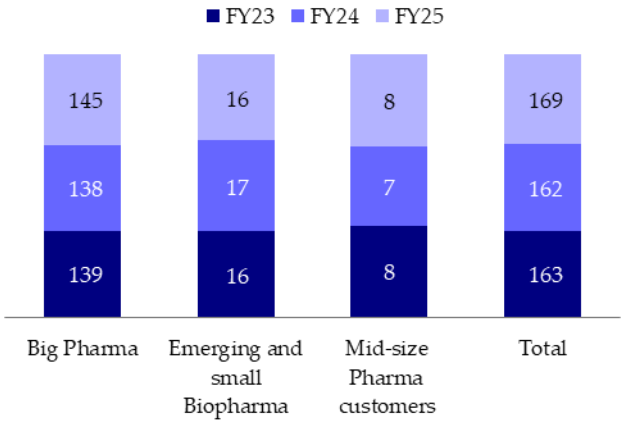
Source: Company, HSIE Research

Exhibit 224: CRDMO – revenue split



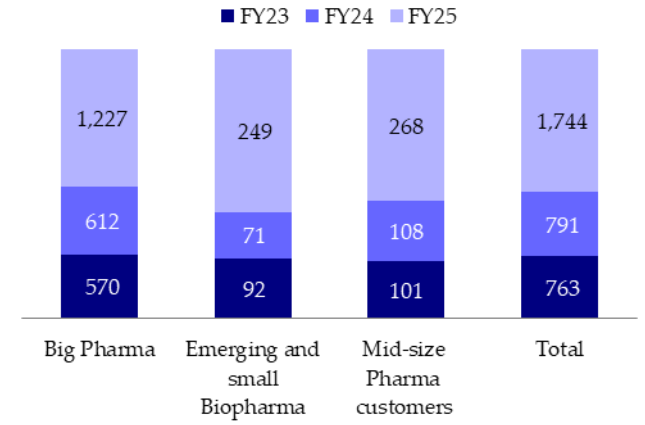
Source: Company, HSIE Research

Exhibit 225: Customer mix



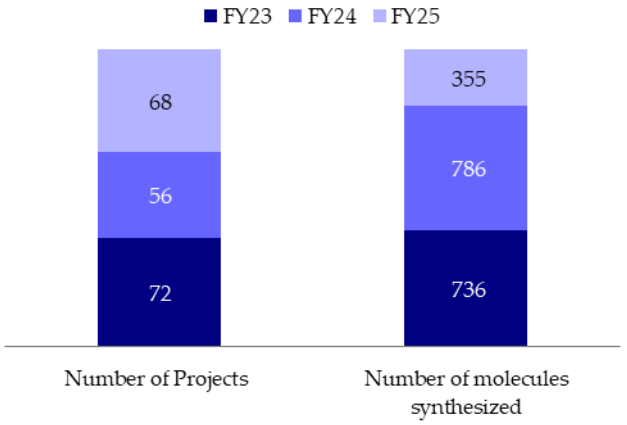
Source: Company, HSIE Research

Exhibit 226: Customer-wise project mix



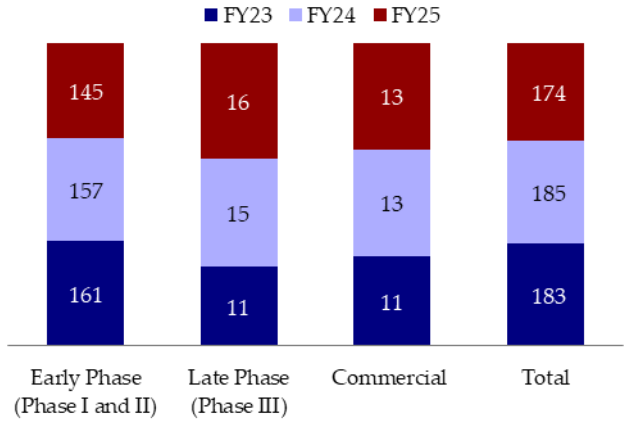
Source: Company, HSIE Research

Exhibit 227: Discovery – project and molecule-wise split



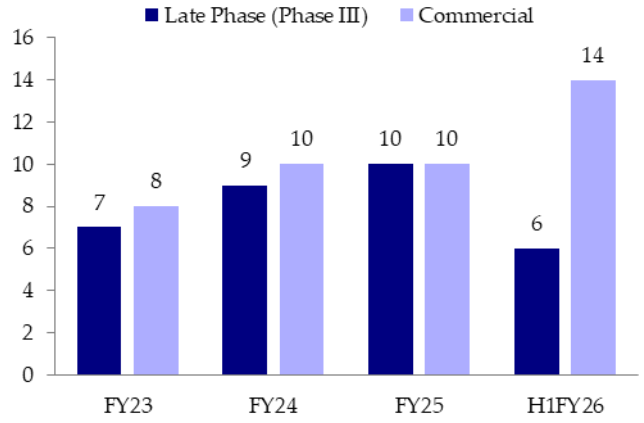
Source: Company, HSIE Research

Exhibit 228: D&M project count to increase over the next few years



Source: Company, HSIE Research

Exhibit 229: Number of molecules in commercial stage is on rise and provides headroom for robust growth



Source: Company, HSIE Research

CRDMO business on a strong footing to drive growth

The company intends to leverage its technological capabilities across chemistry and biology to acquire more customers and secure future projects in the discovery phase. This includes expanding capabilities to include laboratory-scale photochemistry and electrosynthesis. The company also plans to leverage its existing technical expertise and track record in modalities like RNAi, ADCs, peptides, and oligonucleotides to position itself as the CRDMO partner of choice for projects in the development stage. Anthem's differentiated model focused on engaging small pharma and emerging biotech companies for the expansion of client base and securing long-term growth visibility with services across development and manufacturing.

D&M for exiting products and recently approved products to drive growth

Within the CRDMO business, the D&M segment is a primary revenue driver, contributing 71% of operating revenue in FY25. The key growth driver is steady traction in its existing commercialized molecules for which clients are requesting larger quantities. Specifically, five of the top six commercialized molecules manufactured for three large pharma clients (supported since discovery) had collective end-market sales of USD 11.3 bn in 2024 and are expected to grow at a CAGR of 13.5% to USD 21.4 bn by 2029. The key products such as Rimegepant (Nurtec), Paltusotine (Palsonify), and Zavegepant (Zavzpret), and a few other could support the growth momentum.

Exhibit 230: Export data for key molecules

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	FY24	FY25	YoY growth %
Remigepant Sulphate	1	1	4	4	3	3	20	11	15	10	10	37	285%
Dihydropyrrole	-	-	-	4	9	5	3	-	0	-	4	17	341%
Galnac Succinate	4	4	3	6	2	4	1	3	3	2	17	10	-43%
5-Hydroxy-7-Azaindole	-	2	0	6	0	-	3	6	-	-	9	9	8%
5-Fluoro-3-Methyl	0	0	0	1	0	3	1	-	2	-	2	4	99%
Tert-Butyl	0	-	-	2	0	3	1	0	0	2	2	4	119%
Heptaprenol	-	2	1	2	1	2	1	-	1	3	5	4	-25%
Paltusotine Hcl	-	-	-	-	2	-	-	0	1	-	-	2	NA
Menaquinone	0	0	0	-	-	0	1	1	0	0	0	2	1590%
Zavegepant Hcl	-	0	0	0	0	-	-	2	-	-	0	2	4474%

Source: EXIM, HSIE Research

Leveraging strong presence across growing modalities and focus on client base

Anthem is one of the few Indian players with integrated NCE and NBE capabilities and a platform that includes fast-growing modalities like RNAi, ADC, peptides, lipids, and oligonucleotides. These are the fast-growing segments with active coverage of molecules under development in FY25 such as (1) six early-stage ADC development projects and one late-stage ADC development project, (2) 11 early phase peptide development projects, and (3) seven early-stage and one late-stage lipids project involving sterols, fatty acids, amino lipids, lipids for siRNA and glycolipids. Moreover, the company has recently added an oligonucleotide lab in Unit (Bommasandra) to support the operations for oligonucleotides development. Near-term focus is to capture clients through its CRO capabilities and lab scale supplies in oligonucleotides; commercial scale is something that is targeted for the future. The company intends to add more scientific staff, which will drive revenues from the R&D front, on the FFS side of the business which will act as feeder for D&M.

The company maintains a differentiated business model focused on engaging small pharma and emerging biotech companies early in the drug discovery cycle and leverage its capabilities both in NCE and NBE. This approach ensures that when molecules succeed, the customer typically remains loyal even after acquisition by a larger pharma company, enabling it to expand its scope of work with big pharma firms. Moreover, the partnership with DavosPharma grants access to the US customer portfolio, particularly emerging biotech customers with CRDMO requirements, and provides insights into the US drug development market.

CRO offerings to function as a feeder to the D&M business

The company's R&D business, which comprises the CRO services within the broader CRDMO segment, is strategically vital despite being a minority revenue contributor (~11% of FY25 sales). The R&D segment, while accounting for a small percentage of overall revenue, remains an integral focus area. The primary strategy and outlook for the R&D segment is its function as a feeder for subsequent revenue derived from D&M stages. R&D projects serve as the initial pipeline that advances into development stage molecules, which then become feeders for Phase III or commercial stage molecules. The company intends to leverage its technological capabilities across chemistry and biology to attract new and existing customers to secure the pipeline of future projects across the discovery and development phase. Since discovery feeds development and manufacturing, leveraging these technical capabilities is key to acquiring more customers in the discovery phase.

Anthem intends to further expand its technical capabilities to include laboratory-scale photochemistry and electrosynthesis. These are seen as alternative procedures for synthesizing new complexes that support efforts toward greener chemistry. The operation of new facilities, such as Unit III (NeoAnthem), includes the commencement of R&D laboratory, pilot laboratory, and kilo laboratory operations. To drive growth in the R&D segment, the company plans to continue adding more scientific staff/scientists. This investment in talent acquisition is expected to drive revenues, specifically from the R&D front. The company intends to add more scientific staff, to strengthen the R&D capabilities, mainly on the FFS side.

Capacity expansion to secure future growth

The company is aggressively pursuing significant capacity expansion plans for its CRDMO business, focusing primarily on increasing both custom synthesis capacity and fermentation capacity across its manufacturing units in Harohalli, near Bengaluru (Bangalore). These expansions are critical for supporting anticipated growth from late-stage and commercialized molecules, particularly in high-growth modalities like peptides, ADCs, and biosimilars.

Anthem intends to increase its custom synthesis capacity by ~57% over the next couple of years, from ~271KL currently to ~425KL in the near term. As of H1FY26, 50KL of this custom synthesis capacity expansion was completed and commercial operations were commenced, taking the total capacity to 324KL, as of Sep-25. Moreover, the balance 80KL of the custom synthesis capacity expansion at Unit II is expected to be completed in FY26. Also, Unit III (NeoAnthem, Harohalli) is a new greenfield facility designed to manufacture large-scale products; it was commissioned in Jul-2025, particularly in high-growth areas. Operations at Unit III commenced in a phased manner with a plan to add a total of 25KL. The custom synthesis block commenced operations in a phased manner, including the R&D laboratory, pilot laboratory, kilo laboratory, and hydrogenation facility.

Beyond the current projects at Units II and III, the company has acquired land and commenced preliminary work for future facilities.

- **Unit IV (Harohalli)**: This is a new greenfield facility on a 30-acre site. Currently, groundbreaking and construction work is underway. Unit IV is in the early stages of planning. It will be a multi-year project. As of Sep-25, the company has started construction work for phase I of Unit IV with capex outlay of ~INR 10 bn over the next 2-3 years. The company plans to add ~400KL for custom synthesis and 100-200KL for fermentation capacities. The project will be funded primarily using the company's existing net cash position.
- **Unit V (Hosur, Tamil Nadu)**: A 20-acre land parcel has been earmarked, for the proposed Unit V facility. Earmarked for future expansion, post Unit IV commissioning. There are currently no plans for construction yet.

Focus on M&As for inorganic growth opportunities

Anthem with a strong cash position (net cash of ~INR 9.93 bn) is focusing on M&As to expand technical strength, manufacturing scale (specifically in the EU), and draw on revenue synergies.

M&A strategies are:

- **Complementary expansion**: The company intends to augment its technical capabilities and core competencies through a combination of organic (enhancing current capabilities) and inorganic expansion. This inorganic growth will be pursued via strategic acquisitions and partnerships.
- **Strategic rationale for acquisitions:** The primary goals of strategic acquisitions and partnerships are to complement and extend the company's technological strengths, manufacturing scale, enhance supply-chain efficiencies, and achieve revenue synergies.
- **Focus on established modalities**: While the core strength of the company lies in building capabilities from the ground up, the company has indicated that it would consider acquisition targets for new modalities that have been around for some time and have steady growth visibility.
- **Geographic opportunities**: Depending on identified opportunities, the company may explore organic and inorganic strategies in areas outside India. This is aimed at fulfilling any near-shore requirements of customers, including potentially those in lower cost geographies in Europe, to diversify customer supply chains while balancing costs.

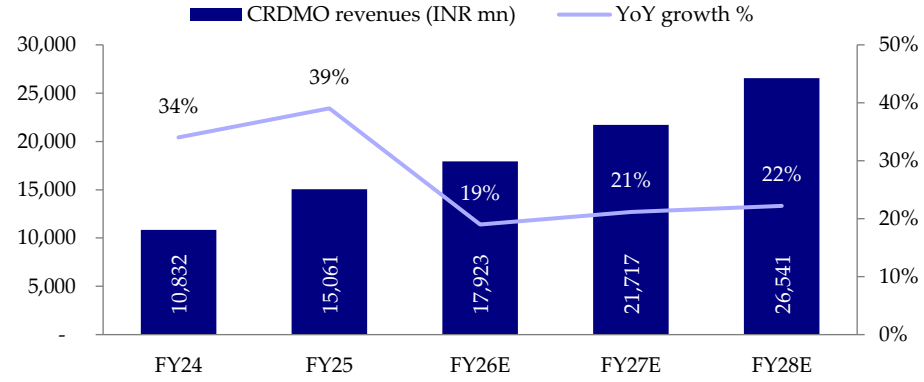
Key strategic focus areas for inorganic expansion are:

- **Focus on core competencies and high-value projects**: The company intends to continue focusing on projects that require prominent levels of technical expertise. This approach enables them to achieve high realizations even at small quantities, thereby helping to maintain strong margins. They plan to scale the business by pursuing customers and products that align with their core competencies, specifically those compatible with enzymatic processes, biosynthesis, and flow chemistry.
- **Pursuit of lateral projects**: Pursuing lateral projects is now certainly on the cards. The company currently has one project that has come laterally, which they expect to ramp up in the future. It is also in active discussions with customers about becoming a second source for some existing large products where it is currently the primary supplier.
- **Technological advancement**: A key operational focus is the commitment to being at the cusp of technological development, particularly in chemistry and biology, and continuous manufacturing with batch manufacturing. The company continues to make investments in these interdisciplinary fields.
- **Supply chain resilience**: A critical strategic focus is enhancing supply chain resilience. This involves diversifying supply sources by developing alternative domestic suppliers in India to reduce dependency on offshore suppliers. They aim to achieve this by providing value-engineering solutions to enhance domestic supplier capabilities in exchange for captive use of their spare capacity.

CRDMO business to see robust growth momentum

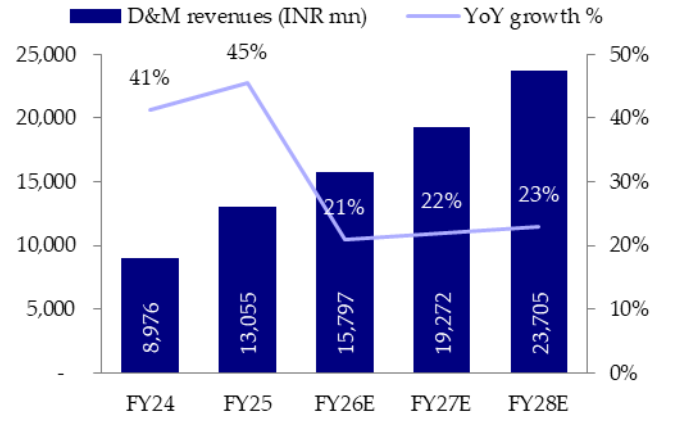
Over FY23-25, Anthem's CRDMO business delivered a 37% sales CAGR, led by capacity expansion, traction in existing products, and increasing development work for pipeline products. Within CRDMO, D&M business has witnessed strong CAGR of 43% over FY23-25 and R&D services have seen moderate CAGR of ~8% for the same period. Looking ahead, we expect a sales CAGR of 21% for FY25-28E, largely led by capacity expansion (adding ~57% capacity), traction in recently launched products (with innovators), scale-up in development molecules, continuous expansion in new modalities, and steady traction from existing commercialized molecules (four molecules recently approved and will see traction over the next few quarters; addressable market/ TAM of USD 8-10 bn). We estimate D&M business to sustain growth momentum with CAGR over FY25-28E of ~22% to reach sales of INR 23.71 bn in FY28E and R&D services to see steady CAGR of 12% over same period to reach sales of INR 2.83 bn in FY28E.

Exhibit 231: Rapid growth momentum in CRDMO business over the next few years, led by…



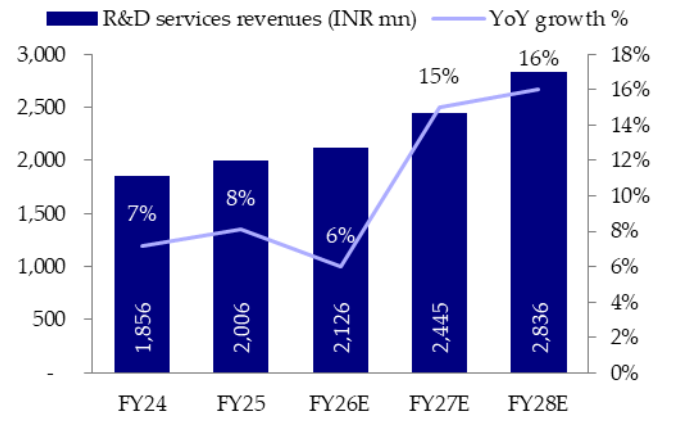
Source: Company, HSIE Research

Exhibit 232: …strong momentum in D&M business and…



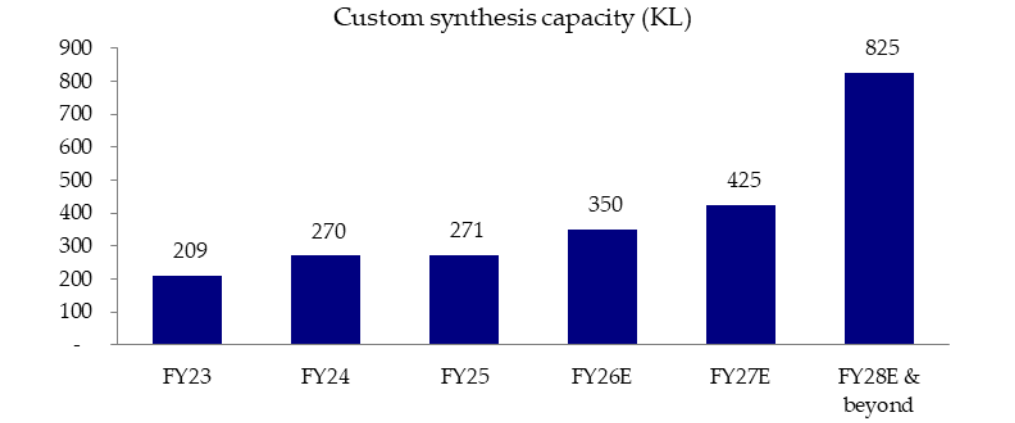
Source: Company, HSIE Research

Exhibit 233: …scale-up in the R&D services business



Source: Company, HSIE Research

Exhibit 234: Capacity expansion to support growth in custom synthesis



Source: Company, HSIE Research

Specialty ingredients is a strong growth pillar

In the specialty ingredients (SIS) segment, Anthem has leveraged on its technological capabilities across biology and chemistry and developed and commercialized specialty products, serving as a complementary revenue stream. The specialty ingredients market is broadly divided into biosimilars, which include microbial and mammalian, vitamin K2, probiotics, peptides, industrial enzyme, protease, serratiopeptidase, nutritional actives, and vitamin analogues.

Exhibit 235: SIS business mix

INR mn	FY23	FY24	FY25	CAGR FY23-25
Fermentation base key products				
Serratiopeptidase protease	394	524	417	3%
Vitamin K2 (Menaquinone-7)	125	49	183	21%
Category mix				
Enzymes	926	1,379	1,245	16%
Probiotics	139	203	236	30%
Peptides	5	27	33	164%
Nutritional Actives	229	254	220	-2%
Vitamin Analogues	202	278	392	39%
APIs	322	403	432	16%
Total Specialty Ingredients revenues	**2,488**	**3,362**	**3,385**	17%

Source: Company, HSIE Research

Exhibit 236: SIS product coverages

Probiotics	Enzymes	Peptides	Nutritional Actives	Vitamin Analogues	APIs
Lactobacillus species (Lactobacillus acidophilus, Lactobacillus rhamnosus GG, Lactobacillus reuteri)	GDH	Semaglutide • Type 2 Diabetes mellitus • Obesity	Bioavailable ResArgin	L-Methylfolate Calcium USP	Cabergoline IP/USP
Bifidobacterium species (Bifidobacterium bifidum, Bifidobacterium breve, Bifidobacterium infantis)	DHFR	Plecanatide • Chronic Idiopathic Constipation (CIC) • irritable bowel syndrome with constipation Linaclotide • irritable bowel syndrome with constipation • Chronic constipation with no known cause	Pyrroloquinoline quinone	Pyridoxal five phosphate	Calcium folinate IP/USP/PhEU
Bacillus species (Bacillus clausii, Bacillus subtilis, Bacillus coagulans)	Lipase	Liraglutide • Type 2 Diabetes mellitus • Obesity	Disodium (PQQ)	Vitamin K2 MK7 (microencapsulated powder and in oil form)	L-Methyl Tetrahydrofolate USP
Streptococcus species	Keto reductase	Cilengitide	S-Equol	Vitamin MK4 – Menatetranone	Calcium USP
Saccharomyces boulardi	Transaminase		Ubiquinol Acetate (EnQ10)		Ormeloxifene IP
Customized Probiotic blends	Tyrosin Carboxypeptidase Enterokinase				Valganciclovir IP/USP Voglibose IP/JP/CP

Source: Company, HSIE Research

Over the past three years, Anthem has worked with pharma companies on developing niche products. Through leveraging its technological capabilities, it intends to focus on increasing the number of contracts with these pharma companies. These arrangements are intended to allow the company to generate stable revenue streams, mitigate volatility in the industry, and develop a long-term partnership with large pharma companies. The company has entered contracts with two customers for the development and production of select products. The first arrangement is with an Indian pharma customer for niche probiotic products and the second is with the US pharma customer for a biosimilar product.

Anthem targets companies with established products and scale to ensure sufficient demand for these specialty products. The focus is to increase the number of customers by offering them an attractive cost-effective alternative. The company is also looking to broaden the portfolio of specialty ingredients to target a wider range of companies by focusing on products, such as specialized fermentation-based APIs, probiotics, and enzymes that have high barriers to entry as they are difficult to manufacture and require specialized technical capabilities in development and manufacturing. They are expected to offer a stronger margin profile.

Exhibit 237: Anthem's focused SIS portfolio

Details	Biosimilar	Fermentation Products[1]	Probiotics & Enzymes	Peptides	Nutritional Actives and Vitamin Analogues
Market Size (2024) [2]	US$33.24bn	US$0.2bn	US$7.4bn	US$56.4bn	US$31.2bn
Growth (2024 to 2029F) [2]	18.8%	9.8%	6.2%	20.0%	6.4%
Growth Drivers[2]	• Patent expiry of biologics • Approximately 200 biosimilars under development in India as of 2023 – faster & cheaper than western countries	• **Vitamin K2:** requirement of blended vitamin K products • **Serratiopeptidase:** Non-opiod alternative to pain relief and inflation management	• **Probiotics:** Rising awareness, regulatory support on new strains & product approvals • **Enzymes:** Growing focus on sustainable production technologies	• Prevalence of chronic diseases • Significant opportunity with GLP-1 across diabetes and weight loss treatment (approximately 93.7% of peptides market in 2024)	• Higher incidence of lifestyle diseases • Preference of preventive healthcare options • Increasing demand for supplements
Use Case[2]	• Oncology, immunology, musculoskeletal, endocrine (anti-diabetes), ophthalmology and hematology	• **Vitamin K2:** Dietary supplements, nutrition F&B, childcare products, cosmetics, pharma • **Serratiopeptidase:** Pain management, inflammation drugs	• **Probiotics**: Functional F&B, dietary supplement, infant formula • **Enzymes:** Pharma, home care, paper & pulp processing, textiles	• Wide range of therapeutic areas, such as **Gastro-intestinal and metabolic disorders**	• Dietary supplements, F&B, personal care, pharma grade vitamins, specialized nutrition
Our Capabilities	• E. coli expression systems for **commercial production** of **human insulin & insulin analogues** • Diabetes related disorders + recombinant GCSF & PEG-GCSF for patients with neutropenia	• Commercialized products like **Serratiopeptidase Protease** • **Combined chemical synthesis & fermentation** in Unit II	• cGMP compliant manufacturing facility • **Multi-ton supply capacity** • Potent for **exclusive supply arrangements** with large domestic pharma	• **GLP-1 manufacturing capabilities** • Providing **GLP-1** samples to **global and domestic customers** looking to enter markets by **2026**	• Human nutrition and dietary supplements, animal nutrition and industrial product segments • **Exclusive product line and technical support to global markets**

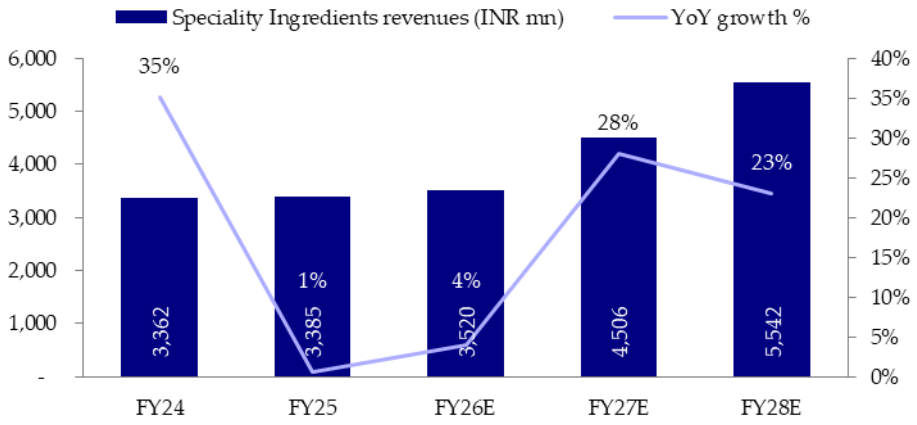
Source: Company, HSIE Research, Note: (1) Fermentation products include Vitamin K2 and Serratiopeptidase only, (2) According to F&S Report

The company intends to focus on the following:

- **Biosimilars**: Anthem intends to leverage its technical know-how to develop commercialized biosimilars using the E. coli expression systems, such as for recombinant human insulin and insulin analogues and recombinant GCSF and PEG-GCSF.
- **Peptides**: Anthem plans to leverage the capabilities to produce complex peptides specialty ingredients (including GLP-1 agonists) to capitalize on the upcoming GLP-1 opportunity for Semaglutide in India and outside of India post the expiry of the existing patents in 2026.
- **Capacity expansion**: The company aims to capitalize on its large-scale fermentation capacity of 142KL and expand capacities that include the addition of 40KL more in NeoAnthem; the fermentation capacity is expected to increase to 182KL in FY26.
- **Advanced technologies:** The SIS business involves complex methods and uses green chemistry techniques like biotransformation, which aids in delivering stable, quality, and cost-effective products while maintaining high margins.

While SIS business delivered a 17% sales CAGR over FY23-25, FY25 revenue growth was muted due to slower uptake in key products. The company witnessed steady growth in H1FY26, led by demand uptake, which resulted in 7% YoY growth. Looking ahead, we expect a sales CAGR of 18% for FY25-28E, largely led by the ongoing capacity expansion and semaglutide-related opportunities in India and export markets.

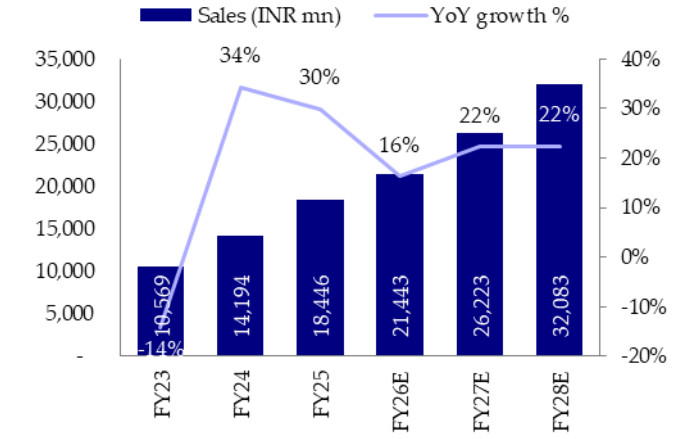
Exhibit 238: SIS business to see sturdy growth



Source: Company, HSIE Research

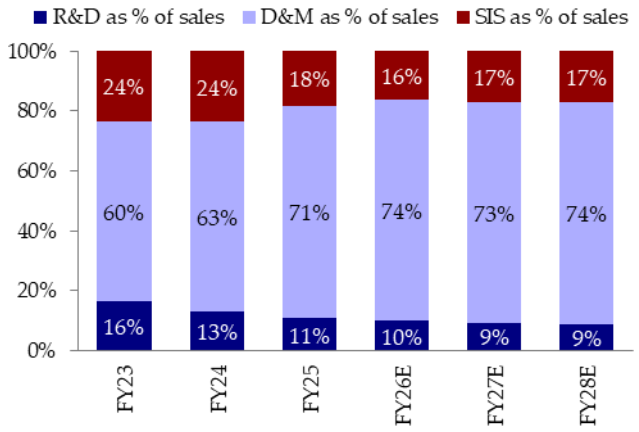
Key financial charts

Exhibit 239: Strong revenue growth visibility



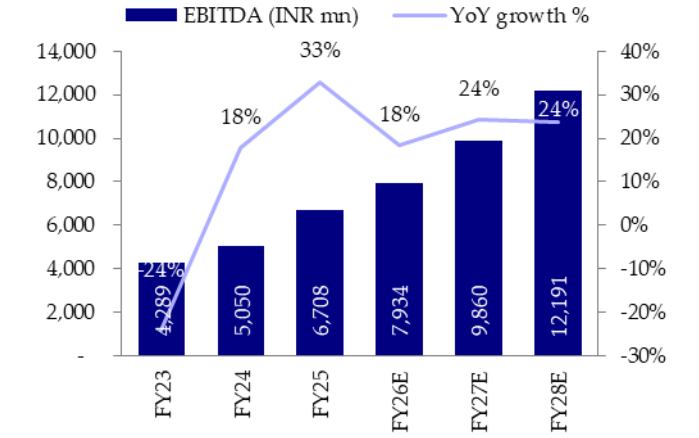
Source: Company, HSIE Research

Exhibit 240: Business mix to remain stable



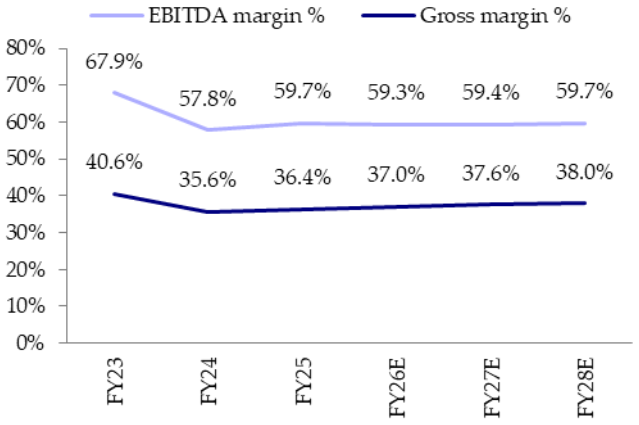
Source: Company, HSIE Research

Exhibit 241: Strong EBITDA growth



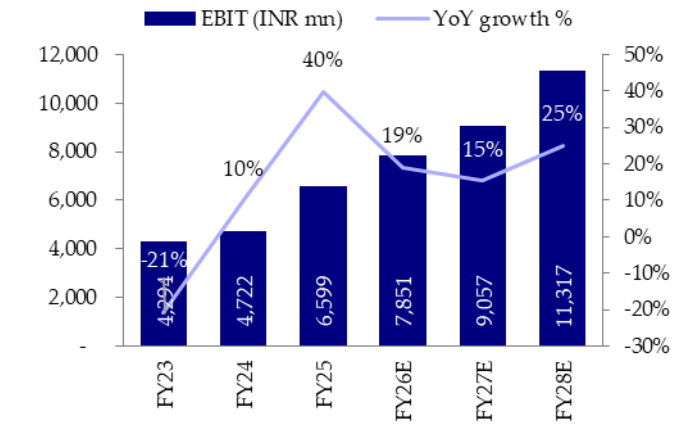
Source: Company, HSIE Research

Exhibit 242: Gross and EBITDA margin to improve



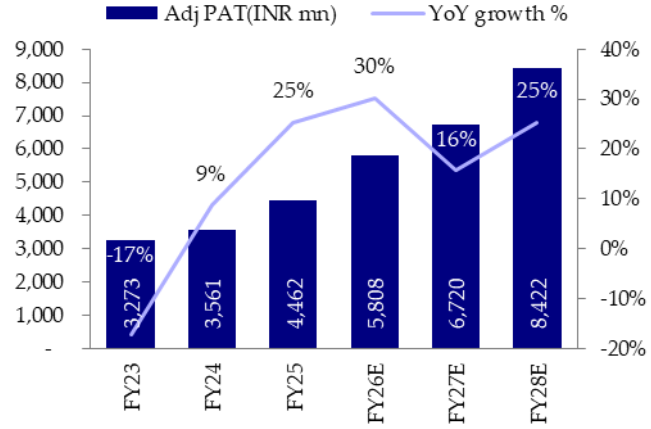
Source: Company, HSIE Research

Exhibit 243: EBIT growth to be in line with EBITDA growth



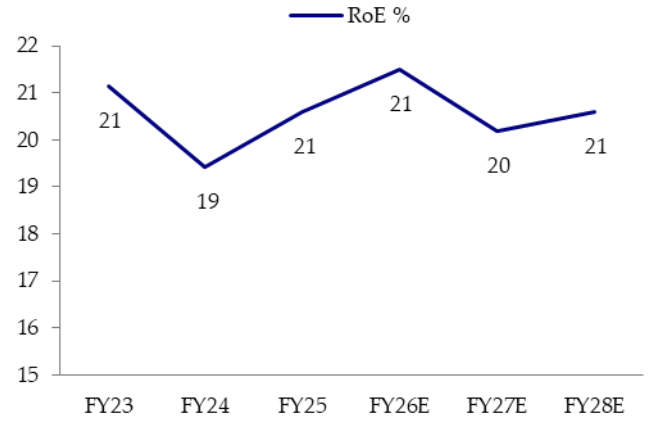
Source: Company, HSIE Research

Exhibit 244: Strong APAT growth visibility



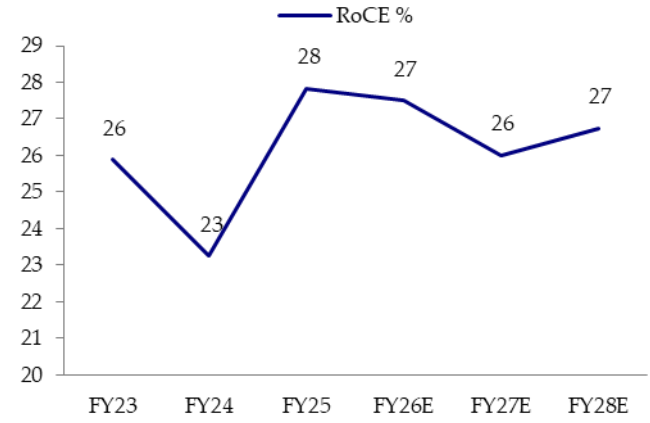
Source: Company, HSIE Research

Exhibit 245: RoE to remain steady



Source: Company, HSIE Research

Exhibit 246: Improving margin to drive RoCE



Source: Company, HSIE Research

Exhibit 247: Asset turnover to improve

	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (INR mn) incl CWIP	10,480	13,410	15,981	21,632	27,552	33,472
Asset turnover (x) on gross block	1.0	1.1	1.2	1.0	1.0	1.0
Fixed assets (INR mn) incl CWIP	6,130	8,272	10,020	14,346	18,650	22,693
Asset turnover (x) on Fixed assets	1.7	1.7	1.8	1.5	1.4	1.4

Source: Company, HSIE Research

Exhibit 248: FCF to improve over next couple of years

(INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	4,973	4,773	6,569	8,085	8,960	11,229
Operating Profit before WC	**5,246**	**5,221**	**7,297**	**8,024**	**9,954**	**12,291**
(Inc.)/Dec in working capital	(1,036)	(2,620)	(1,524)	485	(2,246)	(2,750)
Cash flow from operations	**4,210**	**2,602**	**5,773**	**8,509**	**7,708**	**9,541**
Cash Taxes paid	(1,150)	(1,200)	(1,590)	(2,021)	(2,240)	(2,807)
Net Cash from operating activities	**3,060**	**1,402**	**4,183**	**6,488**	**5,468**	**6,733**
Capex	(1,787)	(1,094)	(3,145)	(5,920)	(5,920)	(5,920)
Free cash flow	**1,273**	**307**	**1,038**	**568**	**(452)**	**813**
OCF to EBITDA	**71%**	**28%**	**62%**	**82%**	**55%**	**55%**

Source: Company, HSIE Research

Outlook and valuation

The key strategies for growth are as follows:

- Having an integrated service model to create multiple entry points to expand customer base (160+ clients),
- Manufacturing capabilities (lab to commercial scale) across ADCs, oligonucleotides, RNAi, peptides, and newer technologies like photochemistry and electrosynthesis provide strong growth visibility,
- Focusing on developing long-term partnerships with small pharma and emerging biotech companies by offering support from the early (discovery) stage through the drug development cycle, primarily utilizing its Fee-For-Service (FFS) model,
- Focusing on increasing its commercial portfolio (~14 molecules). Recently commercial products had a marginal drive in H1FY26, with plenty of headroom to grow,
- Expanding capacities for both custom synthesis and fermentation, and focusing on specialty ingredient business by tapping the GLP-1 and biosimilar space

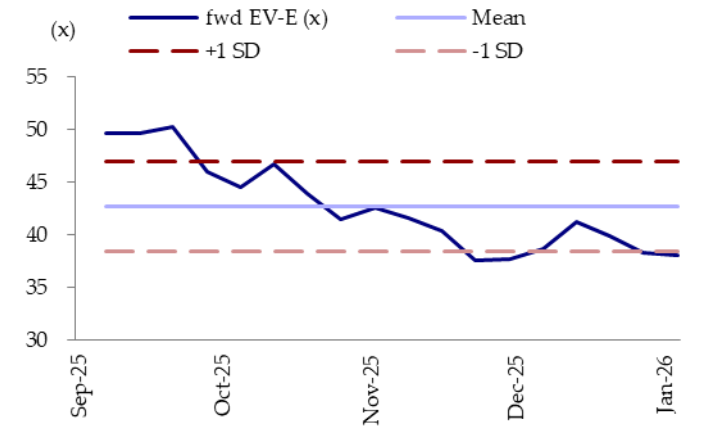
Anthem expects to sustain a mid-to-long-term revenue CAGR of ~20%, with stable margins and a strong cash position (at INR 9.93 bn – enabling M&As). Over FY23–25, Anthem delivered a 32% sales CAGR and a 25% EBITDA CAGR. Looking ahead, we expect a sales CAGR of 20% for FY25–28E, with margins improving to 38% in FY28E (~36.4% in FY25; H1FY26 margin at 37.6%). This translates into an EBITDA/EPS CAGR of 22%/24% over FY25–28E. We initiate coverage with an ADD rating and a target price of INR 740, based on 35x Q3FY28E EV/EBITDA (implying 52x PE).

Exhibit 249: Valuation snapshot

SOTP Valuations	EBITDA (INR mn)	Q3FY28E multiple (x)	EV (INR mn)
Reported EBITDA	**11,608**	**35**	**406,297**
Less: Net debt (INR mn; as of Q3FY28E)			-9,391
Equity value (INR mn)			**415,688**
Target price (INR/ share)			**740**
EPS (INR/ share)			14.3
Implied PE (x)			52

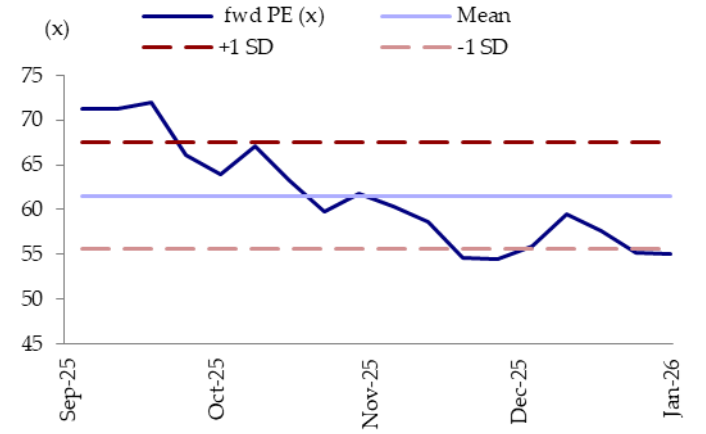
Source: Company, HSIE Research, Total Net debt includes lease liabilities

Exhibit 250: EV/ EBITDA chart



Source: Company, HSIE Research

Exhibit 251: PE chat



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**10,569**	**14,194**	**18,446**	**21,443**	**26,223**	**32,083**
Other operating income	0	0	0	0	0	0
Total operating income	**10,569**	**14,194**	**18,446**	**21,443**	**26,223**	**32,083**
Cost of goods sold	(3,393)	(5,996)	(7,439)	(8,727)	(10,646)	(12,929)
Gross profit	7,176	8,198	11,006	12,716	15,576	19,153
Gross margin (%)	68	58	60	59	59	60
Total operating expenses	(2,888)	(3,148)	(4,298)	(4,782)	(5,717)	(6,962)
EBITDA	**4,289**	**5,050**	**6,708**	**7,934**	**9,860**	**12,191**
EBITDA margin (%)	40.6	35.6	36.4	37.0	37.6	38.0
Depreciation	(637)	(818)	(894)	(1,325)	(1,615)	(1,877)
EBIT	**3,652**	**4,232**	**5,815**	**6,609**	**8,244**	**10,314**
Net interest	(68)	(95)	(103)	(107)	(97)	(88)
Other income	642	491	784	1,188	816	1,018
Profit before tax	**4,715**	**4,481**	**6,422**	**7,350**	**8,964**	**11,244**
Total taxation	(1,121)	(1,100)	(2,056)	(2,007)	(2,241)	(2,811)
Tax rate (%)	24	25	32	27	25	25
Profit after tax	3,594	3,381	4,366	5,342	6,723	8,433
Minorities	0	0	0	0	0	0
Profit/ Loss associate co(s)	0	0	0	0	0	0
Adjusted net profit	**3,273**	**3,561**	**4,462**	**5,767**	**6,723**	**8,433**
Adj. PAT margin (%)	31	25	24	27	26	26
Net non-recurring items	579	112	50	255	0	0
Reported net profit	**3,852**	**3,673**	**4,513**	**6,022**	**6,723**	**8,433**

Balance sheet (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	1,141	1,118	1,118	1,123	1,123	1,123
Reserves & surplus	16,266	18,128	22,980	28,778	35,500	43,934
Net worth	17,407	19,247	24,099	29,901	36,624	45,057
Borrowing	1,262	2,385	1,133	1,122	1,023	925
Other non-current liabilities	135	187	371	450	454	459
Total liabilities	**20,145**	**23,981**	**28,076**	**35,714**	**42,688**	**51,453**
Gross fixed assets	8,839	9,963	13,012	18,932	24,852	30,772
Less: Depreciation	(4,350)	(5,138)	(5,961)	(7,286)	(8,902)	(10,779)
Net fixed assets	4,489	4,825	7,051	11,646	15,950	19,993
Add: Capital WIP	1,641	3,447	2,969	2,700	2,700	2,700
Total fixed assets	6,130	8,272	10,020	14,346	18,650	22,693
Total Investment	4,990	4,716	4,331	5,445	5,445	5,445
Inventory	1,294	2,113	3,404	3,812	4,662	5,704
Debtors	2,741	4,904	4,504	5,242	6,410	7,842
Cash & bank	3,428	1,844	3,170	3,886	3,933	5,442
Loans & advances	48	51	33	50	50	51
Current liabilities	1,342	2,162	2,473	4,241	4,587	5,012
Total current assets	8,351	10,275	13,239	15,460	18,076	22,736
Net current assets	7,009	8,113	10,766	11,219	13,489	17,723
Other non-current assets	674	717	486	462	516	578
Total assets	**20,145**	**23,981**	**28,076**	**35,714**	**42,688**	**51,453**

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	4,715	4,481	6,422	7,350	8,964	11,244
Depreciation & Amortization	(637)	(818)	(894)	(1,325)	(1,615)	(1,877)
Chg in working capital	(1,036)	(2,620)	(1,524)	366	(2,273)	(2,783)
CF from operations	**3,060**	**1,402**	**4,183**	**6,382**	**5,440**	**6,697**
Capital expenditure	(1,787)	(1,094)	(3,145)	(5,920)	(5,920)	(5,920)
CF from investing	**(3,760)**	**(2,215)**	**(1,521)**	**(5,074)**	**(5,920)**	**(5,920)**
Equity raised/ (repaid)	0	0	0	0	0	0
Debt raised/ (repaid)	896	1,075	(1,238)	(11)	(98)	(98)
Dividend paid	0	0	0	0	0	0
CF from financing	**640**	**(772)**	**(1,336)**	**(118)**	**(196)**	**(186)**
Net chg in cash	(61)	(1,585)	1,326	1,190	(675)	591

Key ratios

March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL						
FDEPS (Rs)	5.8	6.3	7.9	10.3	12.0	15.0
CEPS (Rs)	8.0	8.0	9.6	13.1	14.8	18.4
DPS (Rs)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
GROWTH						
Net sales (%)	(14.2)	34.3	30.0	16.2	22.3	22.3
EBITDA (%)	(24.1)	17.7	32.8	18.3	24.3	23.6
Adj net profit (%)	(17.3)	8.8	25.3	29.2	16.6	25.4
FDEPS (%)	(17.3)	8.8	25.3	29.2	16.6	25.4
PERFORMANCE						
RoE (%)	21.1	19.4	20.6	21.4	20.2	20.6
RoCE (%)	25.9	23.3	27.8	27.3	26.0	26.8
EFFICIENCY						
Asset turnover (x)	1.7	1.5	1.6	1.3	1.2	1.2
Sales/ total assets (x)	0.6	0.6	0.7	0.7	0.7	0.7
Working capital/ sales (x)	0.3	0.3	0.4	0.3	0.3	0.3
Receivable days	95	126	89	89	89	89
Inventory days	75	84	106	103	104	105
Payable days	42	40	34	37	37	38
FINANCIAL STABILITY						
Total debt/ equity (x)	0.1	0.1	0.1	0.0	0.0	0.0
Net debt/ equity (x)	(0.5)	(0.2)	(0.3)	(0.3)	(0.2)	(0.2)
Current ratio (x)	6.2	4.8	5.4	3.6	3.9	4.5
Interest cover (x)	54.0	44.4	56.3	62.0	84.8	117.4
VALUATION						
PE (x)	111.3	102.3	81.6	63.2	54.2	43.2
EV/ EBITDA (x)	83.3	71.3	53.4	44.9	36.1	29.1
EV/ Net sales (x)	33.8	25.4	19.4	16.6	13.6	11.0
PB (x)	20.9	18.9	15.1	12.2	9.9	8.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow yield (%)	0.3	0.1	0.3	0.1	(0.1)	0.2

Source: Company, HSIE Research

INSTITUTIONAL RESEARCH

Laurus Labs

CDMO and biotech key drivers are priced-in

Laurus Labs (Laurus), a research-driven company, has transformed from a single-product company into a leading API manufacturer and diversified into CDMO and biotechnology, aiming to reduce concentration risk. It has scaled up its CDMO business in the past 6-7 years (~30% sales CAGR over FY21-25), improving its business mix as CDMO contribution increased to 28% in FY25 (from 11% in FY21). We expect the CDMO business to lead the company's future growth, supported by (1) accelerated expansion in CDMO (across ADCs, Hi-Po APIs, CGT, and complex molecules; biotech business), (2) integrated R&D capabilities (flow chemistry, fermentation, biocatalysis), (3) late-phase NCE projects (including human, animal, and agrochemical) with big pharma clients, and (4) strong support for overall EBITDA margin expansion. We note that within other businesses (72% of sales), generic API (~44% of sales) may see muted growth due to price pressure, increasing competition, and the maturing ARV business, partly offset by steady growth in generic FDF (28% of sales; led by CMO partnerships and new launches). We see the business mix for Laurus shifting towards CDMO (with its contribution increasing to 41% of sales), given faster growth and the company's key strategic focus, leading to EBITDA margin expansion over FY25-28E (~740 bps to 26.4% in FY28E). However, the stock has re-rated in past 12 months (stock price up 80+%) which factors the strong near-term outlook and provides limited upside potential. We initiate coverage with an REDUCE rating and a TP of INR 1,040 based on 26x Q3FY28E EV/EBITDA (implying 51x PE).

- **CDMO: to drive growth and margin:** CDMO business has seen strong scale-up (27% CAGR over FY21-25), led by client addition, expanding capacities (capex of over INR 25bn over FY22-25), enhanced capabilities, and exclusive supply opportunities. We believe the CDMO segment will continue to experience strong growth, led by capacity expansion, 110 active projects (the majority in Phase 2/3—across human and animal health, and the agrochemical space), and the execution of 15+ commercial projects. We estimate a revenue CAGR of 34% over FY25-28E.
- **Laurus Bio: expansion led robust growth visibility:** Laurus, with differentiated capabilities such as animal-origin-free cell culture ingredients, alternate food proteins, expanded fermentation capacity (1.25x over FY21), and development of niche areas (CGT, ADCs), provides robust growth visibility over the next few years. Also, a strategic PE investment of INR1.2bn aims to accelerate microbial fermentation, speed up the internal pipeline, and enhance commercial capacity.
- **Generic APIs to remain muted:** Laurus is struggling for growth due to a mature ARV portfolio (with no visibility of growth), ongoing pricing pressure, and lower demand. It is diversifying into non-ARV segments (anti-diabetic, CVS, CNS) and expanding capacity for future growth; however, we remain conservative on growth visibility. We estimate a revenue CAGR of 3% over FY25-28E.
- **Steady growth in generic FDF:** Strategic focus on high-value CMO contracts and non-ARV portfolio diversification provides steady growth visibility. We estimate revenue CAGR of 15% over FY25-28E.
- **Outlook and valuation:** We expect Laurus to see 16/30% sales/EBITDA CAGRs over FY25-28E and margin improvement to ~26.4% in FY28 (from ~19% in FY25). We initiate coverage with an REDUCE rating and with TP of INR 1,040.

Financial Summary

YE March (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	60,406	50,408	55,540	66,960	76,976	87,118
EBITDA	15,922	7,775	10,553	16,405	19,629	22,999
APAT	7,983	1,611	3,589	7,567	9,518	11,641
Diluted EPS (INR)	14.8	3.0	6.6	14.0	17.6	21.6
P/E (x)	74.6	369.4	165.8	78.7	62.5	51.1
EV / EBITDA (x)	38.6	79.7	59.0	37.6	31.3	26.5
RoCE (%)	21	6	10	15	17	18

Source: Company, HSIE Research, EBITDA and PAT adjusted for one-offs

REDUCE

CMP *(as on 5 Jan 2026)*	INR 1103
Target Price	INR 1040
NIFTY	26,250

KEY STOCK DATA	
Bloomberg code	LAURUS IN
No. of Shares (mn)	540
MCap (INR bn) / ($ mn)	597/6,623
6m avg traded value (INR mn)	1,977
52 Week high / low	INR 1,119/501

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	26.9	46.2	80.5
Relative (%)	21.0	43.4	73.2

SHAREHOLDING PATTERN (%)	Jun-25	Sep-25
Promoters	27.59	27.59
FIs & Local MFs	11.94	11.73
FPIs	25.7	26.16
Public & Others	34.77	34.52
Pledged Shares	2.69	2.69

Source: BSE

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Exhibit 252: Revenue and EBITDA assumptions

INR mn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	CAGR FY21-25	CAGR FY25-28E
CDMO - Small Molecules	5,295	9,378	21,746	9,220	13,740	19,786	26,513	32,876	27%	34%
YoY growth	34%	77%	132%	-58%	49%	44%	34%	24%		
% of total sales	11%	19%	36%	18%	25%	30%	34%	38%		
Laurus Bio	-	987	1,208	1,600	1,600	1,728	2,246	3,033	17%	24%
YoY growth	NA	NA	22%	32%	0%	8%	30%	35%		
% of total sales	0%	2%	2%	3%	3%	3%	3%	3%		
Total CRDMO business	**5,295**	**10,365**	**22,954**	**10,820**	**15,340**	**21,514**	**28,759**	**35,908**	**30%**	**33%**
YoY growth	**34%**	**96%**	**121%**	**-53%**	**42%**	**40%**	**34%**	**25%**		
% of total sales	**11%**	**21%**	**38%**	**21%**	**28%**	**32%**	**37%**	**41%**		
Generic API	25,993	20,236	25,974	25,450	24,380	25,355	26,116	26,899	-2%	3%
YoY growth	61%	-22%	28%	-2%	-4%	4%	3%	3%		
% of total sales	54%	41%	43%	50%	44%	38%	34%	31%		
Generic FDF	16,847	18,755	11,477	14,140	15,820	20,091	22,101	24,311	-2%	15%
YoY growth	105%	11%	-39%	23%	12%	27%	10%	10%		
% of total sales	35%	38%	19%	28%	28%	30%	29%	28%		
Generic business	**42,840**	**38,991**	**37,451**	**39,590**	**40,200**	**45,447**	**48,216**	**51,210**	**-2%**	**8%**
YoY growth	**76%**	**-9%**	**-4%**	**6%**	**2%**	**13%**	**6%**	**6%**		
% of total sales	**89%**	**79%**	**62%**	**79%**	**72%**	**68%**	**63%**	**59%**		
ARV sales	32,960	28,830	22,510	25,060	25,590	25,831	26,089	26,350	-6%	1%
YoY growth	87%	-13%	-22%	11%	2%	1%	1%	1%		
% of total sales	68%	58%	37%	50%	46%	39%	34%	30%		
Total Revenue	**48,135**	**49,356**	**60,406**	**50,408**	**55,540**	**66,960**	**76,976**	**87,118**	**4%**	**16%**
YoY growth	**70%**	**3%**	**22%**	**-17%**	**10%**	**21%**	**15%**	**13%**		
Gross profit	**26,553**	**27,418**	**32,662**	**26,084**	**30,760**	**39,908**	**46,262**	**52,707**	**4%**	**20%**
YoY growth	87%	3%	19%	-20%	18%	30%	16%	14%		
Gross margin %	**55.2%**	**55.6%**	**54.1%**	**51.7%**	**55.4%**	**59.6%**	**60.1%**	**60.5%**	**22 bps**	**512 bps**
EBITDA	**15,507**	**14,224**	**15,922**	**7,775**	**10,553**	**16,405**	**19,629**	**22,999**	**-9%**	**30%**
YoY growth	175%	-8%	12%	-51%	36%	55%	20%	17%		
EBITDA margin %	**32.2%**	**28.8%**	**26.4%**	**15.4%**	**19.0%**	**24.5%**	**25.5%**	**26.4%**	**-1321 bps**	**740 bps**
Adj PAT	**9,836**	**8,279**	**7,983**	**1,611**	**3,589**	**7,567**	**9,518**	**11,641**	**-22%**	**48%**
YoY growth	285%	-16%	-4%	-80%	123%	111%	26%	22%		
PAT margin %	**20.4%**	**16.8%**	**13.2%**	**3.2%**	**6.5%**	**11.3%**	**12.4%**	**13.4%**	**-1397 bps**	**690 bps**

Source: Company, HSIE Research

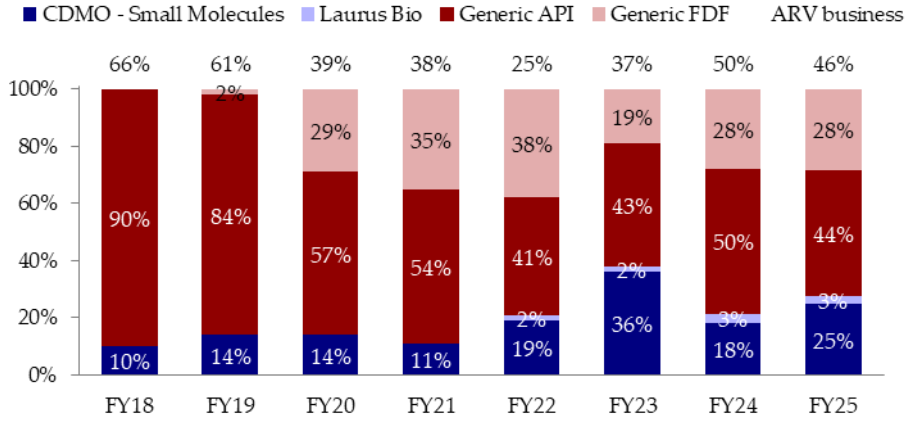
Laurus evolved from API manufacturing to an integrated business model

The evolution of Laurus since its inception in 2005 has been characterized by a strategic, R&D-led transformation from a highly specialized API manufacturer to an integrated pharma and biotechnology company as of FY25. Over FY05-10, the company ventured into the ARV API supply business and achieved market leadership. Further, over FY10-15, it bolstered capabilities and transformed into an esteemed API player with a strategy focused on leveraging innovative process chemistry and manufacturing efficiencies to achieve cost leadership. It expanded beyond ARV into oncology and other therapeutic areas.

Over FY15-20, Laurus broadened its horizons by delving into Finished Dosage Forms (FDF) to become an integrated pharma company. The strategic expansion into formulations was designed to move up the value chain. With a focus on disruptive technology, Laurus transformed into a diversified CDMO/CMO over FY20-25. Laurus entered biotechnology (Laurus Bio) via the acquisition of Richcore Lifesciences (in Jan-21) and established Laurus Synthesis for dedicated CDMO focus (May-20). To diversify and move up the value chain, the company entered Cell and Gene Therapy (CGT) through investment in ImmunoACT (Dec-21) and expanded CDMO to include the animal health and agrochemical ingredients segments.

In recent years, Laurus has shifted away from its traditional API manufacturing model, which previously accounted for 80-90% of its revenue. It has diversified into FDF and CDMO. Over the last five years, the business mix for the company has improved significantly, with the generic API share dropping to 44% in FY25 from ~54% in FY21, and the CDMO share increasing to 28% of sales from 11% in FY21.

Exhibit 253: Change in business mix – moving toward high-margin CDMO/biotech business for the past 5-6 years



Source: Company, HSIE Research

CDMO – small molecule business to drive value growth

Laurus' CDMO small molecule business is positioned as an integrated service provider that supports global pharma and biotech companies across the product lifecycle.

CDMO service offerings:

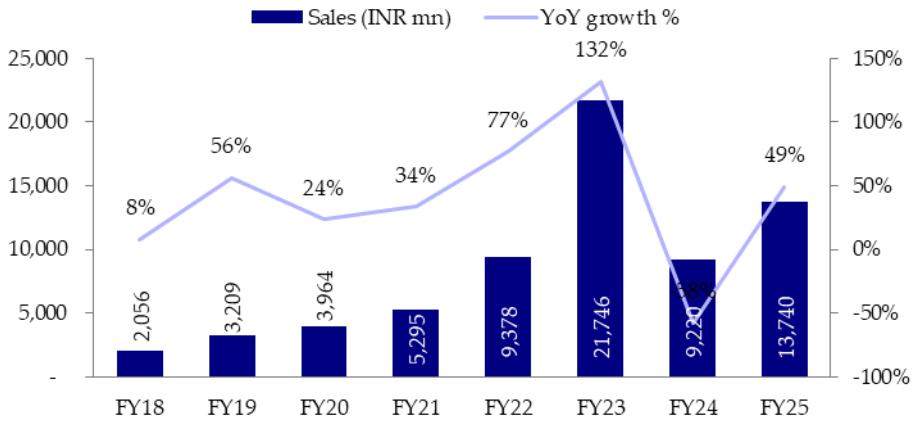
- **Integrated drug substance services:** Laurus' core focus is on the development and manufacture of KSMs, intermediates, and APIs for New Chemical Entities (NCEs). Its services span the entire value chain, from pre-clinical development stages to commercial-scale contract manufacturing.
- **Specialization in complex chemistries:** The company has specialized in small molecules, including high-value, complex entities such as Hi-Po APIs for oncology, steroids, and hormone therapies, and possesses established commercial-scale peptide synthesis capability.

- **Advanced technology platforms:** The CDMO service offering is enhanced by leveraging cutting-edge, sustainable technologies, including biocatalysis, continuous flow chemistry, high-pressure hydrogenation, and cryogenic reactions.
- **Lifecycle support and analytical services:** Offerings cover clinical phase supplies (Phase I, II, and III), large-scale commercial manufacturing, and crucial supporting functions like analytical services (method development, method validation, stability studies, impurity identification), as well as CMC and regulatory filing support for NDA submissions.
- **Business diversification:** The company has successfully expanded its service model beyond human health, extending technical expertise and integrated solutions to animal health, crop science ingredients (agrochemical), and specialty ingredients for nutraceuticals, dietary supplements, and cosmeceutical products.

CDMO business sees strong growth in the past few years

Laurus' CDMO small molecule business has seen a strong ramp-up in the past 4-5 years, with a 27% CAGR over FY21-25. Initially, growth was led by new client additions and rising product commercialization. The robust FY23 growth (+132% YoY) was led by the successful execution and delivery of a large purchase order for a big pharma client. The decline in FY24 (-58% YoY) was mainly due to the absence of such a purchase order. However, the core business grew strongly by ~24%, led by a strong RFP flow and an increased commercial pipeline, and growth momentum continued in FY25 (+49% YoY), driven by the successful execution of multiple mid- to late-stage NCE projects and the ramp-up of new manufacturing assets commissioned in H2FY25.

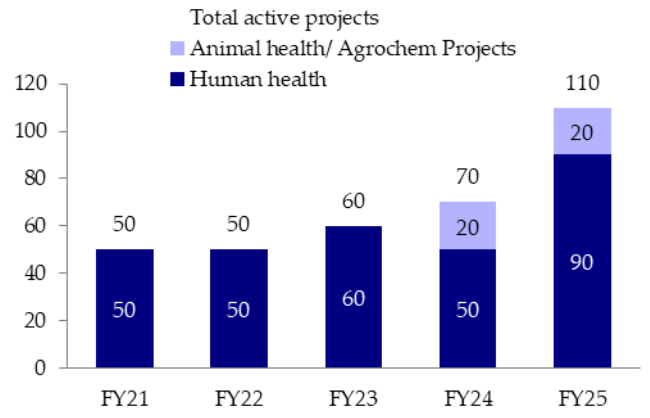
Exhibit 254: Strong ramp-up in CDMO business



Source: Company, HSIE Research

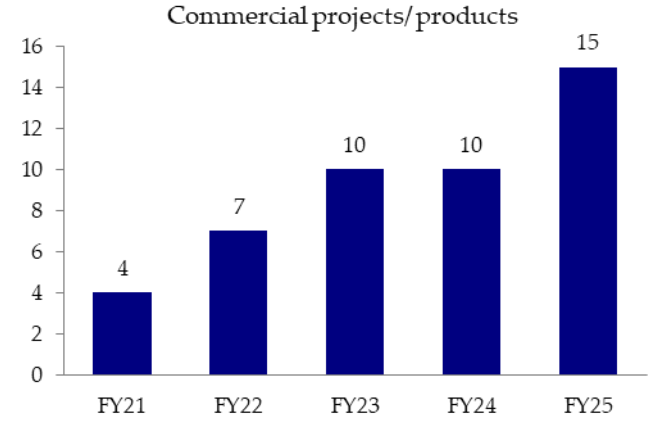
In the past five years, the company has increased its project count with active projects increasing to 110 as of FY25 (~15 commercial projects). Moreover, it entered multiple long-term partnerships and a multi-year Master Service Agreement (MSA) with a leading crop protection company in FY24.

Exhibit 255: Active projects on a rise



Source: Company, HSIE Research

Exhibit 256: Commercial projects and product increasing



Source: Company, HSIE Research

Exhibit 257: Laurus Synthesis performance in the past few years

INR mn	FY22	FY23	FY24	FY25
Total revenues	912	1,080	857	2,370
YoY growth	484%	18%	-21%	177%
Gross profit	827	933	637	2,223
Gross margin	90.7%	86.4%	74.3%	93.8%
EBITDA	600	545	95	1,096
EBITDA margin	65.7%	50.4%	11.1%	46.3%
Adjusted PAT	313	222	(289)	93
PAT margin	34.3%	20.6%	-33.7%	3.9%
Net block (Tangible + Intangible + RoU + CWIP)	1,839	3,636	6,879	8,950
Cash and equivalent (including current investment)	4	0	630	248
Borrowings (including lease liabilities)	**1,233**	**2,457**	**5,383**	**7,491**
Net debt/ (cash)	**1,228**	**2,457**	**4,752**	**7,243**
FCF	(4)	(1,121)	(3,001)	(1,983)

Source: Company, HSIE Research

Capacity expansion led growth in CDMO, investment phase to continue

To support the growth momentum in CDMO business as over FY22-25 Laurus has invested ~INR 42 bn as capex of which 80-85% capex was diverted towards CDMO business.

Exhibit 258: Capacity expansion to support growth

Capacity addition trend	Comments
FY21	Laurus Synthesis had dedicated manufacturing Unit 5 with a capacity of 137 KL for steroidal and hormonal intermediates and API manufacturing facility of 157 KL. In FY22, Laurus had a plan to set up a dedicated R&D center and greenfield manufacturing capacity for Laurus Synthesis.
FY22	Laurus initiated capex for a dedicated Greenfield R&D center at Genome Valley, Hyderabad and three new manufacturing units in Vizag. Unit 1 added 139 KL capacity for pre-commercialization activities.
FY23	A New Sterile Lab commenced operations in FY23.
FY24	The dedicated Animal health facility (Unit 2) commenced operations in Nov-23.
FY25	The new small molecule R&D facility (200,000 sq. ft.) was opened in Hyderabad in Sep-24. The small molecule API reactor volume was enhanced by 15%. A new drug substance (DS) block was commissioned at Unit-4, and the animal health DS facility (Unit-2) MB-3 became operational. The Agrochemicals facility at Unit-4 was brought online in Q4FY25.

Source: Company, HSIE Research

Exhibit 259: Existing CDMO small molecule capacities

CDMO + API capacity expansion (in KL)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	H1FY26
API + CDMO (KL)											
Unit-1 API (CDMO)	1,140	1,140	1,141	1,180	1,196	1,226	1,232	1,240	1,279	1,279	1,279
Unit-4 API (CDMO)	-	-	51	85	205	221	1,105	1,960	1,995	2,000	2,000
LSPL-1 API (CDMO)	-	-	-	-	-	-	139	139	140	139	145
LSPL-4 API (CDMO)	-	-	-	-	-	-	-	-	-	0.35	300
Total API + CDMO Capacity	**1,140**	**1,140**	**1,192**	**1,265**	**1,401**	**1,447**	**2,476**	**3,339**	**3,414**	**3,418**	**3,724**
CDMO (KL)											
API CDMO Kilo Labs	5	5	5	5	5	5	4	4	5	5	5
Unit-5 CDMO (Hormone and Steroids)	-	125	125	125	125	137	151	151	161	161	161
LSPL-2 CDMO	-	-	-	-	-	-	-	-	223	294	320
Total CDMO capacity	**5**	**130**	**130**	**130**	**130**	**142**	**155**	**155**	**389**	**460**	**486**
Total Capacity	**1,145**	**1,270**	**1,322**	**1,395**	**1,531**	**1,589**	**2,631**	**3,494**	**3,803**	**3,878**	**4,210**

Source: Company, HSIE Research

The capacity expansion plan for the CDMO small molecule business from FY26 onwards remains focused on increasing scale, technical depth for complex chemistries, and integrating services for niche markets, to support the long-term growth for the company. The company has budgeted substantial organic investments, committing ~ INR 50 bn capex over the next four to five years, with most of the growth capex directed toward the diversified portfolio, including CDMO.

Capex outlay for next few years is.

- The dedicated animal health drug substance facility, which commenced operations in FY24, is still undergoing expansion. The final manufacturing block, MB-4, is currently under construction and is expected to be commissioned in H2FY26. This facility is designed to handle high-potent molecules, steroids, and hormones.
- The dedicated crop science ingredients facility (Unit 4) was brought online in Q4FY25 and qualification underway, the meaningful revenues from crop sciences are expected to come online in FY26.
- **Gene/Antibody Drug Conjugates (ADC) Facility**: The ground was broken for a new dedicated ADC R&D and manufacturing facility in Hyderabad, encompassing ~6,000 sq mt. The company plans to invest over USD 25 mn capex in this facility. The new site is expected to start operations by the end of 2026. The facility will provide infrastructure and resources for payloads, linkers, bioconjugation, purification, lyophilization, and Fill-Finish services. Additionally, in Q2FY26, they have also invested USD 2 mn in an Aarvik Therapeutics Inc., an ADC technology platform specializing in both conjugation, payload linker conjugation, purification and then fill finish, that will enhance Laurus's integrated ADC service offerings for customers.
- **Sustained investment in technology platforms**: The expansion strategy includes continuously strengthening advanced chemistry platforms critical for complex small molecule CDMO such as (1) **Continuous manufacturing**: The company will continue significant ongoing investment in continuous manufacturing. Laurus has already qualify the commercial-scale continuous flow reactions, with expansion into additional units underway, (2) **Biocatalysis**: The company intends to continue leveraging its enhanced enzymatic technology platform and biocatalysis expertise for clinical and commercial drug substance projects, (3) **Peptides**: The capacity buildup, particularly for complex peptide molecules, remains in progress.

- The new small molecule R&D facility (200,000 sq. ft.) in Hyderabad, commissioned in Sept-2024, will drive FY26 and future growth by enhancing the capability to take on more early-stage clinical projects and handle complex drug synthesis, flow chemistry, and Hi-Po APIs.

CDMO small molecule business to see strong growth

The growth drivers and outlook for the CDMO small molecule business are underpinned by its strategic investments in specialised capacities, R&D differentiation, and capitalising on global outsourcing trends.

Over last few years, Laurus' pipeline is shifting towards high-value, complex programmes, particularly for big pharma partners. Laurus' growth is increasingly driven by the successful execution of multiple mid- to late-stage NCE deliveries and the successful delivery of products for customer registration purposes (post Phase III). The company expects commercial volumes to follow registration batch supplies in FY26. The company is leveraging advanced, proprietary technology platforms to maintain a competitive edge and attract customers with complex needs.

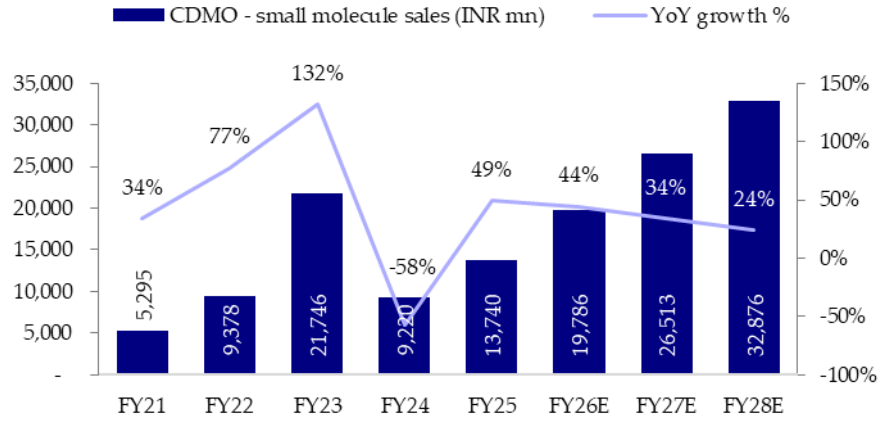
The key capabilities driving growth include expertise in biocatalysis (using in-house manufactured enzymes), continuous flow chemistry, high-pressure hydrogenation, cryogenic reactions, and peptide synthesis. The new dedicated R&D centre supports these advanced process development capabilities. The company is strategically positioning itself to capture the GLP-1/peptide opportunity by heavily investing in dedicated capacity and advanced R&D expertise for peptide synthesis within its growing CDMO segment, while leveraging its existing focus on the anti-diabetic therapeutic space.

We note revenue growth is also supported by the ramp-up of new manufacturing assets commissioned during FY25 and ongoing capex directed towards dedicated CDMO infrastructure. The focus is on reaching optimal utilisation levels of the substantial capacity additions made to drive operational efficiency and margin improvement in FY26 and beyond. Moreover, the total active project pipeline expanded significantly to over 110 active projects by Q2FY26 (with over 90 in Human health and 20 in animal health/ crop sciences). The momentum is maintained by a strong flow of RFPs from big pharma and large biotech, and increased business development efforts targeting early-stage projects to widen the funnel for future commercialisation.

The company is also looking for growth acceleration by the expansion of CDMO small molecule services beyond human health into specialized, high-potential markets such as (1) animal Health with the dedicated manufacturing facility (Unit 2) which is already operational and ramping up supplies, with capacity almost fully contracted with a major pharma partner, and (2) a multi-year master service agreement (MSA) with a leading crop protection company, with the manufacturing unit coming online to provide future revenue visibility.

Over FY21-25, CDMO small molecule business delivered an 27% sales CAGR (it grew 88% YoY in H1FY26). Looking ahead, we expect a sales CAGR of 34% for FY25-28E to reach a revenue of INR 32.87 bn in FY28 led by capacity expansion, long-term supply agreements, and late-stage NCE project monetization.

Exhibit 260: CDMO small molecule business to see robust growth over the next 2-3 years; revenue share will increase to 37% of sales in FY28 from 25% in FY25



Source: Company, HSIE Research

Laurus Bio to see strong momentum over next few years

Laurus entered the biotechnology space by acquiring a majority stake (72.55%) in Richcore Life in Jan-21 and subsequently renamed Laurus Bio. The acquisition was aimed at diversifying into high-growth areas like recombinant animal origin free (AOF) protein products and building biologics CDMO.

Over the last few years, Laurus has made significant progress in biotechnology-driven innovations, with multiple initiatives advancing biopharma manufacturing and precision medicine. This includes two GMP facilities in Mumbai dedicated to cell and gene therapy, including CAR-T-based therapeutics, and a dedicated gene therapy unit in Hyderabad focused on research and manufacturing of advanced biological medicines.

Exhibit 261: Laurus Bio service offerings

Development	Fermentation scale-up	Commercial manufacturing
Clone Development	R&D/Bench-scale runs (2 L – 15 L)	Industrial-scale runs (2,000 L – 5,000 L)
Strain Engineering	Pilot-scale runs (150 L – 250 L)	
Bioprocess and Analytical	Industrial-scale runs (2,000 L – 5,000 L)	Production-scale runs (20,000 L – 45,000 L)
Test Development	Production-scale runs (20,000 L – 45,000 L)	

Source: Company, HSIE Research

Exhibit 262: Laurus Bio performance

INR mn	FY21	FY22	FY23	FY24	FY25
Total revenues	510	1,003	1,286	1,642	1,713
YoY growth	25%	97%	28%	28%	4%
Gross profit	372	788	1,035	1,265	1,380
Gross margin	72.9%	78.6%	80.4%	77.1%	80.6%
EBITDA	131	331	369	349	382
EBITDA margin	25.7%	33.0%	28.7%	21.2%	22.3%
Adjusted PAT	93	201	142	44	32
PAT margin	18.2%	20.1%	11.0%	2.7%	1.9%
Net block (Tangible + Intangible + RoU + CWIP)	473	773	927	1,709	2,013
Cash and equivalent (including current investment)	8	7	5	51	470
Borrowings (including lease liabilities)	**268**	**582**	**975**	**1,417**	**958**
Net debt/ (cash)	**260**	**576**	**970**	**1,366**	**487**
FCF	(76)	(214)	(326)	(49)	(18)

Source: Company, HSIE Research

Exhibit 263: Laurus Bio capacity

Fermentation capacity (in KL)	FY21	FY22	FY23	FY24	FY25	H1FY26
Laurus Bio – R1	11	11	11	15	15	15
Laurus Bio – R2	180	180	180	225	225	225
Total	**191**	**191**	**191**	**240**	**240**	**240**

Source: Company, HSIE Research

CAR-T therapy to strengthen biological CDMO business in mid-to-long term

CAR-T (Chimeric Antigen Receptor T-cell) therapy primarily relates to Laurus' strategic investments in advanced modalities, specifically through its associate company, ImmunoACT. This investment is a key part of Laurus' strategy to strengthen its biologics business, diversify revenue streams, and enter the high-growth field of cell and gene therapy (CGT). Laurus successfully forayed into CAR-T technology by investing in ImmunoACT (ImmunoAdoptive Cell Therapy Private Limited) which an IIT-Bombay incubated company – for a substantial minority stake – initially, in Dec-21, Laurus acquired a 26.62% stake on a fully diluted basis, investing ~INR 460 mn. Laurus demonstrated increasing confidence in this platform by raising its ownership to 27.57% by investing ~INR 184 mn in FY23 and further increased to 34.89% by investing an additional ~INR 800 mn.

Laurus Bio and ImmunoACT developed an indigenous CAR-T cell therapy for curing specific types of blood cancers through its lead candidate is HCAR-19 (NexCAR19), which targets CD-19. ImmunoACT completed Phase 1 trials in CAR-T technology for treating liquid cancers and, post-positive Phase 1 data, initiated Phase 2 trials for HCAR-19 in lymphoma and leukaemia. NexCAR19, India's first indigenously developed and produced CAR-T cell therapy, received approval from the Central Drugs Standard Control Organisation (CDSCO) and launched in Dec-23. Clinical trial results for NexCAR19 were encouraging, demonstrating a 73% response rate in patients with relapsed or refractory B-cell malignancies (BCL/B-ALL), and it possesses a favourable safety profile. By FY24 end, the therapy had reached over 50 hospitals and completed over 100 successful infusions. By Apr-25, ImmunoACT had supported ~300 patients using NexCAR19, with encouraging survival outcomes and further expanded its coverage by Jun-25 with demand continued, reaching over 500 infusions as of Sep-25. The company has initiated Phase 1 trials for NexCAR19 in paediatric patients and it also received approval to start Phase 1 clinical trials for a second target, BCMA (HCAR2), for use in relapsed/ refractory Multiple Myeloma.

Laurus Bio is actively investing in dedicated GMP facilities to support the manufacturing of CAR-T therapeutics at its Mumbai facility which is a state-of-the-art GMP CAR-T cell therapy. This facility supports ImmunoACT in fast-tracking the Phase II and Phase III trials for HCAR-19. The company is expanding capacity with a second large GMP integrated CAR-T facility (also referred to as Cell Therapy GMP Unit 2) is under construction at Navi Mumbai. It is expected to commence operations by Q4FY26. The expected capacity addition is 2,500 treatments (patients) per year. The revenue source from this business will be product sales made by ImmunoACT to hospitals. Laurus Bio is also building supporting infrastructure for advanced therapies, including viral vectors (Lentiviral Vectors - LVV). It has signed a collaboration with IIT Kanpur to in-license and fund the development of four gene therapy assets and planned to set up a GMP facility there. The company-initiated construction of a GLP/GMP plant for viral vectors and gene therapy products (28,000 sq. ft.). As of Q2FY26, the planned location for this facility changed from IIT Kanpur to Genome Valley, Hyderabad, where they broke ground for a 6,000 sq. Mt facility. This building will house the GMP facility for plasmids, viral vectors (AAV, lentiviral), and ADC platform. Laurus plans to invest over USD 15 mn in this facility, targeting completion by Mar-26 (Phase 1).

Capacity and capability expansion to be key drivers for growth

The growth of Laurus Bio (the large molecule CDMO division) over the next 2-3 years will be driven by the following strategic areas:

- **Massive expansion of fermentation capacity:** The strategic expansion is the foremost growth driver – (1) Laurus plans to invest close to INR 2.5 bn in a commercial-scale microbial fermentation facility in Vizag for which construction commenced in Q1FY26. This new site is expected to more than double the company's fermentation capacity by the end of 2026. This facility is designed to meet the growing demand for GMP pharma intermediates and large molecule CDMO services, utilizing enzyme engineering platforms. The long-term plan is to expand the fermentation capacity, aiming for up to 1 mn liters (in Phase 1 from current capacity of ~240KL) and (2) The ramp-up in capacity is intended to address the strong demand for AOF recombinant products (used in vaccines, cultured meat, and regenerative medicine) and CDMO projects, particularly from customers currently running pilot programs at the R2 facility.

- **Strategic investment and partnership acceleration:** In FY25, Laurus Bio secured a strategic equity investment of INR 1.2 bn from Eight Roads Ventures and F-Prime Capital, aimed specifically at enhancing and accelerating microbial fermentation capabilities, including faster development of new products. This investment will help speed up the internal pipeline and enhance high-quality commercial-scale capacity for partners. The division is focusing on deepening strategic collaborations in high-value biologics and leveraging automation and AI-driven analytics to optimize bio-manufacturing. For instance, the partnership with Willow is focused on leveraging bioengineering platforms for the development of steroids and hormones.

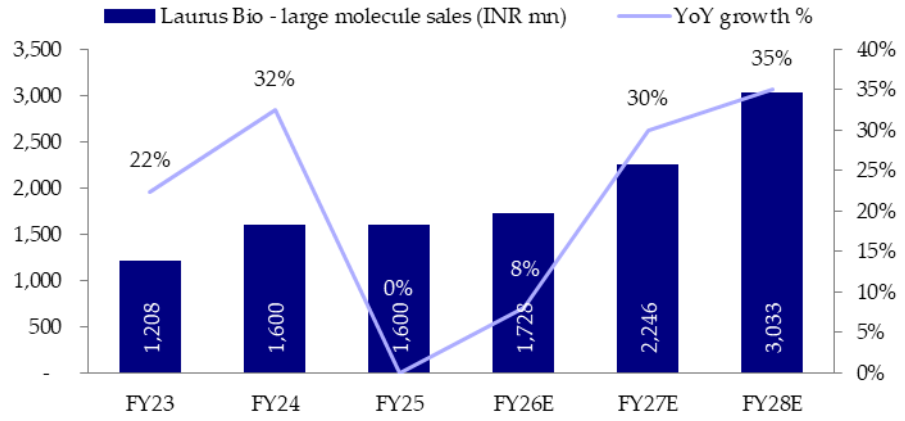
- **Differentiation through enzyme/biocatalysis expertise:** Laurus Bio's core strength in developing novel enzymatic solutions for industrial biotech is a key differentiator. This technical expertise is directly leveraged by the core CDMO business (small molecules), driving growth through the application of bio-catalysis in the green synthesis of small molecule drug substance projects. Customer interest in the enzyme engineering platform is strong across both clinical and commercial API projects.

- **Expansion into Cell and Gene Therapy (CGT) infrastructure:** To address the rapidly growing advanced therapies market, the company has initiated capacity expansion for related components. Laurus plans to invest over USD25mn to build a new GMP facility for ADCs in Hyderabad. This facility will focus on manufacturing high-value components, including plasmids and viral vectors (adenovirus and lentiviral). The company targets to operate Phase 1 of this facility by the end of Q3FY27.

- **Expanding customer base and projects:** To meet the fast-growing demand in advanced therapies, the company is expanding its production capacity for key components. The company has accelerated discussion for longer term contracts with customers, which can provide better visibility from FY27 and beyond.

The company is well-positioned to meet rising demand for niche biological molecules through its unique, comprehensive services. Laurus Bio recorded a 17% sales CAGR from FY22-25 (it declined by 8% YoY in H1FY26) and is projected to achieve a 24% sales CAGR from FY25-28E, reaching INR 3.03bn in FY28, led by capacity expansion and growth in CAR-T, CGT, ADCs, and vaccines.

Exhibit 264: Strong growth visibility in Laurus Bio over the next few years



Source: Company, HSIE Research

Generic API growth to remain muted for the next couple of years

Laurus is a leading player in the generic API market, with strong coverage in ARV-related supplies. Over the past five years, the generic API business has followed a dynamic trajectory, beginning with strong initial growth, and subsequently experiencing periods of softness and a decline in FY24 and FY25. These changes have been influenced by both internal strategic decisions and external market factors, particularly affecting the core ARV portfolio. Laurus has demonstrated a consistent and strategic approach to expanding its product portfolio, focusing on diversification into non-ARV therapeutic areas and enhancing its position for growth in developed markets. As of Mar 2025, the company has completed 90 DMF filings and over 25 CEP filings.

Exhibit 265: Key CEP filings

Issue Date CEP	Substance	Issue Date CEP	Substance
05-Apr-12	Oxaliplatin#	25-Nov-24	Montelukast sodium, Alternate process
29-Oct-13	Montelukast sodium#	27-Nov-24	Abacavir sulfate
31-Jul-15	Gemcitabine hydrochloride, Process-2@	06-Dec-24	Duloxetine hydrochloride, Micronised, Form-A
18-Jan-23	Imatinib mesilate	06-Dec-24	Pemetrexed disodium 2.5-hydrate
24-Jan-23	Gemcitabine hydrochloride	17-Dec-24	Hydrochlorothiazide, Regular and micronised grade
24-Jan-23	Lamivudine	21-Feb-25	Docetaxel, Process-2
24-Jan-23	Metformin Hydrochloride	24-Feb-25	Raltegravir potassium
25-Jan-23	Lopinavir	26-Feb-25	Lamivudine, Process 1
28-Mar-23	Ritonavir	19-May-25	Pirfenidone
28-Mar-23	Atorvastatin calcium	19-May-25	Sitagliptin phosphate monohydrate
25-May-23	Oseltamivir phosphate	01-Aug-25	Hydroxychloroquine sulfate
25-Mar-24	Carboplatin	01-Aug-25	Irinotecan hydrochloride trihydrate
07-Mar-24	Pregabalin	11-Sep-25	Imatinib mesilate, Process II
18-Sep-24	Oxaliplatin, Process 2	14-Oct-25	Irinotecan hydrochloride trihydrate, Process-2
27-Sep-24	Levetiracetam	27-Oct-25	Atorvastatin calcium, Form-I
19-Nov-24	Cisplatin	26-Nov-25	Gemcitabine hydrochloride, Process-3

Source: EDQM, Company, HSIE Research; Note: #Withdrawn by Holder and @Expired

Exhibit 266: Key DMF filings

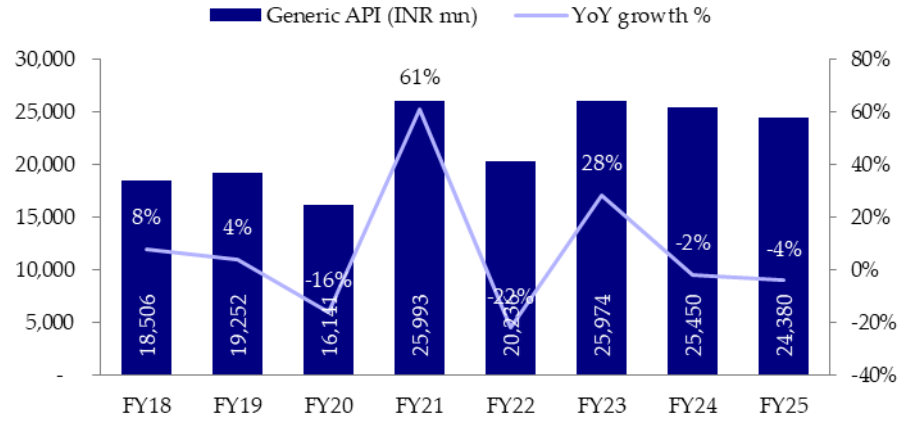
Submit date	API
29-Aug-08	Cisplatin USP
29-Aug-08	Carboplatin USP
10-Sep-08	Efavirenz USP
21-Nov-08	Irinotecan hydrochloride trihydrate USP
22-Dec-08	Oxaliplatin USP
16-May-09	Gemcitabine hydrochloride USP
16-Apr-10	Montelukast sodium USP
28-Apr-10	Emtricitabine
17-Jul-12	Efavirenz USP (process-2)
11-Sep-12	Pemetrexed disodium
30-Oct-12	Docetaxel anhydrous, USP (process-2)
19-Dec-12	Bortezomib
07-Feb-13	Azacitidine
09-May-13	Tenofovir disoproxil fumarate (process-2)
09-May-13	Imatinib mesylate
05-Mar-14	Thalidomide USP
12-Jun-14	Cabazitaxel
15-Dec-14	Abacavir sulfate, USP
08-Dec-15	Rilpivirine hydrochloride
04-May-16	Metformin hydrochloride USP
22-Mar-16	Carfilzomib
29-Sep-16	Atazanavir sulfate
28-Sep-16	Dolutegravir sodium
30-Dec-16	Enzalutamide
24-Oct-17	Darunavir
22-Jan-17	Canagliflozin
06-May-17	Pregabalin
07-Jul-17	Lamivudine USP
05-Jul-17	Dolutegravir sodium (process-2)
08-Sep-17	Hydroxychloroquine sulfate USP
15-Sep-17	Macitentan
17-Oct-17	Tenofovir disoproxil fumarate (process-3)
10-Nov-17	Sofosbuvir
18-Jul-18	Atorvastatin calcium trihydrate USP
31-Mar-18	Lamivudine USP (process 1)
04-May-18	Pirfenidone
26-Jun-18	Empagliflozin
30-Aug-18	Abacavir sulfate USP (process-2)
16-Nov-18	Imatinib mesylate (process-2)
30-Aug-19	Ritonavir USP
28-Feb-19	Tenofovir alafenamide fumarate
07-Jun-19	Sacubitril valsartan 3na complex
10-Jan-20	Oseltamivir phosphate USP
23-Apr-19	Dolutegravir sodium (process-3)
25-Jun-19	Lopinavir USP
08-Jan-20	Erlotinib hydrochloride
16-Mar-21	Sitagliptin phosphate monohydrate USP
14-Sep-21	Apalutamide
10-Dec-21	Sodium zirconium cyclosilicate
22-Dec-21	Tenofovir alafenamide fumarate (process-2)
24-Dec-21	Bictegravir sodium
28-Feb-22	Pazopanib hydrochloride
30-Nov-22	5-fluorocytosine (flucytosine) USP
18-Aug-23	Valsartan USP
28-Mar-25	Tenofovir alafenamide monofumarate
15-May-24	Darunavir ethanolate
21-Aug-24	Dolutegravir sodium (hxa)
29-Sep-25	Dapagliflozin
22-Aug-25	Hydrochlorothiazide USP

Source: USFDA, Company, HSIE Research

The ARV API business saw strong performance in FY21, with growth of ~61% YoY, driven by volume gains. The significant volume growth in FY21 was attributed to a therapy shift from Efavirenz-based treatment to Dolutegravir-based treatment. Laurus secured approvals for all three APIs (Dolutegravir, Lamivudine, Tenofovir) in the triple drug combination, leading to higher volume uptake from customers. Further, Laurus was able to maintain its leading market share in the first-line HIV treatment space. Growth was also supported by geographic expansion, with supplies to the EU and US markets. Laurus actively pursued diversification to reduce dependence on ARV, leveraging its expertise in complex chemistries such as oncology APIs, and boasts one of the largest Hi-Po API capacities in India. The company also expanded its presence in CVS, anti-diabetic, and Proton Pump Inhibitors (PPIs).

However, the Generic API division faced significant headwinds, leading to revenue declines in FY24 (-2% YoY) and FY25 (-4% YoY) due to (1) severe price drops and pricing headwinds; (2) the high base effect of excess channel inventories following the COVID-19 surge and subsequent channel destocking; (3) shifts in procurement timing from global agencies; (4) a strategic shift in focus and resources away from developing generic APIs toward higher-margin CDMO projects with prioritized capacity allocation; (5) slower diversification toward non-ARV APIs, as evidenced by the reallocation of planned capex from non-ARV/non-oncology to the manufacture of clinical phase programs for big pharma (CDMO); and (6) pricing pressures and lower demand impacting non-ARV/non-oncology segments.

Exhibit 267: Generic API business has experienced a dynamic growth trajectory

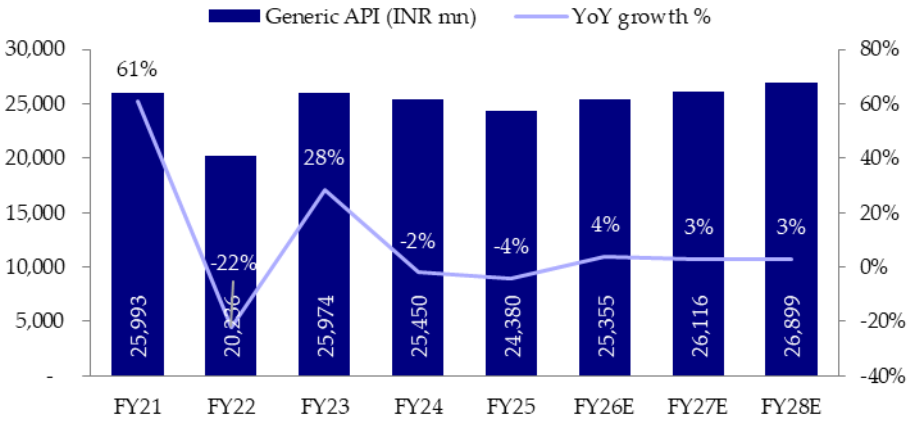


Source: Company, HSIE Research

The generic API business will face growth challenges due to: (1) continued pricing pressure across generic markets, impacting growth in both ARV and non-ARV segments; the company is looking to mitigate price pressure by increasing efficiency, sourcing benefits, and implementing cost-improvement measures; (2) the ARV API segment has experienced sustained volume and pricing volatility due to intense competition and prolonged channel destocking, as well as an oversupply of ARV drugs, posing a risk to maintaining revenue levels; and (3) a change in management focus to prioritize capital and bandwidth (including R&D efforts) allocation toward high-growth/margin CDMO business rather than generic API.

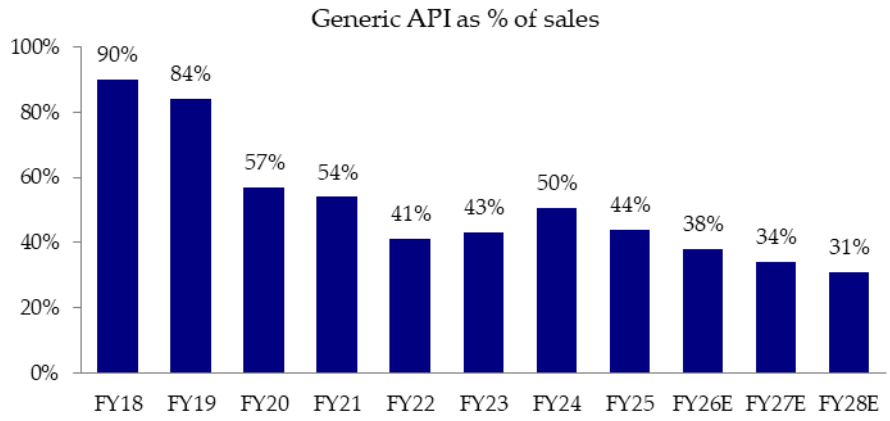
The company is likely to face near-term growth challenges due to price and demand concerns. Laurus is looking to expand its collaborations with CMOs to augment production capabilities and meet the growing demand for APIs across various therapeutic segments, as it has achieved a positive trend in order intake. The company is also considering greenfield and brownfield expansion to increase generic API capacity. Over FY22–25, the generic API business delivered a -2% sales CAGR (it grew 3% YoY in H1FY26). Looking ahead, we expect a sales CAGR of 3% for FY25–28E, reaching a revenue of INR 26.89bn in FY28. Given muted growth estimates, we anticipate the overall contribution from the generic API business to decrease to 31% by FY28E from ~44% in FY25 (at one point, it contributed 90% of sales).

Exhibit 268: Generic API business to remain muted



Source: Company, HSIE Research

Exhibit 269: Generic API share to come down in the next few years

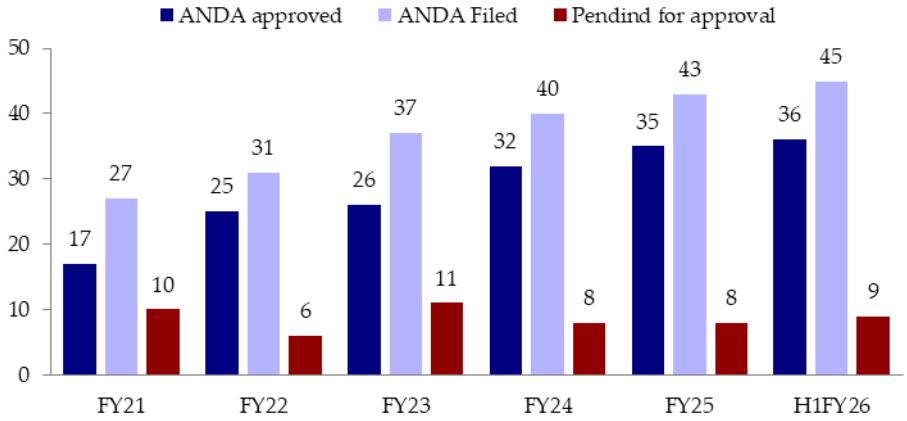


Source: Company, HSIE Research

Generic FDF to see steady growth in the next few years

Laurus's foray into the FDF business in FY19 has led to the subsequent five years being marked by rapid growth, major capacity expansion, and market diversification. The company's shift to FDF was a forward integration strategy, taking it up the value chain from APIs. The FDF segment has seen robust growth in the past few years, primarily driven by tender-driven opportunities via participation in global funds (like PEPFAR and various African tenders), higher volumes in the US, and opportunities from in-licensing of products. Moreover, the company has aggressively invested in infrastructure and doubled its capacity to 10bn units per annum. This is to support anticipated volume growth, particularly focusing on moving beyond the core ARV segment.

Exhibit 270: ANDA filing momentum to continue



Source: Company, HSIE Research

For Laurus, FY23 was a challenging year for the FDF segment, with revenues declining sharply by 39% YoY due to reduced procurement from global agencies and unfavorable pricing. The company expanded its focus into non-ARV therapeutic areas such as anti-diabetic, cardiovascular (CVS), proton pump inhibitors (PPIs), and central nervous system (CNS) products. Over the past two years, the business shifted toward volume-led growth in developed markets and integrated CMO opportunities, which led to a strong recovery in FY24, with sales increasing by 24% year-over-year. This growth was driven by the stabilization of the ARV business and continued volume-led growth in the developed market portfolio. Laurus also received pediatric approval from the USFDA for its first NDA for a novel HIV product based on the oral disintegrating film (ODF) technology platform. In FY25, revenues grew 12% year-over-

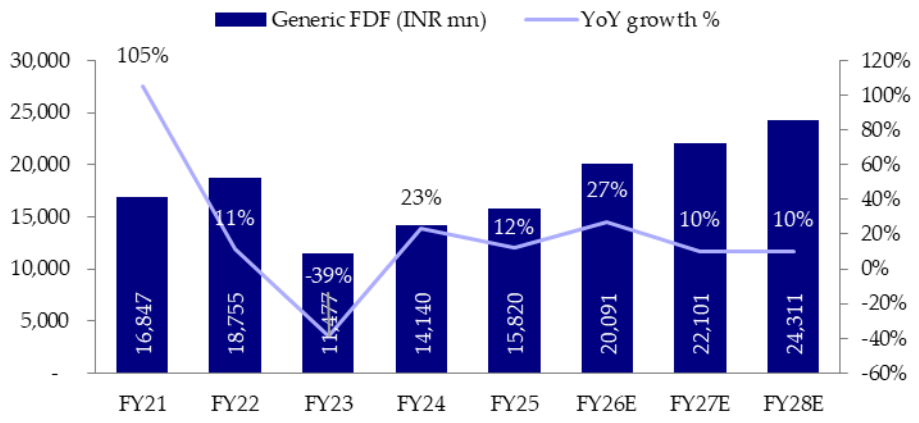
year, supported by healthy progress in the ARV and developed market portfolios, successful execution of multiple integrated CMO contracts, and improved utilization across the manufacturing network.

In FY24, Laurus entered a joint venture with KRKA (51% Keka:49% Laurus) to enhance the generic portfolio and market presence. The JV focuses on manufacturing pharma products for global markets and exploring untapped markets outside the European Union and aims to service the India market over a period. The collaboration enhanced the generic portfolio, particularly leveraging KRKA's extensive pipeline of over 170 products across innovative generics in therapeutic areas such as CVS, CNS, gastro, and anti-diabetics. As of Q2FY26, construction has commenced on a new cGMP FDF facility in Hyderabad, situated on a 19-acre site. The project is anticipated to be completed by mid-2027. Laurus and KRKA have invested ~INR 2.15bn cumulatively over the past 18 months (Laurus invested INR 1.05bn and KRKA INR 1.1bn), with a total capex outlay of INR 5bn. During this phase, the company intends to expand its highly potent and oncology OSD capacity by over 150mn units per year. In Phase II, an additional 10bn OSD (tablet/capsule) units per year will be added. Further, the JV is undertaking ongoing capacity expansion at Vizag to meet clients' immediate commercial requirements, with commissioning expected by Dec 2025. Multiple products are being placed on stability, and portfolio evaluation for the US market is underway.

The generics FDF business is expected to see steady growth over the next few years, driven by several strategic initiatives focusing on expansion, capacity, and market diversification. Key drivers include: (1) the expansion of the non-ARV segment into developed markets, including the US, Europe, Canada, and the rest of the world (RoW). Revenues from the ramp-up of the non-ARV portfolio, especially approvals within the North American market, are anticipated to drive growth; (2) capacity expansion to meet demand as well as support geographical expansion and improve asset utilization, as increased sales from new contracts are expected to enhance utilization rates; (3) leveraging CMO partnerships through commercial execution to support portfolio diversification, expand the diabetes and CVS portfolio, and build a long-term partnership with a leading generic player in the EU region; and (4) a strategic joint venture with KRKA, which is set to enhance the generic portfolio and market presence, offering highly attractive growth prospects.

Over FY21-25, generic FDF business delivered a -2% sales CAGR (it grew 54% YoY in H1FY26). Looking ahead, we expect a sales CAGR of 15% for FY25-28E, to reach a revenue of INR 24.31bn in FY28, led by new launches, traction in KRKA JV, CMO opportunities, and capacity expansion over the next few years.

Exhibit 271: Generic FDF to see steady growth over the next few years

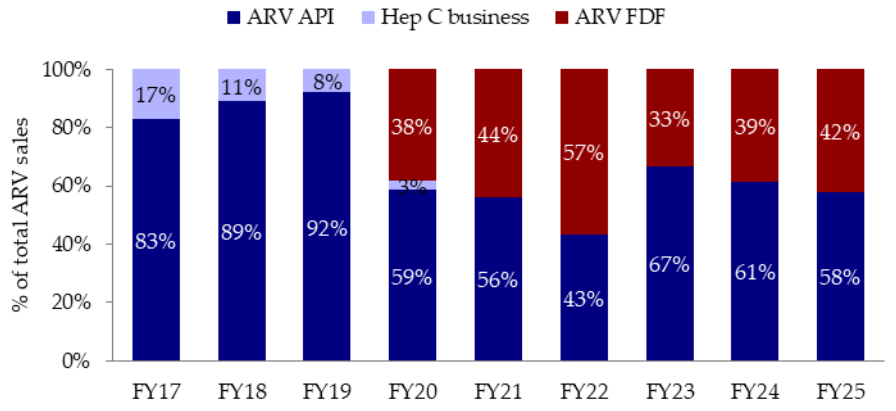


Source: Company, HSIE Research

ARV business to be lumpy in nature

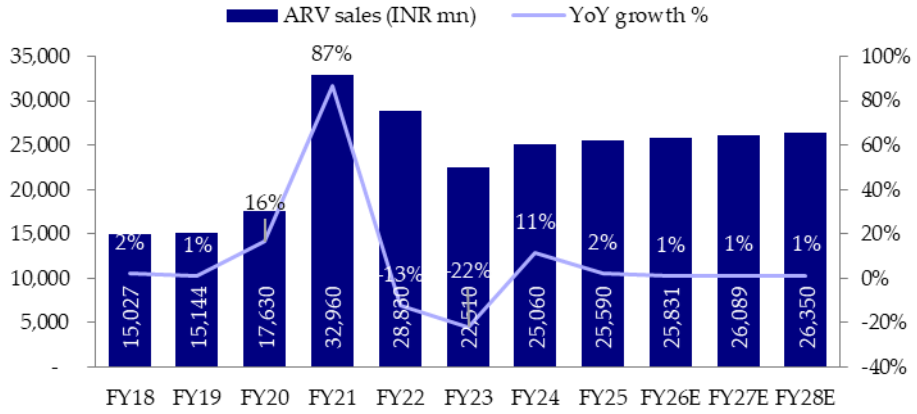
Over FY05-10, Laurus ventured into ARV supply business and achieved market leadership. The significant volume growth was attributed to a therapy shift from Efavirenz-based treatment to Dolutegravir-based treatment. Laurus secured approvals for all three APIs (Dolutegravir, Lamivudine, Tenofovir) in the triple drug combination, leading to higher volume uptake from customers. Further, Laurus was able to maintain its leading market share in the first-line HIV treatment space. The ARV tender business from low and middle-income countries (LMIC) was at the forefront of the formulation strategy in past, relying on participation via global fund tenders such as PEPFAR and WHO. Going ahead, growth in the ARV business will remain stagnant and the company expects stabilization of the ARV business and continued efforts to secure global fund tenders. However, diversion from the ARV business with a focus on the high-margin CDMO and biotech businesses as well as expanding footprint in the non-ARV business would keep the latter's growth muted. This, along with uncertainty about global funding due to US aid cuts for pre-exposure prophylaxis (which accounts for ~20% of the overall HIV treatment market), presents significant challenges. Over the past several years, the ARV contribution has reduced to 46% of sales in FY25, from ~64% in FY17; we assume the ARV contribution will continue to reduce to ~34% of sales by FY28.

Exhibit 272: ARV sales mix



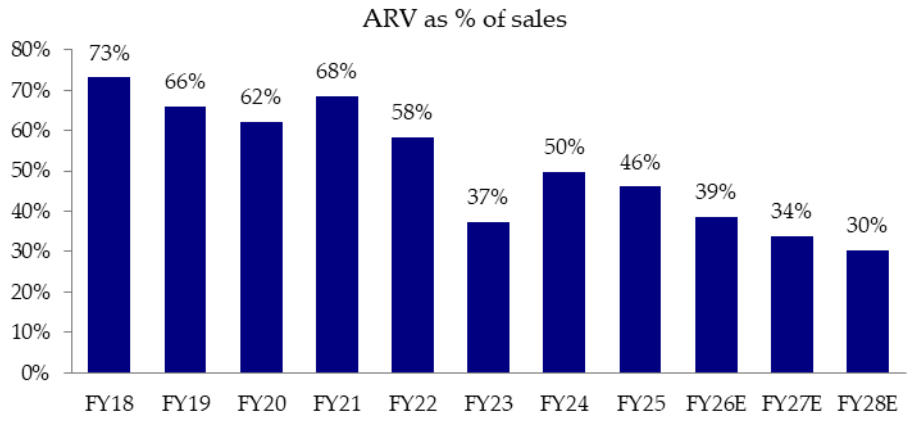
Source: Company, HSIE Research

Exhibit 273: ARV sales remain volatile and we assume no growth for next few years



Source: Company, HSIE Research

Exhibit 274: ARV share to come down in a few years

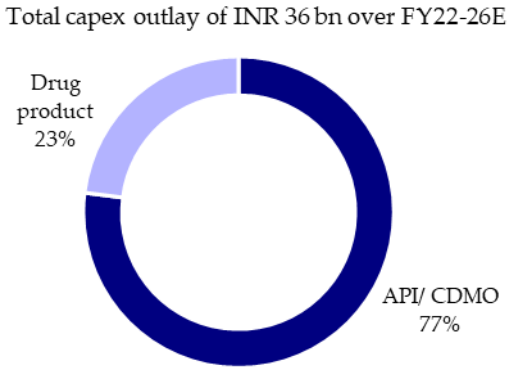


Source: Company, HSIE Research

Capacity expansion across the business to drive long-term growth

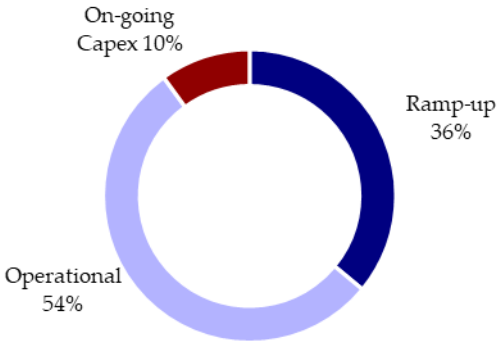
Over FY22-26, Laurus intends to invest ~INR 36bn in capex, with over 85% allocated is to their API/CDMO portfolio. This investment will be supported by an integrated drug product strategy and a significant portion of the capex will go toward continuous manufacturing. As of Q2FY26, ~INR 12.96 bn worth of capex (36% of total outlay) will be in the ramp-up phase and help drive near-term growth, while a major part of the capex (INR 19.44 bn or 54% of the total outlay) that has been operational will enter the ramp-up phase in the next few years and this will drive growth. Also, for future growth, the company has ongoing capex of ~INR 3.6bn (~10% of total outlay). Moreover, the capex outlay of INR 50-80bn for the next 4-5 years will be through internal accruals and interchange based on business opportunities this includes investment to create state-of-art pharma complex at Vizag (~532 acres land allotted by Government of Andra Pradesh) for which the company has proposed to invest over USD 600 mn in the next eight years.

Exhibit 275: Capex project mix



Source: Company, HSIE Research

Exhibit 276: Phase-wise split of investments



Source: Company, HSIE Research

We note the company's gross asset turnover is lower at 0.7x in FY25, on a decline for the past 3-4 years, given aggressive expansion to support high growth/margin business in CDMO and biotech. We expect asset sweating, led by traction in new capabilities such as ADCs, Hi-Po APIs, and biotech, for the next few years. We also expect scale-up in the FDF business to help improve the asset turnover to ~1x by FY28.

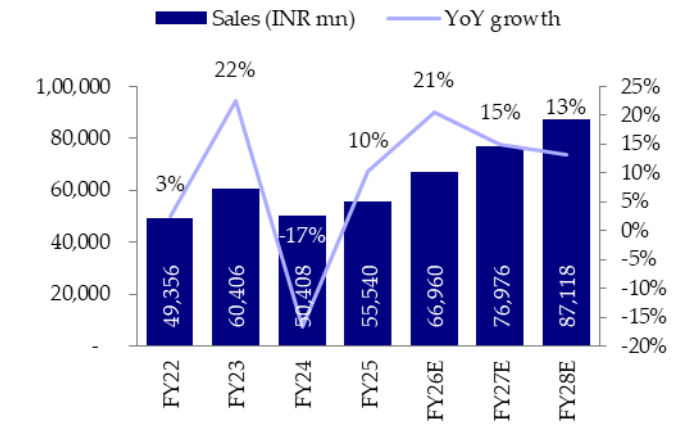
Exhibit 277: Asset turnover to improve

	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross block (INR mn) incl CWIP	42,872	50,653	57,760	64,269	72,433	82,243	91,929
Asset turnover (x) on gross block	1.2	1.2	0.9	0.9	0.9	0.9	0.9
Fixed assets (INR mn) incl CWIP	32,194	37,131	40,666	43,353	46,700	51,015	54,535
Asset turnover (x) on Fixed assets	1.5	1.6	1.2	1.3	1.4	1.5	1.6

Source: Company, HSIE Research

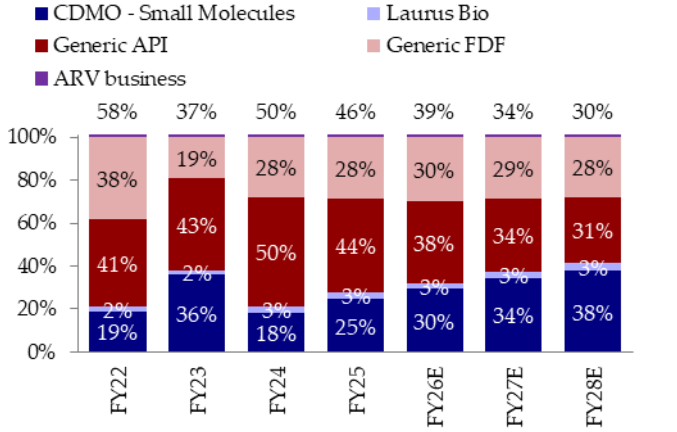
Key financial charts

Exhibit 278: Strong revenue growth visibility



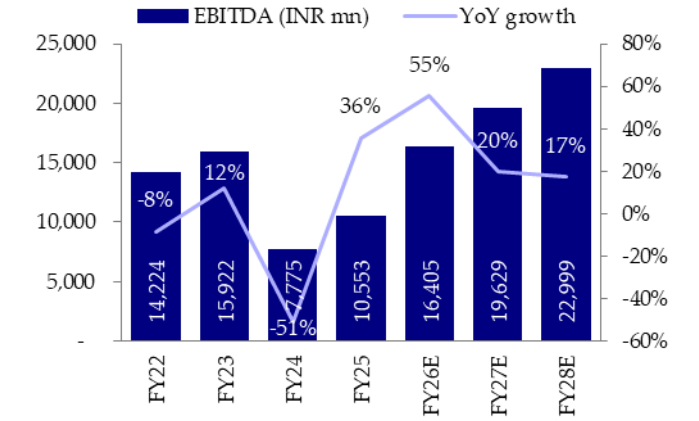
Source: Company, HSIE Research

Exhibit 279: Business mix to improve toward CDMO



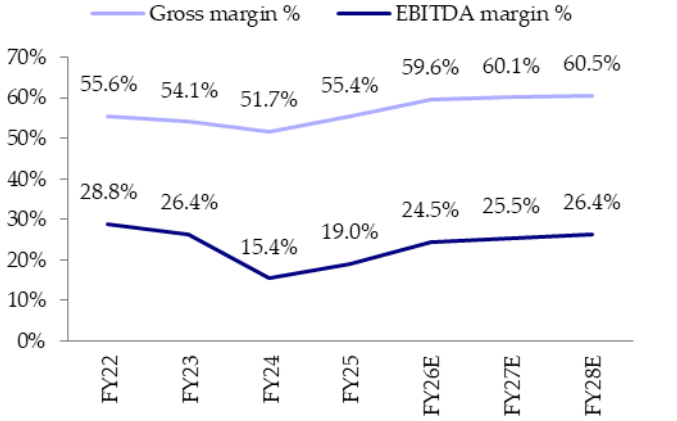
Source: Company, HSIE Research

Exhibit 280: Strong EBITDA growth



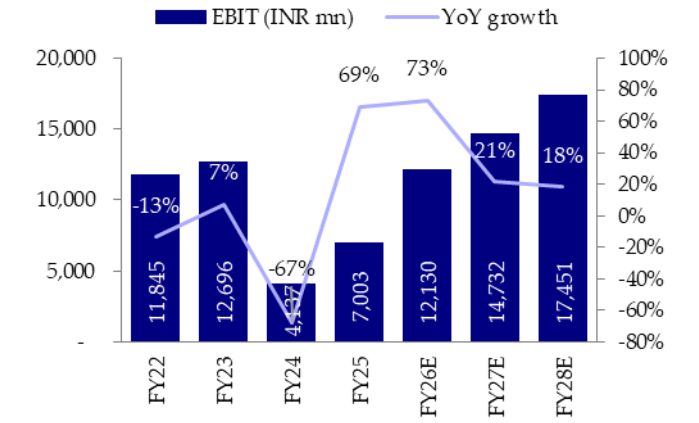
Source: Company, HSIE Research

Exhibit 281: Gross and EBITDA margin to improve



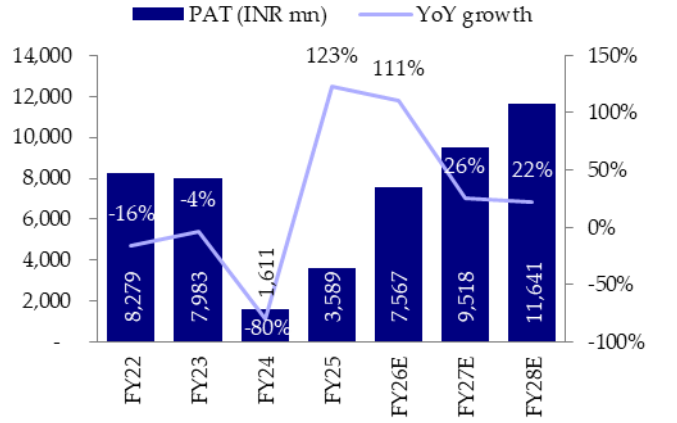
Source: Company, HSIE Research

Exhibit 282: EBIT growth in line with margin improvement



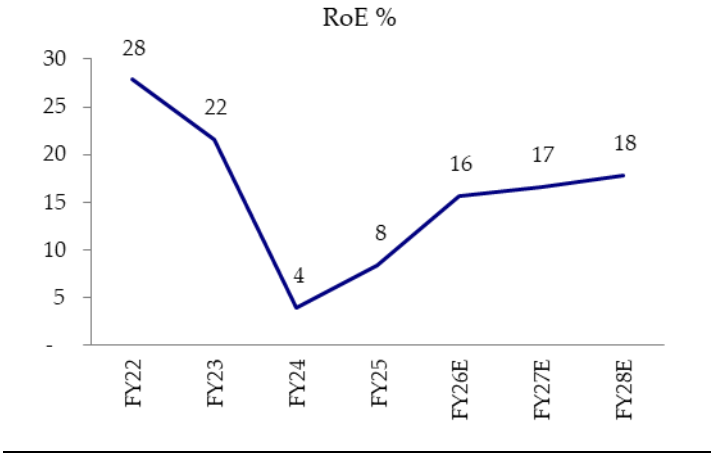
Source: Company, HSIE Research

Exhibit 283: Strong PAT growth visibility



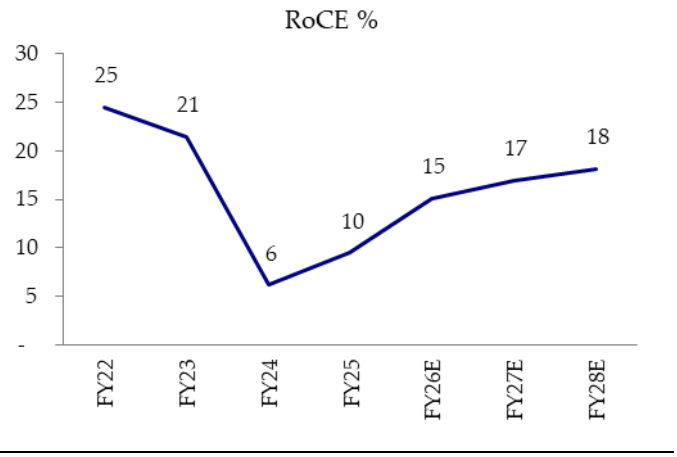
Source: Company, HSIE Research

Exhibit 284: RoE to improve after a dip in FY24/25



Source: Company, HSIE Research

Exhibit 285: Improving margin to drive RoCE



Source: Company, HSIE Research

Exhibit 286: Net debt to EBITDA is expected to improve over the next few years

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross debt (incl lease liabilities)	17,767	20,151	25,774	27,637	22,014	20,920	18,326
Cash and equivalent	759	485	1,417	1,442	876	2,409	5,205
Net debt/ (cash)	**17,007**	**19,666**	**24,358**	**26,195**	**21,138**	**18,511**	**13,121**
Equity	33,591	40,487	41,156	46,025	53,120	62,141	73,296
EBITDA	14,224	15,922	7,775	10,553	16,405	19,629	22,999
Gross debt to equity (x)	0.53	0.50	0.63	0.60	0.41	0.34	0.25
Gross debt to EBITDA (x)	1.25	1.27	3.31	2.62	1.34	1.07	0.80
Net debt to equity (x)	0.51	0.49	0.59	0.57	0.40	0.30	0.18
Net debt to EBITDA (x)	**1.20**	**1.24**	**3.13**	**2.48**	**1.29**	**0.94**	**0.57**

Source: Company, HSIE Research

Exhibit 287: Steady FCF generation visibility for next few years

(INR mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	10,837	11,152	2,383	4,866	10,413	13,101	16,022
Operating Profit before WC	**14,350**	**15,947**	**7,993**	**11,138**	**16,434**	**19,658**	**23,029**
(Inc.)/Dec in working capital	(3,416)	(3,153)	(290)	(3,746)	1,591	(2,080)	(2,245)
Cash flow from operations	**10,934**	**12,794**	**7,703**	**7,392**	**18,026**	**17,578**	**20,784**
Cash Taxes paid	(1,823)	(2,855)	(1,046)	(1,375)	(2,916)	(3,668)	(4,486)
Net Cash from operating activities	**9,111**	**9,939**	**6,657**	**6,017**	**15,110**	**13,910**	**16,298**
Capex	(8,768)	(9,902)	(7,499)	(6,410)	(10,130)	(10,130)	(10,130)
Free cash flow	**343**	**37**	**(842)**	**(393)**	**4,980**	**3,780**	**6,168**
OCF to EBITDA	**64%**	**62%**	**86%**	**57%**	**92%**	**71%**	**71%**

Source: Company, HSIE Research

Exhibit 288: Export trend for key products

USD mn	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	FY24	FY25	YoY growth %
Dolutegravir, Lamivudine And Tenofovir	11	19	22	23	10	14	13	31	30	26	75	68	-9%
Metformin Hcl	2	2	3	4	3	4	5	6	6	8	10	19	83%
Tenofovir Disoproxil Fumarate	9	5	9	10	10	7	7	8	8	14	33	33	1%
Lamivudine	-	-	-	-	-	-	-	7	28	5	-	7	NA
Pantoprazole Sodium	4	4	2	5	5	4	4	4	5	6	15	16	10%
Sitagliptin	2	3	3	5	3	3	3	6	2	7	13	14	10%
Emtricitabine	2	1	2	1	2	1	3	3	3	3	5	9	61%
Dolutegravir Sodium	0	0	1	2	2	0	0	5	4	2	3	7	154%
Valsartan Hctz	2	1	1	1	1	1	1	2	1	2	6	6	-6%
Pirfenidone	0	2	1	1	1	1	0	2	0	1	4	5	8%
Esomeprazole Magnesium	0	2	1	1	1	1	1	2	1	0	4	4	1%
Hydroxychloroquine	1	2	0	2	0	1	1	1	1	3	5	3	-31%
Atorvastatin Calcium	-	-	0	0	1	1	0	1	1	2	0	3	4400%
Pregabalin	1	1	1	2	1	0	1	0	0	0	4	3	-35%
Gemcitabine	0	0	1	1	1	1	0	1	1	1	2	3	19%

Source: EXIM, Company, HSIE Research

Outlook and valuation

Laurus has scaled up its CDMO business over the past 6-7 years (~30% sales CAGR over FY21-25). The business mix has also improved, with the contribution from CDMO increasing to 28% in FY25 (up from 11% in FY21).

- We expect the CDMO business to lead the company's future growth, supported by (1) accelerated expansion in CDMO (across ADCs, Hi-Po APIs, CGT, and complex molecules; biotech business); (2) integrated R&D capabilities (flow chemistry, fermentation, and biocatalysis); (3) late-phase NCE projects (includes human, animal, and agrochemical) with big pharma clients; and (4) strong support for the overall EBITDA margin expansion.
- We note within other businesses (72% of sales) – generic API (~44% of sales) to see muted growth due to price pressure, increasing competition, and maturing of ARV business, which is expected to be partly offset by steady growth in generic FDF (28% of sales), led by CMO partnerships, capacity expansion, and new launches.
- Capacity expansion for new capabilities to drive long-term growth.

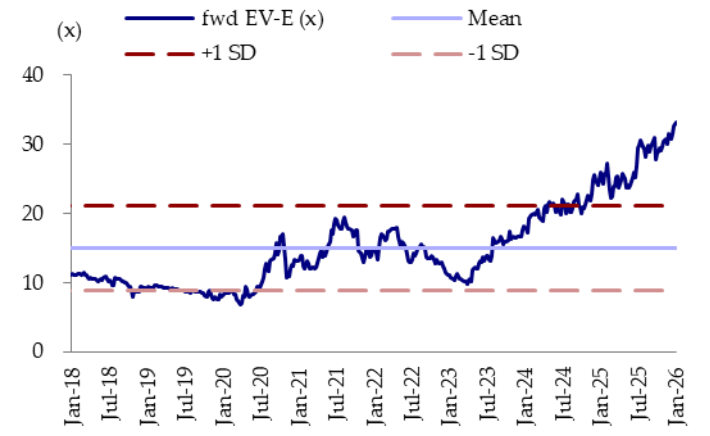
We expect Laurus to see 16/30% sales/EBITDA CAGRs over FY25-28E and margin to improve to ~26.4% in FY28 (from ~19% in FY25). We estimate a revenue CAGR over FY25-28E for (1) CDMO small molecules at 34%, (2) Laurus Bio at 24%, (3) Generic API at 3%, and (4) Generic FDF at 15%. The stock has re-rated in past 12 months (stock price up 80+%) which factors the strong near-term outlook and provides limited upside potential. We initiate coverage with an REDUCE rating and a TP of INR 1,040 based on 26x Q3FY28E EV/EBITDA (implies 51x PE). We have arrived on TP by assigning a 36x EV/EBITDA multiple for its fast growing and higher-margin CDMO + Biotech business and 11x EV/EBITDA for its generic business (API + FDF).

Exhibit 289: Valuations

Valuations	EBITDA (INR mn)	Q3FY28E multiple (x)	EV (INR mn)
Reported EBITDA	**22,157**	**26**	**576,072**
Less: Net debt (INR mn; as of Q3FY28E)			14,468
Equity value (INR mn)			**561,604**
Target price (INR/ share)			**1,040**
EPS (INR/ share)			21
Implied PE (x)			51

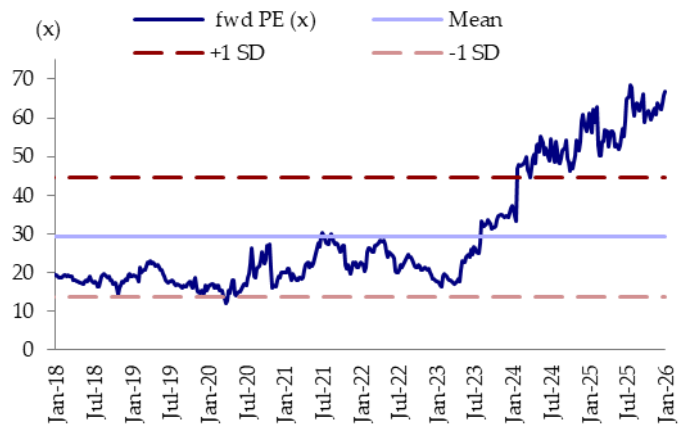
Source: Company, HSIE Research, Total Net debt includes lease liabilities

Exhibit 290: EV/ EBITDA chart



Source: Company, HSIE Research

Exhibit 291: PE chart



Source: Company, HSIE Research

Financials

Profit & loss (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**48,885**	**60,142**	**50,018**	**55,079**	**66,960**	**76,976**	**87,118**
Other operating income	470	263	390	461	0	0	0
Total operating income	**49,356**	**60,406**	**50,408**	**55,540**	**66,960**	**76,976**	**87,118**
Cost of goods sold	(21,938)	(27,743)	(24,324)	(24,780)	(27,052)	(30,713)	(34,412)
Gross profit	27,418	32,662	26,084	30,760	39,908	46,262	52,707
Gross margin (%)	56	54	52	55	60	60	61
Total operating expenses	(13,194)	(16,740)	(18,309)	(20,207)	(23,503)	(26,634)	(29,707)
EBITDA	**14,224**	**15,922**	**7,775**	**10,553**	**16,405**	**19,629**	**22,999**
EBITDA margin (%)	28.8	26.4	15.4	19.0	24.5	25.5	26.4
Depreciation	(2,515)	(3,241)	(3,846)	(4,301)	(4,847)	(5,526)	(6,196)
EBIT	**11,709**	**12,681**	**3,929**	**6,252**	**11,559**	**14,103**	**16,803**
Net interest	(1,007)	(1,606)	(1,773)	(2,160)	(1,717)	(1,632)	(1,429)
Other income	136	14	207	751	571	629	648
Profit before tax	**10,837**	**11,152**	**2,383**	**4,866**	**10,413**	**13,101**	**16,022**
Total taxation	(2,514)	(3,123)	(682)	(1,299)	(2,916)	(3,668)	(4,486)
Tax rate (%)	23	28	29	27	28	28	28
Profit after tax	8,323	8,029	1,702	3,567	7,497	9,433	11,536
Minorities	47	33	17	0	(20)	(20)	(20)
Profit/ Loss associate co(s)	2	32	(59)	39	50	65	85
Adjusted net profit	**8,279**	**7,983**	**1,611**	**3,589**	**7,567**	**9,518**	**11,641**
Adj. PAT margin (%)	17	13	3	7	11	12	13
Net non-recurring items	(1)	45	14	17	0	0	0
Reported net profit	**8,278**	**8,027**	**1,625**	**3,606**	**7,567**	**9,518**	**11,641**

Balance sheet (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Paid-up capital	1,075	1,077	1,078	1,079	1,080	1,080	1,080
Reserves & surplus	32,437	39,298	40,032	43,647	50,760	59,802	70,977
Net worth	33,591	40,487	41,156	46,025	53,120	62,141	73,296
Borrowing	17,767	20,151	25,774	27,637	22,014	20,920	18,326
Other non-current liabilities	2,570	3,642	2,415	4,367	7,237	8,132	9,038
Total liabilities	**69,680**	**76,604**	**83,870**	**93,356**	**101,029**	**112,698**	**125,101**
Gross fixed assets	35,084	45,562	54,059	60,264	70,241	80,081	89,797
Less: Depreciation	(11,022)	(13,939)	(17,622)	(21,494)	(26,341)	(31,867)	(38,063)
Net fixed assets	24,062	31,623	36,437	38,769	43,900	48,215	51,735
Add: Capital WIP	8,132	5,508	4,228	4,584	2,800	2,800	2,800
Total fixed assets	32,194	37,131	40,666	43,353	46,700	51,015	54,535
Total Investment	308	499	1,240	2,333	2,613	2,613	2,613
Inventory	17,603	16,848	18,454	19,365	21,948	24,803	27,829
Debtors	13,542	15,804	16,629	20,072	22,134	25,017	28,071
Cash & bank	759	485	1,417	1,442	876	2,409	5,205
Loans & advances	6	10	10	9	11	13	15
Current liabilities	15,753	12,325	14,525	15,327	18,659	21,505	24,441
Total current assets	33,446	34,617	38,350	43,323	47,450	54,787	63,652
Net current assets	17,693	22,292	23,824	27,997	28,792	33,282	39,211
Other non-current assets	1,269	1,894	1,152	1,884	1,802	1,820	1,838
Total assets	**69,681**	**76,604**	**83,870**	**93,356**	**101,029**	**112,698**	**125,101**

Source: Company, HSIE Research

Cash flow (INR mn)

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	10,837	11,152	2,383	4,866	10,413	13,101	16,022
Depreciation & Amortisation	(2,515)	(3,241)	(3,846)	(4,301)	(4,847)	(5,526)	(6,196)
Chg in working capital	(3,416)	(3,153)	(290)	(3,746)	1,591	(2,080)	(2,245)
CF from operations	**9,111**	**9,939**	**6,657**	**6,017**	**15,110**	**13,910**	**16,298**
Capital expenditure	(8,768)	(9,902)	(7,499)	(6,410)	(10,130)	(10,130)	(10,130)
CF from investing	**(9,143)**	**(9,961)**	**(8,224)**	**(6,817)**	**(11,633)**	**(10,130)**	**(10,130)**
Equity raised/ (repaid)	43	74	26	102	0	0	0
Debt raised/ (repaid)	2,702	2,216	5,411	1,871	(5,624)	(1,094)	(2,594)
Dividend paid	(859)	(1,075)	(862)	(431)	(454)	(476)	(466)
CF from financing	**303**	**(266)**	**2,498**	**393**	**(7,721)**	**(3,208)**	**(4,495)**
Net chg in cash	270	(288)	931	(408)	(4,244)	572	1,672

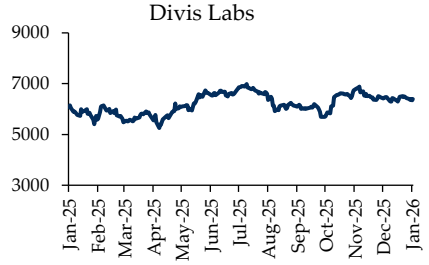
Key ratios

March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OPERATIONAL							
FDEPS (Rs)	15.3	14.8	3.0	6.6	14.0	17.6	21.6
CEPS (Rs)	20.0	20.9	10.1	14.6	23.0	27.9	33.0
DPS (Rs)	1.6	2.0	1.6	0.8	0.8	0.9	0.9
Dividend payout ratio (%)	10.4	13.4	53.0	12.0	6.0	5.0	4.0
GROWTH							
Net sales (%)	3.5	23.0	(16.8)	10.1	21.6	15.0	13.2
EBITDA (%)	(8.3)	11.9	(51.2)	35.7	55.5	19.6	17.2
Adj net profit (%)	(15.8)	(3.6)	(79.8)	122.8	110.8	25.8	22.3
FDEPS (%)	(15.8)	(3.6)	(79.8)	122.8	110.8	25.8	22.3
PERFORMANCE							
RoE (%)	27.8	21.6	4.0	8.4	15.7	16.9	17.5
RoCE (%)	24.5	21.5	6.2	9.5	15.1	17.0	18.2
EFFICIENCY							
Asset turnover (x)	1.6	1.5	1.0	1.0	1.0	1.0	1.0
Sales/ total assets (x)	0.8	0.8	0.6	0.6	0.7	0.7	0.7
Working capital/ sales (x)	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Receivable days	101	96	121	133	121	119	118
Inventory days	183	138	158	157	158	158	158
Payable days	91	58	90	78	85	87	90
FINANCIAL STABILITY							
Total debt/ equity (x)	0.6	0.5	0.6	0.6	0.4	0.4	0.3
Net debt/ equity (x)	0.6	0.5	0.6	0.6	0.4	0.3	0.2
Current ratio (x)	2.1	2.8	2.6	2.8	2.5	2.5	2.6
Interest cover (x)	11.6	7.9	2.2	2.9	6.7	8.6	11.8
VALUATION							
PE (x)	71.9	74.6	369.4	165.8	78.7	62.5	51.1
EV/ EBITDA (x)	43.0	38.6	79.7	59.0	37.6	31.3	26.5
EV/ Net sales (x)	12.5	10.2	12.4	11.3	9.2	8.0	7.0
PB (x)	17.8	14.7	14.5	13.3	11.5	9.8	8.3
Dividend yield (%)	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Free cash flow yield (%)	0.1	0.0	(0.1)	(0.1)	0.8	0.6	1.0

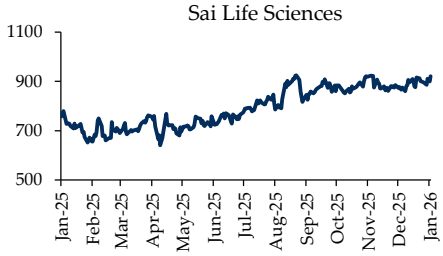
Source: Company, HSIE Research

Price history

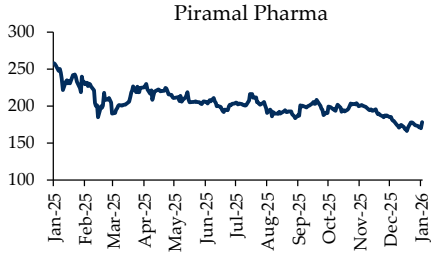
Divis Labs



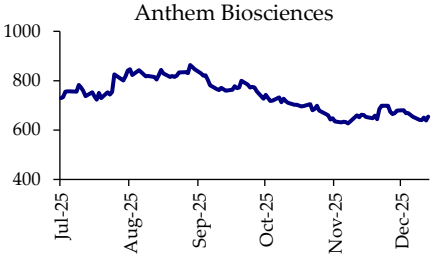
Sai Life Sciences



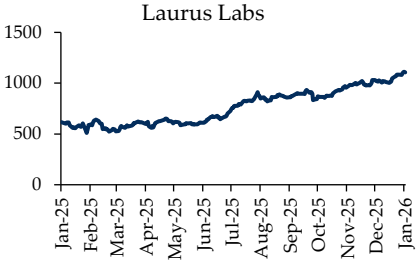
Piramal Pharma



Anthem Biosciences



Laurus Labs



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

Disclosure:

We, **Mehul Sheth, MBA & Divyaxa Agnihotri, MSc** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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