BUY
TP: Rs 1,240 | ∧ 26%

COHANCE LIFESCIENCES | Pharmaceuticals | 14 August 2025

Long-term guidance of USD1bn sales remains intact

- **Reported earnings sales/EBITDA/PAT were 1%/12%/17% below estimates. EBITDA margin reported 690 bps lower than our estimates**
- **Niche technologies' contribution increased from 15% in FY25 to 20% in 1QFY26. Expected to increase to ~25% by end of FY26**
- **Lower-than-estimated earnings lead to lower ascribed PE of 52x (earlier 56x) on June'27 roll forward, to arrive at TP of Rs 1,240 (earlier Rs 1328)**

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Earnings below our estimates: Revenue was 1% below our estimates but grew by 12.5% YoY. EBITDA reported lower by 10.5% YoY, missing our estimates by 12% due to a one-time expense of Rs 171 mn, which includes ESOPS cost and 23mn forex. Adjusting against this one-time expense, EBITDA grew by 4%. Due to the integrated numbers from Sapala, NJ, Cohance and Suven Pharma, depreciation cost has risen by 44%, Other Income lowered by 27% and exceptional item of Rs 81mn resulted in a 38% decline in PAT.

Pharma CDMO sales lower due to inventory destocking: During the quarter, Pharma CDMO sales grew by 1% to Rs 2bn, due to destocking faced in 2 large molecules supplied to the innovators. Adjusting for the de-stocking, the segment grew by 30%. Destocking is likely to continue throughout FY26. However, the niche technologies segment is growing well and contributes 20% of total sales vs 15% of total sales in FY25. Niche technologies will likely drive Pharma CDMO growth and the segment will likely contribute ~25% by FY26.

Crop Chem growth driven by new projects: During the quarter, Crop Chem segment grew 28% to Rs 505 mn, driven by recovery in agrochemicals on a lower base and new product launches. The company expects shipments to pick up in the latter part of the year, hence, expects this segment to grow in double digits in FY26.

Life-cycle management supplies to drive API growth: API sales grew by 19% YoY to Rs 2.9bn. COHANCE has a healthy pipeline and is scaling up its existing product portfolio. The company has validated 2 new products in this segment and expects to validate another 7-8 products and subsequently do filings.

Valuation: We have introduced FY28 estimates and arrived at a sales/EBITDA/PAT CAGR of 21%/27%/33%; thereby expecting it to remain in the high growth trajectory. However, due to near-term headwinds, we ascribe a lower PE of 51x (earlier 56x) on June'27 roll forward basis to arrive at a PT of Rs 1240 (earlier Rs 1328).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	COHANCE IN/Rs 986
Market cap	US$ 4.4bn
Free float	50%
3M ADV	US$ 2.9mn
52wk high/low	Rs 1,360/Rs 911
Promoter/FPI/DII	50%/11%/17%

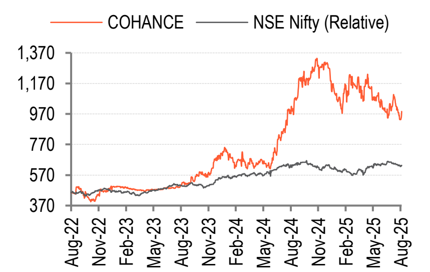
Source: NSE | Price as of 13 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,103	29,496	37,165
EBITDA (Rs mn)	7,996	9,144	12,822
Adj. net profit (Rs mn)	5,464	5,842	8,672
Adj. EPS (Rs)	14.3	15.1	22.6
Consensus EPS (Rs)	14.3	17.6	23.6
Adj. ROAE (%)	14.9	17.0	24.1
Adj. P/E (x)	68.8	65.5	43.5
EV/EBITDA (x)	48.2	42.2	30.1
Adj. EPS growth (%)	(4.8)	5.0	50.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Earnings Call Highlights

RFPs: Responded to a healthy set of RFPs, particularly in HP APIs small molecules. These requests are coming from established customers, expanding the scope of further and reinforces our positioning as a dependable CDMO partner for innovators looking to build supply security

Niche technologies: Growing traction with another Japanese innovators across niche modalities, including oligonucleotides, small molecules in agrochemical and specialty chemicals segments.

Niche technologies contribution: Revenue share has advanced from a mid-teens revenue share in FY25 to above 20% in Q1FY26 and is well on track to approach a mid-20 share by FY26.

Outlook: Expect this segment to be a meaningful driver of our growth trajectory. This is because the bioconjugation capacity expansion in Princeton, the CGMP oligonucleotide building block facility at Nacharam, and the customised payload linker synthesis ramp-up in the US and India together will deliver significantly higher margins, going forward.

ADC: Strengthened our long-standing partnership with the leading innovator in ADC payloads, with discussions progressing towards broader strategic collaboration.

NJ Bio: At NJ Bio, US-based subsidiary, received a significant new order from an existing customer for full ADC supply in early phase payload linker synthesis to bioconjugation. To support this and meet future demand, have commenced expansion of a dedicated CGMP suite in bioconjugation at the Princeton facility by committing an investment of USD $10 mn. This will significantly enhance our capacity, enabling a supply of full ADCs to clinical studies.

Payloads: First adjacent payload program is under discussion, further strengthening our position in the ADC payload market, where our two leading payload categories together account for nearly 80% of current R & D pipeline program.

Nacharam Oligonucleotide facility: CGFP oligonucleotide building block facility backed by RS 230mn investment, is progressing on schedule and is expected to be fully operational by CY25-end. Early-stage engagements with innovative partners are advancing well with planned audits anticipated over the coming quarters.

New Leadership: Appointed Mr. Yann D. Herb as CEO for the CDMO business, a strategic leadership move aligned with global growth agenda. and brings over 3 decades of experience, including nearly 15 years in the senior CDMO roles, and has built trusted relationships with leading innovators across US, EU and Asia.

Pharma CDMO Client list: Working with 19+ global innovators including our NJ Bio and Sapala customer network, regarding Pharma CDMO. We signed several new CDS and Master service agreements by adding top 4 large innovator customers across the platform, apart from a few mid and small biotech companies

API: Secured a lifecycle management opportunity from a leading innovator for a branded product, API despite its long-term sustainable and margin-accretive nature. Collaboration has immense potential to scale up in the years to come.

Pharma CDMO: Growth was lower at 1%, due to inventory destocking in 2 large products. Adjusting against the destocking, growth was at 30%. Most of the export is to European countries.

Fig 1 – Financial Highlights

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	FY25	FY26E	FY27E	FY28E	BOBCAPS Q1FY26E	Variance (%)
Net Sales	5,493	4,881	13	8,404	(35)	26,103	29,496	37,165	46,457	5,555	(1)
Total Expenses	4,373	3,630		6,112		18,107	20,353	24,343	30,197	4,286	
(%) of net sales	79.6	74.4		72.7						72.7	
Raw material consumed	1,481	1,542	(4)	3,000	(51)	8,304	8,554	10,035	12,079	1,875	
(%) of net sales	27.0	31.6		35.7						35.7	
Staff cost	1333	959	39	1,385	(4)	4,769	5,014	5,946	7,665	1,161	
(%) of net sales	24.3	19.6		16.5						16.5	
Other Expenses	1,558	1,129	38	1,727	(10)	2,269	2,950	3,902	4,878	639	
(%) of net sales	28.4	23.1		20.5						20.5	
EBITDA	1,120	1,251	(10)	2,292	(51)	7,996	9,144	12,822	16,260	1,269	(12)
One time expense	171	81		0		628					
Forex gain/ loss	23	13		0							
Adjusted EBITDA	1,314	1,345	(2)	0							
Depreciation	451	313		542		1,482	1,600	1,663	1,751	500	
Interest	102	102		104		411	456	347	339	110	
Other Income	142	194		121		514	718	777	881	100	
PBT	709	1,030	(31)	1,767	(60)	6,617	7,806	11,589	15,051	759	(7)
Adjusted PBT	903	1,124	(20)								
Less: Taxation	163.6	276.6		437		1,781	1,965	2,917	3,788	200	
Reported PAT	464	754	(38)	1,330	(65)	4,836	5,842	8,672	11,262	559	(17)
Adjusted PAT	658	848	(22)			5,464	5,842	8,672	11,262	559	18
Reported EPS	1.2	2.0		3.5	(65)	12.6	15.3	22.6	29.4	1.5	
Adjusted EPS	1.7	2.2				14.3	15.3	22.6	29.4	0.0	
Key Ratios (%)											
Gross Margin	73.0	68.4		64.3		68.2	71.0	73.0	74.0	64.3	
EBITDA Margin	20.4	25.6		27.3		30.6	31.0	34.5	35.0	27.3	
Tax / PBT	23.1	26.8		24.7		26.9	25.2	25.2	25.2	24.7	
NPM	8.4	15.4		15.8		18.5	19.8	23.3	24.2	15.8	

Source: Company, BOBCAPS Research

Valuation Methodology

Earnings were below our estimates on all fronts, primarily due to the destocking of inventory in the Pharma CDMO segment. According to management, this destocking issue is likely to persist in FY26, thereby impacting FY26 performance. However, management is focusing on niche technologies, the share of which is likely to increase from the current 20% of total sales to 25% of total sales by FY26.

However, management remains intact in its long-term target of achieving USD1bn sales by FY30 with dominant growth driving from niche technologies where the company is ramping up capacities.

We have introduced FY28 estimates and arrived at a sales/EBITDA/PAT CAGR of 21%/27%/33%; thereby expecting it to remain in the high growth trajectory. However, due to near-term headwinds, we cut our sales/EBITDA/PAT by 9%/14%/10% for FY26 and 8%/10%6% respectively in FY27. Proportionately, we ascribe a lower PE of 51x (earlier 56x) on June'27 roll forward basis to arrive at TP of Rs 1,240 (earlier Rs 1,328).

Fig 2 – Change in estimates

(Rs mn)	New		Old		Change (%)	
	FY26	FY27	FY26	FY27	FY26	FY27
Sales	29,496	37,165	32,107	40,133	9	8
EBITDA	9,144	12,822	10,435	14,047	14	10
EBITDA M	31.0	34.5	32.5	35.0	(150bps)	(50bps)
EPS	15.1	22.6	16.5	24.1	10	6

Source: Company, BOBCAPS Research

Key downside risks to our estimates:

- slower-than-expected growth in the crop protection segment
- higher failure of ADC molecules in clinical trials
- inability to add more commercial projects and innovator clients in the Pharma CDMO business

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	**23,922**	**26,103**	**29,496**	**37,165**	**46,457**
EBITDA	7,469	7,996	9,144	12,822	16,260
Depreciation	1,139	1,482	1,600	1,663	1,751
EBIT	6,330	6,514	7,544	11,159	14,509
Net interest inc./(exp.)	406	411	456	347	339
Other inc./(exp.)	731	514	718	777	881
Exceptional items	(1,065)	(628)	0	0	0
EBT	6,655	6,617	7,806	11,589	15,051
Income taxes	1,981	1,781	1,965	2,917	3,788
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**4,674**	**4,836**	**5,842**	**8,672**	**11,262**
Adjustments	0	0	0	0	0
Adjusted net profit	**5,739**	**5,464**	**5,842**	**8,672**	**11,262**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	2,418	2,685	2,344	2,612	3,309
Other current liabilities	0	0	0	0	0
Provisions	0	0	0	0	0
Debt funds	5,274	2,584	2,455	2,332	2,215
Other liabilities	0	0	0	0	0
Equity capital	381	390	390	390	390
Reserves & surplus	30,671	33,280	34,610	36,505	38,678
Shareholders' fund	31,052	33,670	35,000	36,895	39,068
Total liab. and equities	**38,744**	**36,924**	**40,001**	**42,031**	**44,776**
Cash and cash eq.	9,440	2,942	4,866	4,801	4,294
Accounts receivables	6,469	7,721	7,273	8,146	10,182
Inventories	5,986	4,674	4,453	4,399	4,302
Other current assets	0	0	0	0	0
Investments	0	0	0	0	0
Net fixed assets	15,845	21,596	22,676	23,810	25,000
CWIP	0	0	0	0	0
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	1,002	(9)	733	876	997
Total assets	**38,742**	**36,924**	**40,001**	**42,031**	**44,776**

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	**3,545**	**3,364**	**2,753**	**2,223**	**1,920**
Capital expenditures	(2,500)	(2,800)	(3,100)	(3,400)	(2,100)
Change in investments	0	0	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(2,500)**	**(2,800)**	**(3,100)**	**(3,400)**	**(2,100)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	1,915	(2,690)	(129)	(123)	(117)
Interest expenses	75	165	156	147	139
Dividends paid	(572)	(572)	(572)	(572)	(572)
Other financing cash flows	(332)	(1,655)	(3,941)	(6,205)	(8,517)
Cash flow from financing	**605**	**(5,329)**	**(5,107)**	**(7,257)**	**(9,555)**
Chg in cash & cash eq.	**3,601**	**(4,272)**	**(304)**	**(65)**	**(507)**
Closing cash & cash eq.	**9,442**	**5,170**	**1,895**	**2,995**	**3,933**

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	15.1	14.3	15.1	22.6	29.4
Adjusted EPS	15.1	14.3	15.1	22.6	29.4
Dividend per share	1.5	1.5	1.5	1.5	1.5
Book value per share	81.5	88.4	91.9	96.8	102.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	16.1	14.8	13.1	10.4	8.3
EV/EBITDA	51.6	48.2	42.2	30.1	23.7
Adjusted P/E	65.5	68.8	65.5	43.5	33.5
P/BV	12.1	11.2	10.7	10.2	9.6

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	70.2	73.1	74.8	74.8	74.8
Interest burden (PBT/EBIT)	105.1	101.6	103.5	103.9	103.7
EBIT margin (EBIT/Revenue)	26.5	25.0	25.6	30.0	31.2
Asset turnover (Rev./Avg TA)	61.7	70.7	73.7	88.4	103.8
Leverage (Avg TA/Avg Equity)	0.3	0.3	0.3	0.3	0.3
Adjusted ROAE	18.5	16.2	16.7	23.5	28.8

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(10.4)	9.1	13.0	26.0	25.0
EBITDA	(23.8)	7.1	14.4	40.2	26.8
Adjusted EPS	(14.7)	(4.8)	5.0	50.4	29.9
Profitability & Return ratios (%)					
EBITDA margin	31.2	30.6	31.0	34.5	35.0
EBIT margin	26.5	25.0	25.6	30.0	31.2
Adjusted profit margin	19.5	18.5	19.8	23.3	24.2
Adjusted ROAE	16.0	14.9	17.0	24.1	29.7
ROCE	21.1	19.4	22.4	31.2	38.3
Working capital days (days)					
Receivables	99	108	90	80	80
Inventory	91	65	55	43	34
Payables	54	54	42	39	40
Ratios (x)					
Gross asset turnover	0.6	0.7	0.7	0.9	1.0
Current ratio	9.5	6.1	6.8	6.5	5.7
Net interest coverage ratio	15.6	15.8	16.5	32.1	42.8
Adjusted debt/equity	0.2	0.1	0.1	0.1	0.1

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Note: Recommendation structure changed with effect from 21 June 2021

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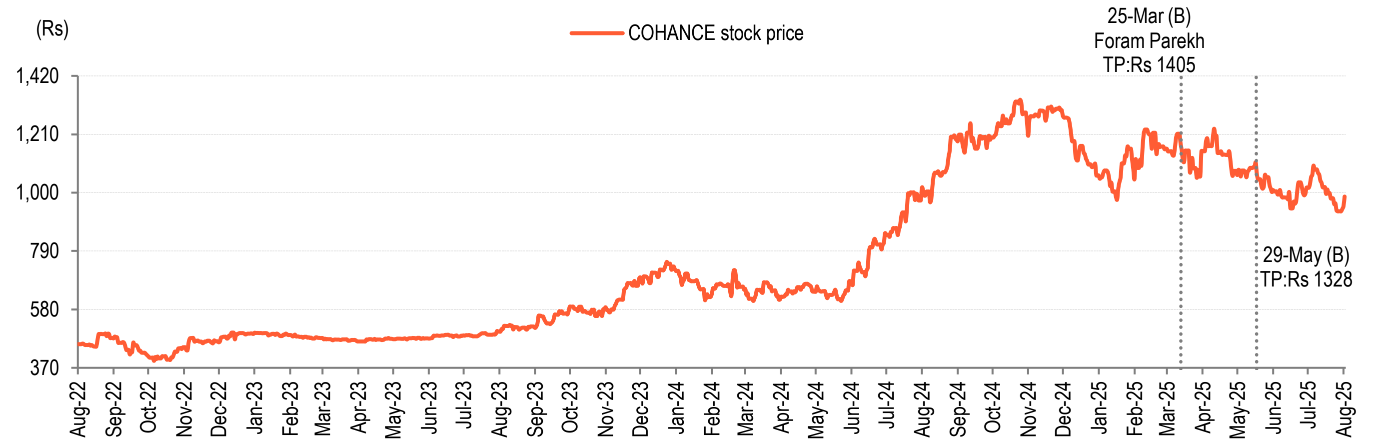

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