RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

SELL
TP: Rs 315 | ∀ 29%

COHANCE LIFESCIENCES

| Pharmaceuticals | 10 August 2026

Double-digit growth guided to begin from FY28

- **The company slipped into a loss of Rs 452 mn in 1QFY27 vs a profit of Rs 464 mn in 1QFY26. Adjusted EBITDA margin was at 2% in 1QFY27**
- **Management guided for double digit growth from FY28 in SpecChem and API++, implying FY27 to witness no to single digit growth**
- **On FY28E EPS, the stock trades at 56x; we continue to ascribe 40x due to low margins, arriving at a PT of Rs 315 (earlier Rs 341). Maintain Sell**

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Too soft earnings – In 1QFY27, sales declined 23.1% YoY to Rs 4.2bn due to 39% YoY decline in Pharma CDMO sales to Rs 1.25bn, 35% YoY decline in Specialty Chemicals CDMO sales to Rs 330 mn, and 10% YoY decline in API+ sales to Rs 2.6bn. Lower product mix led to a 24.7% YoY decline in gross profit to Rs 3bn, with gross margin at 71.5%. EBITDA declined 99% YoY to Rs 12mn, while adjusted EBITDA declined 93% YoY to Rs 92mn. Reported EBITDA margin was at 0.3%, while adjusted EBITDA margin was at 2% in 1QFY27 vs 24% in 1QFY26. Higher depreciation and lower other income led to the company slipping into a loss of Rs 452 mn in 1QFY27 vs a profit of Rs 685 mn in 1QFY26

Pharma CDMO sales impacted by destocking of molecules - Sales from Pharma CDMO declined 39% YoY to Rs 1.2bn due to a 42% YoY decline in sales of niche technologies, which contributed 15% of sales in 1QFY27 vs 20% in 1QFY26, and destocking of 2 molecules in the standalone business. Going forward, the company has visibility on restocking of 1 molecule over a span of 2 years; scheduled commercial deliveries; an expectation of 5 molecules getting commercialized from the current 10 in phase 3; an integrated payload–linker–bioconjugation offering in the ADC segment; Sapala's nucleic-acid capabilities; and improved utilization.

Specialty Chemical sales lower as guided – In 1QFY27, Specialty Chemicals sales declined 35% YoY to Rs 330 mn, impacted by the phasing of molecules in AgChem. The company has guided for this segment to be in the qualification phase in FY27 and expects commercialization to resume from FY28, with a key active ingredient programme expected to become a more meaningful growth contributor from that year onward. Additional programmes with customers in Japan, Europe, and the United States are progressing through registration, sampling, and qualification. Management has guided for double-digit growth from FY28.

Valuation - We reduce our EPS by 30% in FY27, 15% in FY28, and 13% in FY29 due to soft earnings and commentary. Rolling forward to Jun'28 EPS, at CMP, the stock trades at a PE of 56x on EPS of Rs 7.9, and we continue to ascribe a PE of 40x to arrive at a PT of Rs 315 per share (Rs 341 earlier). Maintain Sell.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	COHANCE IN/Rs 446
Market cap	US$ 1.8bn
Free float	50%
3M ADV	US$ 7.6mn
52wk high/low	Rs 1,039/Rs 267
Promoter/FPI/DII	50%/11%/17%

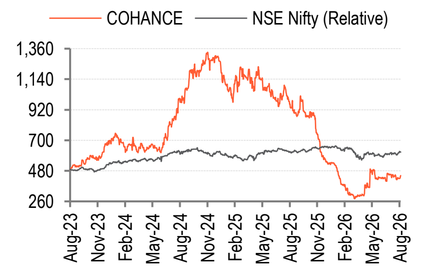
Source: NSE | Price as of 7 Aug 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,085	22,686	22,496
EBITDA (Rs mn)	7,971	4,270	4,049
Adj. net profit (Rs mn)	4,873	1,792	1,608
Adj. EPS (Rs)	11.5	4.7	4.2
Consensus EPS (Rs)	11.5	4.7	6.5
Adj. ROAE (%)	13.4	4.6	3.9
Adj. P/E (x)	38.6	95.2	106.0
EV/EBITDA (x)	21.4	40.0	42.2
Adj. EPS growth (%)	(23.3)	(59.4)	(10.3)

Source: Company, Bloomberg, BOBCAPS Research

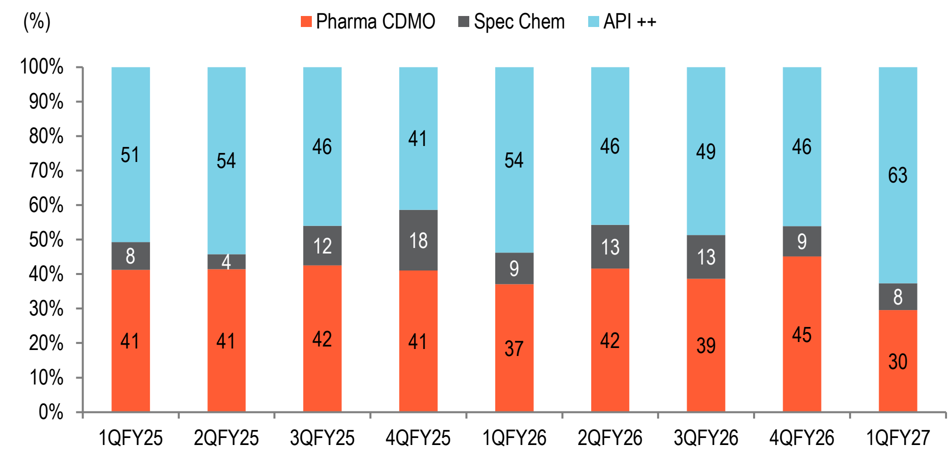
Stock performance



Source: NSE

AP++ sales impacted due to timing issue – In 1QFY27, this segment's sales declined 10% YoY to Rs 2.6bn, impacted by: 1) certain commercial orders and validation campaigns shifting into later quarters; 2) one program affected by an operational event at a customer facility; and 3) lower volumes in select parts of the portfolio, partly offset by favourable pricing (being able to pass on the price hike) and improved product mix. The company deals in controlled substances and niche molecules, supplying them to innovators; thus, this segment is unlike the traditional API business. In the formulations segment, operations at the Nacharam facility have resumed and supplies to the United States have restarted. Full operational normalization is expected to progress during the year. Overall, the company expects to file 7 DMFs and launch 10 products in this segment in FY27, and management expects this segment to grow in double digits from FY28E.

Fig 1 – API++ sales contribution rising



Source: Company, BOBCAPS Research

Quarterly highlights

Fig 2 – Financial highlights

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BoB estimates
Net Sales	4,223	5,493	(23.1)	6,191	(31.8)	4,059
Total Expenses	4,211	4,373	(3.7)	5,204	(19.1)	4,032
(%) of net sales	100	80		84		99
Raw material consumed	1,203	1,481	(18.8)	2,145	(43.9)	1,596
(%) of net sales	28	27		35		39
Staff cost	1,330	1,333	(0.3)	1,290	3.1	1,015
(%) of net sales	31	24		21		25
Other Expenses	1,679	1,558	7.7	1,770	(5.2)	1,421
(%) of net sales	40	28		29		35
EBITDA	12	1,120	(99.0)	987	(98.8)	28
Depreciation	495	451	9.7	512	(3.3)	500
EBIT	(484)	669	NA	475	(202.0)	(472)
Interest	67	102	(33.8)	92	(26.7)	90
Other Income	123	142	(13.5)	(18)	(765.8)	(10)
PBT	(429)	709	NA	364	NA	(572)
Less: Taxation	23	164	(85.8)	116		(144)
Recurring PAT	(452)	545	NA	248	NA	(428)
Exceptional items	0	81		165		0
Reported PAT	(452)	464	NA	83	NA	(428)
Key Ratios (%)						
Gross Margin	71.5	73.0	(151.6bps)	65.4	615.3bps	60.7
EBITDA Margin	0.3	20.4	(2011.6bps)	15.9	(1566.4bps)	0.7
Tax / PBT	(5.4)	23.1	(2849.9bps)	31.9	(3726.2bps)	25.2
NPM	(10.7)	9.9	(2062.3bps)	4.0	(1471.1bps)	(10.6)
Reported EPS	(0.6)	1.3	NA	0.5	(223.4bps)	(1.1)

Source: Company, BOBCAPS Research

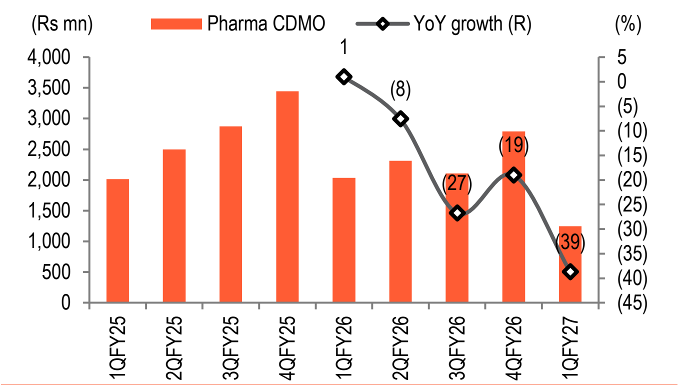
Fig 3 – Segmental mix

(Rs mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	BoB estimates
Pharma CDMO	1,248	2,035	(38.7)	2,792	(55.3)	773
Specialty CDMO	330	505	(34.7)	545	(39.4)	480
API++	2,645	2,954	(10.5)	2,854	(7.3)	2,806
Total revenues	4,223	5,494	(23.1)	6,191	(31.8)	4,059

Source: Company, BOBCAPS Research

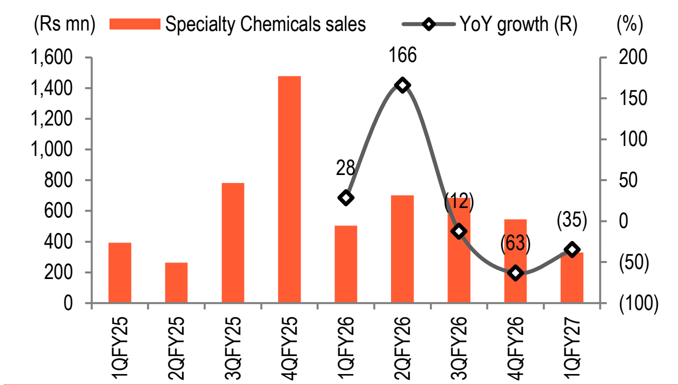
Financial Charts

Fig 4 – Pharma CDMO sales lowered due to destocking in 2 molecules



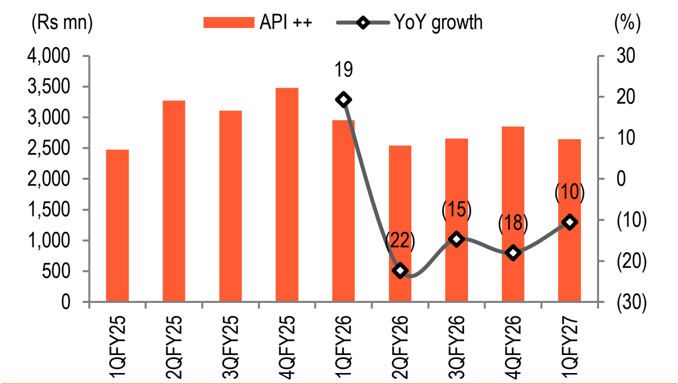
Source: Company, BOBCAPS Research

Fig 5 – Spec chem sales lowered due to phasing of products in Agchem



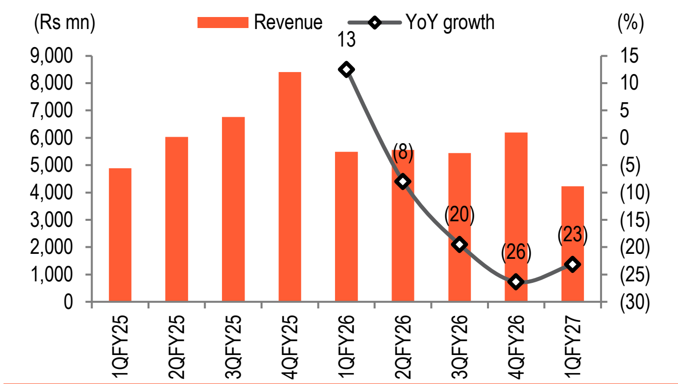
Source: Company, BOBCAPS Research

Fig 6 – API++ sales lowered due to timing issues



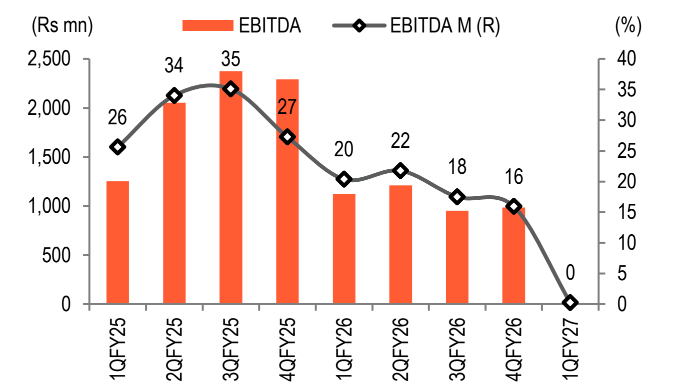
Source: Company, BOBCAPS Research

Fig 7 – Sales declined due to lower segmental sales



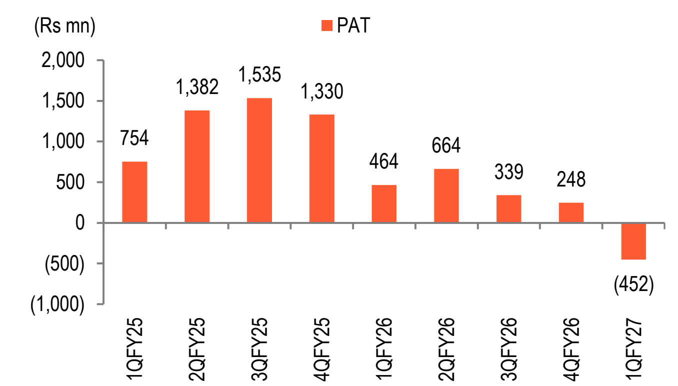
Source: Company, BOBCAPS Research

Fig 8 – EBITDA lowered due to lower product mix



Source: Company, BOBCAPS Research

Fig 9 – Lower operations led to loss



Source: Company, BOBCAPS Research

Valuation methodology

COHANCE sales and adjusted EBITDA were above our estimates; however, adjusted LAT (loss after tax) was in-line with our expectations. However, going forward there are many concerns such as: restocking visibility in 1 molecule spread over a period of 2 years out of 2 destocking molecules in Pharma CDMO, (though 2 molecules have moved to commercial stage, taking the current total to 18, with 2 more expected to move in 12–15 months); 2) patent expiry of 2 molecules in the small molecules segment; 3) increasing contribution from the low-margin API++ segment; and 4) biotech funding issues impacting NJ Bio sales. This has been followed by management's commentary guiding for double-digit growth from FY28, implying flat to single-digit growth in FY27.

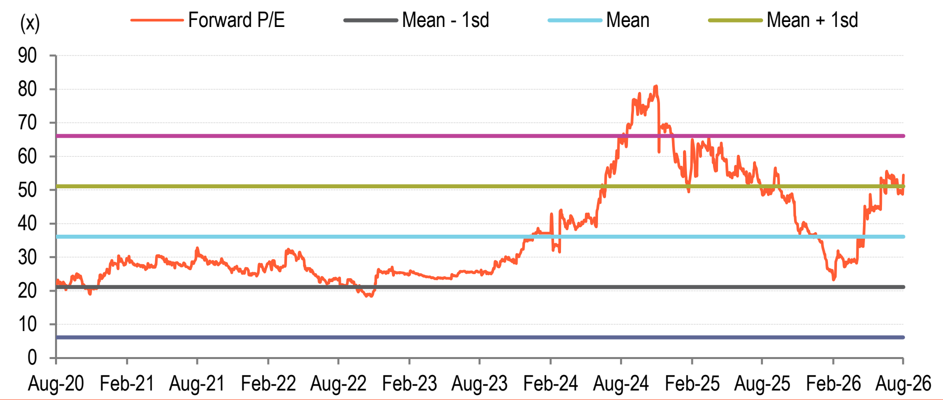
Factoring in the above, we reduced our EPS by 30% in FY27, 15% in FY28, and 13% in FY29 to Rs 4.2/7.2/9.8 respectively. Rolling forward to Jun'28 EPS, at CMP, the stock trades at a PE of 56x on EPS of Rs 7.9. We continue to ascribe a PE of 40x, given 60% of sales is derived from API++ (including formulations), an industry-low margin for a CDMO company, and the risk of lumpiness across segments, to arrive at a PT of Rs 315 per share (Rs 341 earlier). We maintain our Sell rating.

Fig 10 – Change in estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	22,496	24,909	27,763	24,511	27,310	30,594	(8)	(9)	(9)
EBITDA	4,049	5,729	7,218	5,025	6,418	7,954	(19)	(11)	(9)
EBITDA M (%)	18	23	26	21	24	26	(3bps)	(1bps)	0bps
EPS	4.20	7.23	9.88	6.0	8.5	11.4	(30)	(15)	(13)

Source: BOBCAPS Research, Company

Fig 11 – 1 year forward PE band



Source: Bloomberg

Key risks

Key upside risks to our estimates are:

- Faster restocking of both the molecules
- Earlier commercialization of spec chem molecules
- Faster launch of products

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Total revenue	**26,085**	**22,686**	**22,496**	**24,909**	**27,763**
EBITDA	7,971	4,270	4,049	5,729	7,218
Depreciation	1,668	1,873	2,000	2,200	2,400
EBIT	6,303	2,397	2,049	3,529	4,818
Net interest inc./(exp.)	411	372	300	275	250
Other inc./(exp.)	692	341	400	440	484
Exceptional items	158	295	0	0	0
EBT	6,584	2,365	2,149	3,694	5,052
Income taxes	1,584	569	541	930	1,272
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,000**	**1,796**	**1,608**	**2,764**	**3,781**
Adjustments	0	1	2	3	4
Adjusted net profit	**4,873**	**1,792**	**1,608**	**2,764**	**3,781**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Accounts payables	2,684	2,846	2,592	2,771	2,978
Other current liabilities	2,264	1,696	1,889	1,974	2,074
Provisions	458	477	477	477	477
Debt funds	4,859	4,005	3,608	3,308	3,008
Other liabilities	6,615	7,934	7,934	7,934	7,934
Equity capital	255	383	383	383	383
Reserves & surplus	36,234	38,730	40,339	43,103	46,884
Shareholders' fund	36,488	39,113	40,721	43,486	47,266
Total liab. and equities	**54,810**	**57,296**	**58,447**	**61,174**	**64,962**
Cash and cash eq.	1,025	597	1,718	2,399	4,332
Accounts receivables	7,721	6,810	6,472	7,166	7,987
Inventories	4,674	5,622	5,362	5,733	6,161
Other current assets	2,598	2,587	2,215	2,408	2,637
Investments	3,372	5,286	5,286	5,286	5,286
Net fixed assets	17,648	19,901	20,901	21,690	22,066
CWIP	3,316	1,732	1,732	1,732	1,732
Intangible assets	13,453	13,832	13,832	13,832	13,832
Deferred tax assets, net	6	26	26	26	26
Other assets	998	903	903	903	903
Total assets	**54,810**	**57,296**	**58,447**	**61,174**	**64,962**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Cash flow from operations	**6,734**	**3,684**	**4,448**	**4,441**	**5,492**
Capital expenditures	(3,167)	(1,994)	(3,000)	(2,989)	(2,776)
Change in investments	(1,049)	(569)	372	(193)	(228)
Other investing cash flows	318	17	0	0	0
Cash flow from investing	**(3,897)**	**(2,546)**	**(2,628)**	**(3,182)**	**(3,005)**
Equities issued/Others	88	324	0	0	0
Debt raised/repaid	(2,998)	(1,135)	(397)	(300)	(300)
Interest expenses	(364)	(341)	(300)	(275)	(250)
Dividends paid	0	0	0	0	0
Other financing cash flows	-	(500)	0	0	0
Cash flow from financing	**(3,274)**	**(1,652)**	**(697)**	**(575)**	**(550)**
Chg in cash & cash eq.	**(438)**	**(513)**	**1,123**	**684**	**1,937**
Closing cash & cash eq.	**967**	**491**	**1,718**	**2,399**	**4,332**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
Reported EPS	11.5	4.7	4.2	7.2	9.9
Adjusted EPS	11.5	4.7	4.2	7.2	9.9
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	86.5	102.2	106.4	113.7	123.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
EV/Sales	6.5	7.5	7.6	6.9	6.1
EV/EBITDA	21.4	40.0	42.2	29.8	23.7
Adjusted P/E	38.6	95.2	106.0	61.7	45.1
P/BV	5.2	4.4	4.2	3.9	3.6

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26E	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	75.9	75.9	74.8	74.8	74.8
Interest burden (PBT/EBIT)	104.5	98.7	104.9	104.7	104.9
EBIT margin (EBIT/Revenue)	24.2	10.6	9.1	14.2	17.4
Asset turnover (Rev./Avg TA)	47.6	39.6	38.5	40.7	42.7
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.4	1.4
Adjusted ROAE	13.4	4.6	3.9	6.4	8.0

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	9.0	(13.0)	(0.8)	10.7	11.5
EBITDA	6.7	(46.4)	(5.2)	41.5	26.0
Adjusted EPS	(23.3)	(59.4)	(10.3)	71.9	36.8
Profitability & Return ratios (%)					
EBITDA margin	30.6	18.8	18.0	23.0	26.0
EBIT margin	24.2	10.6	9.1	14.2	17.4
Adjusted profit margin	19.2	7.9	7.1	11.1	13.6
Adjusted ROAE	13.4	4.6	3.9	6.4	8.0
ROCE	13.2	4.7	3.9	6.4	8.2
Working capital days (days)					
Receivables	108	110	105	105	105
Inventory	209	310	300	300	300
Payables	120	157	145	145	145
Ratios (x)					
Gross asset turnover	1.7	1.3	1.2	1.3	1.4
Current ratio	2.5	2.8	3.0	3.2	3.7
Net interest coverage ratio	17.0	7.4	8.2	14.4	21.2
Adjusted debt/equity	0.1	0.1	0.1	0.1	0.1

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

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BUY – Expected return >+15%

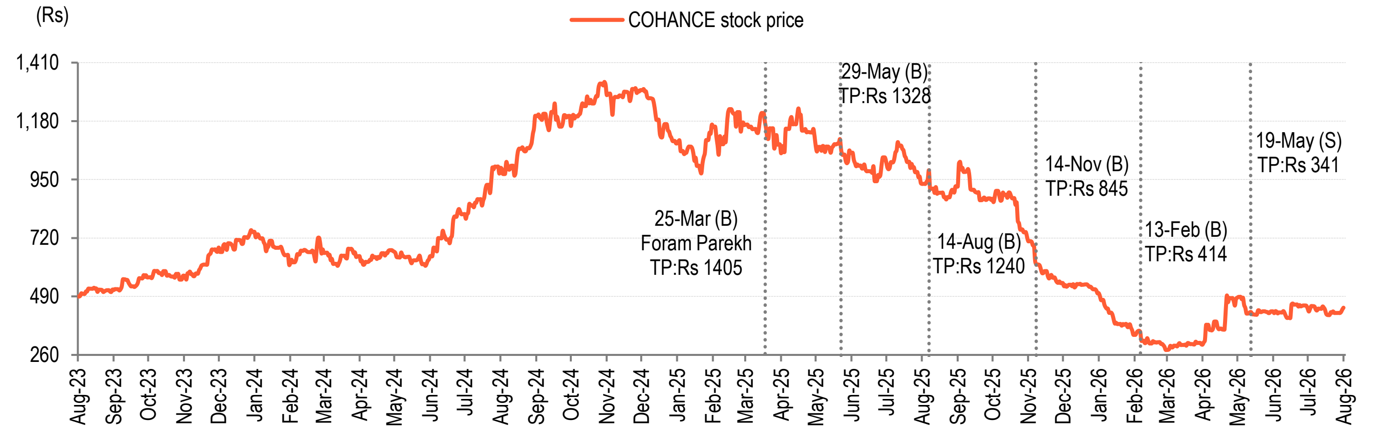
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): COHANCE LIFESCIENCES (COHANCE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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