

SELL
 TP: Rs 341 | ▼ 20%

COHANCE LIFESCIENCES

| Pharmaceuticals

| 19 May 2026

Growth deferred; margins to recover for non CDMO players

- Sales/EBITDA/PAT reported 12.6% above our estimates, while EBITDA missed by 7.9 %. EBITDA margin reported 15.9% vs the estimated 19%
- For Specialty Chemicals segment, FY27E to likely be a year of qualification and growth in the segment to witness from FY28E
- Reduce EPS by 12% for FY27E & 17% for FY28E. We reduce ascribed PE to 40x (earlier 44x), on Mar'28 EPS for TP of Rs 341; downgrade to SELL

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Weak set of earnings- Cohance Lifesciences reported a 26% YoY decline in sales to Rs 6.19bn in Q4FY26 — primarily owing to a 19% YoY decline in Pharma CDMO, 63% YoY decline in Specialty CDMO and 18% YoY decline in API business. Lower product mix was offset by RM cost rationalisation that led to a 106 bps YoY increase in the gross margin to 65.4%. There was an operational deleverage, where Personnel expense contribution rose to 20.8% in Q4FY26 vs 16.5% in Q4FY25 and Other Expenses contribution was at 28.6% in Q4FY26 vs 20.5% in Q4FY25. This resulted in a 57% YoY decline in EBITDA to Rs 987 mn and 15.9% EBITDA margin vs 27.3% in Q4FY26. Lower operations and 115% YoY fall in Other Expenses led to a 79% YoY decline in PBT. Also, there was exceptional cost of Rs 165 mn in Q4FY26 attributed towards the provision of labour code and settlement agreement; leading to 92.9% YoY decline in PAT to Rs 83mn.

Pharma CDMO sales - Sales were lower by 19% YoY to Rs 2.79bn, due to the Rs 2.61 bn impact from destocking in 2 large molecules in the small molecule business, as well as a slower reload. The company has filed 3 DMFs and additional payload linker filings in the ADC segment. Going forward, the company is witnessing higher RFP, customer engagement and one program is awaiting clinical data read-out. Thus, we expect the segment to grow at a CAGR of 15% from FY27E to FY29E.

Valuation - At CMP, the stock trades at 71.5x on FY27E EPS of Rs 6 per share and 50x on FY28 EPS of Rs 8.5 per share. We have also reduced our ascribed PE of a high-growth company to mid-growth company, given that the API++ business forms 48% of sales — which would also lead to a medium-range margin vs the earlier, factoring in 30%+ margins. Thus, we ascribe a PE of 40x (earlier 44x) and roll forward to Mar'28 EPS, to arrive at TP of Rs 341 per share. Thus, we double downgrade to SELL.

Key changes

Target	Rating
▼	▼

Ticker/Price	COHANCE IN/Rs 428
Market cap	US\$ 1.7bn
Free float	50%
3M ADV	US\$ 18.3mn
52wk high/low	Rs 1,121/Rs 267
Promoter/FPI/DII	50%/11%/17%

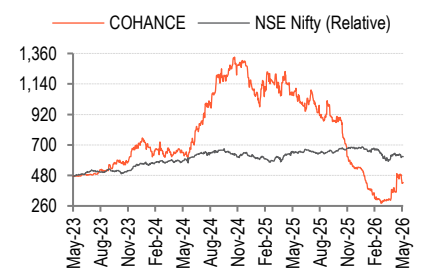
Source: NSE | Price as of 19 May 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,085	22,686	24,511
EBITDA (Rs mn)	7,971	4,270	5,025
Adj. net profit (Rs mn)	4,873	1,792	2,301
Adj. EPS (Rs)	11.5	4.7	6.0
Consensus EPS (Rs)	11.5	4.7	9.4
Adj. ROAE (%)	13.4	4.6	5.6
Adj. P/E (x)	37.1	91.4	71.2
EV/EBITDA (x)	20.6	38.4	32.6
Adj. EPS growth (%)	(23.3)	(59.4)	28.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Financial Highlights

Fig 1 – Quarterly Snapshot

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Net Sales	6,191	8,404	(26.3)	5,446	13.7	5,498	12.6
Total Expenses	5,204	6,112	(14.8)	4,492	15.9	4,427	17.6
(%) of net sales	84	73		82		81	
Raw material consumed	2,145	3,000	(28.5)	1,589	35.0	1,456	47.3
(%) of net sales	35	36		29		26	
Staff cost	1,290	1,385	(6.9)	1,187	8.7	1,271	1.5
(%) of net sales	21	16		22		23	
SG&A	1,770	1,727	2.5	1,716	3.1	1,700	4.1
(%) of net sales	29	21		32		31	
EBITDA	987	2,292	(56.9)	954	3.5	1,071	(7.9)
Depreciation	512	542	(5.4)	469	9.1	474	8.1
EBIT	475	1,751	(72.9)	484	(2.0)	597	(20.5)
Interest	92	104	(11.6)	91	0.9	95	(3.3)
Other Income	(18)	121	(115.3)	62	(129.9)	50	(136.8)
PBT	364	1,767	(79.4)	455	(19.9)	552	(34.0)
Less: Taxation	116	437	(73.5)	116	0.2	139	(16.5)
Reported PAT	248	1,330	(81.3)	339	(26.7)	413	(39.9)
Exceptional items	165	158		49		0	
Adjusted PAT	83	1,172	(92.9)	290	(71.4)	413	(79.9)
Key Ratios (%)							
Gross Margin	65.4	64.3	106.1bps	70.8	(545.6bps)	73.5	(815.6bps)
EBITDA Margin	15.9	27.3	(1,133.6bps)	17.5	(157.1bps)	19.5	(354.1bps)
Tax / PBT	31.9	24.7	710.8bps	25.5	637.8bps	25.2	668.1bps
NPM	4.0	15.8	(1,181.4bps)	6.2	(221.3bps)	7.5	(350.4bps)
Reported EPS	0.2	3.1	(92.9bps)	0.8	(71.4bps)	1.1	(79.9bps)

Source: Company, BOBCAPS Research

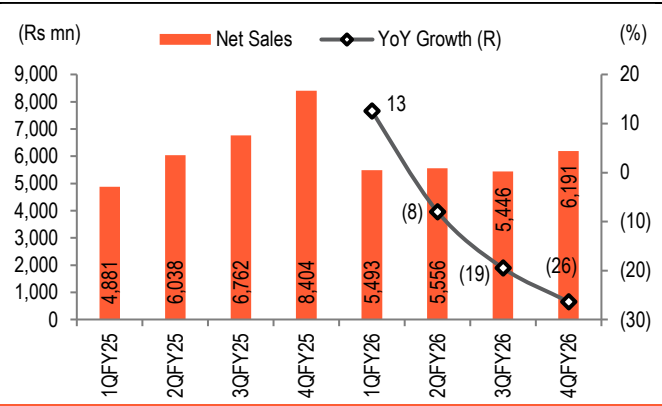
Fig 2 – Revenue Mix

(Rs mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Var (%)
Pharma CDMO	2792	3447	(19.0)	2105	32.6	2150	29.9
Specialty CDMO	545	1478	(63.1)	686	(20.6)	631	(13.6)
API++	2854	3479	(18.0)	2654	7.5	2717	5.0
Total revenues	6191	8404	(26.3)	5445	13.7	5498	12.6

Source: Company, BOBCAPS Research

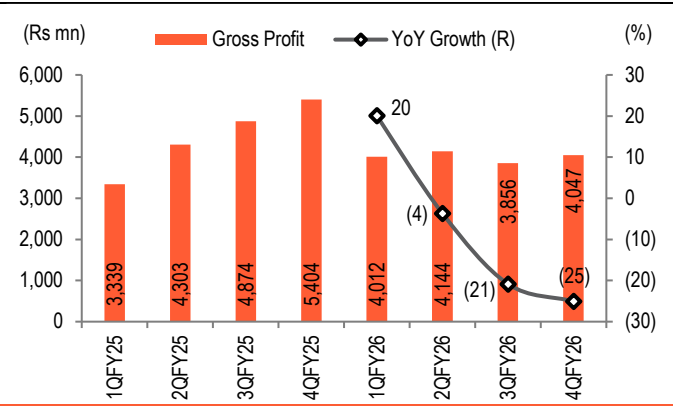
Financial Charts

Fig 3 – Revenue Declines primarily due to destocking of key molecules



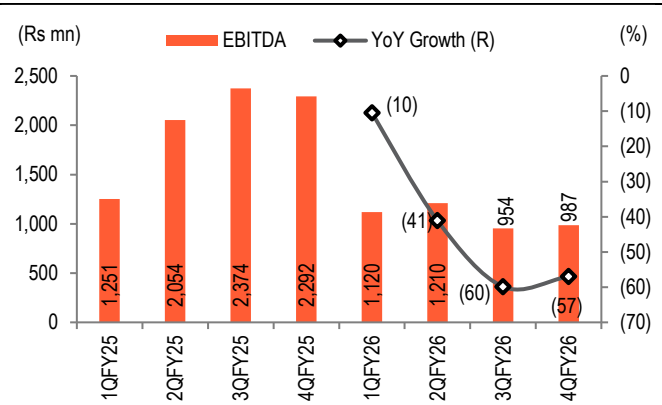
Source: Company, BOBCAPS Research

Fig 4 – Lower product mix led to lower gross profit



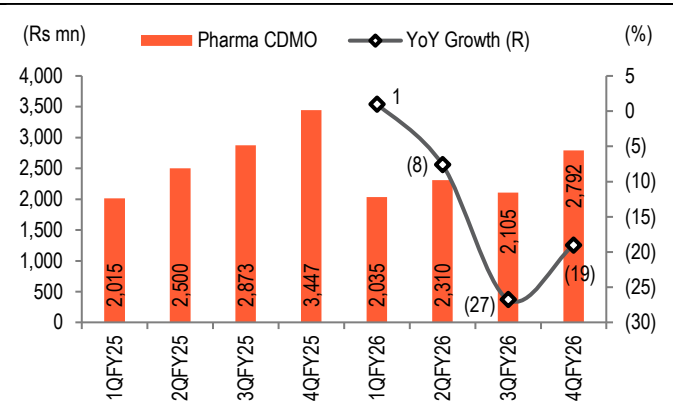
Source: Company, BOBCAPS Research

Fig 5 – EBITDA lowered due to operational deleverage



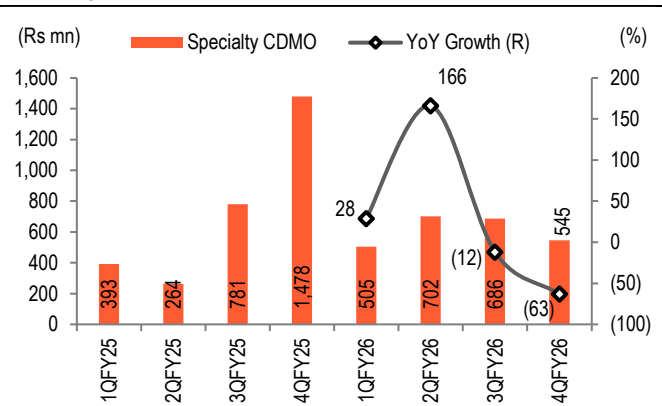
Source: Company, BOBCAPS Research

Fig 6 – Pharma CDMO sales lowered due to destocking in key molecules



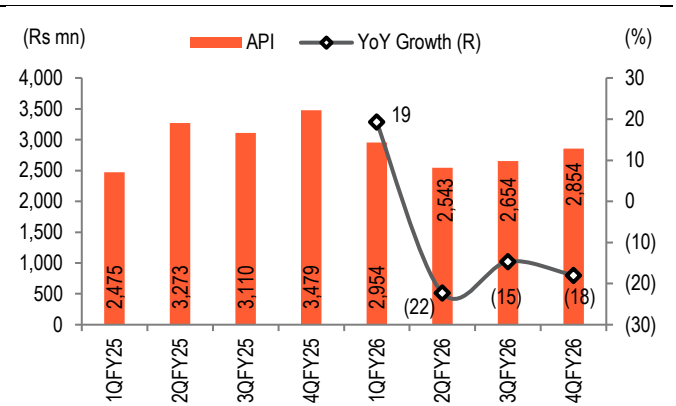
Source: Company, BOBCAPS Research

Fig 7 – Specialty CDMO sales growth lowered due to phasing of customers



Source: Company, BOBCAPS Research

Fig 8 – API++ sales growth impacted by Nacharam facility observations and deferred product shipments



Source: Company, BOBCAPS Research

Earning Call Highlights

Outlook

- FY27 growth expected to return from H2FY27 onwards. Q1FY27 flagged as the low point for both revenue and EBITDA, on account of revenue schedules skewed towards H2, escalation in logistics/input costs from Middle East geopolitical situation, and higher operating costs. Q2FY27 expected to be stable; meaningful recovery from H2FY27 as volumes recover, order conversion improves and product mix normalises.
- Order of FY27 revenue recovery by segment: API+ first, followed by Pharma CDMO, followed by Specialty Chemicals.
- All three businesses are expected to deliver a strong recovery in H2FY27. Order book skewed towards the 2nd half.
- Q1FY27 gross margin to absorb a ~100-150 bps impact (largely API+ segment) from the Middle East-driven freight and raw material cost escalation. Discussions ongoing with select customers to share part of this cost inflation.
- Management believes that the business is moving towards a bottoming-out phase, with Q1FY27 as the low point.
- Capex guidance for FY27: ~Rs 3 bn, directed towards ADC, oligonucleotide capacity, manufacturing infrastructure and quality systems.
- FY27 R&D/innovation investment areas: further augmenting ADC and oligonucleotide value chain; building unique small-molecule and API chemistries (coloured compounds and specialty chemical types distinctive to Cohance); and pursuing operating leverage as the revenue recovers.

Pharma CDMO

- FY26 standalone Pharma CDMO revenue: Rs 8.89 bn; adjusting for two large commercial molecules under destocking, underlying early single-digit growth delivered; commercial products contributed more than 70% of standalone revenues.
- 140+ active projects across development and commercial programmes on small molecules.
- Phase 3 pipeline expanded to 10 programmes: one new small molecule added, one ADC and one oligonucleotide advanced into Phase 3; two programmes progressed to commercialisation.
- Two newly commercialised molecules (both FDA approved): Drug 1 revenue expected primarily in Q2 and Q3 FY27; Drug 2 active discussions underway. Both destocked large commercial molecules confirmed to return in FY27.
- Reload conversion rate remains high at above 90%; new business conversion heavily weighted toward ADC programmes.

- RFQ funnel approximately doubled in the last six months; particularly for small molecules; strong RFP activity gives confidence on customer diversification.
- FY27 focus: execution, order conversion and delivery visibility; customer concentration to reduce further vs FY26.

ADC / High-Potency

- Three payload DMFs filed in FY26; additional payload linker filings underway; traction in newer payload platforms including Exatecan-linked opportunities.
- NJ Bio US: first CGMP bioconjugation campaign successfully completed in Q4FY26; \$10 mn CAPEX expansion progressing for Phase 1/Phase 2 scale-up.
- NJ Bio profitability recovery requires more than 2 years.
- Large pharma customer momentum encouraging; biotech funding environment remains mixed, slowing the near-term decision-making.
- Cohance remains an exclusive payload intermediate supplier to a major innovator; payload linker customer interest continues.

Oligonucleotides

- Sapala: follow-on purchase order received; CGMP oligonucleotide building block facility under validation; several customer qualifications and higher-complexity RFPs progressing.
- Sapala expected to accelerate as Phase 2/Phase 3 programme reloads convert into commercial supply.
- Increasing engagement for higher-complexity oligonucleotide and amidite programmes reflecting growing customer confidence.

API+

- FY26 API+ revenues: Rs 10.88 bn; declined 8% YoY, driven by product-specific factors, shipment delays and Nacharam disruption. H2FY26 improved sequentially.
- Top 15 leadership products contribute ~50% to API revenues; 8 of top 10 molecules retain market leadership; ~two-thirds of revenues from innovators or large global/regional generic leaders.
- FY26 filings: 10 new DMF/CEP filings; 6 new products validated; new customer engagements including lifecycle management opportunities with European customers.
- Formulations: revenues impacted by ~Rs 610 mn from the Nacharam disruption; production and US supplies resumed; remediation ongoing. Five launches supported in FY26; two additional moved to FY27.
- API+ enters FY27 from a significantly more stable operating base; focus on volume growth, asset utilisation and pipeline conversion.

Specialty Chemicals

- FY26 revenue: Rs 2.913 bn; marginal decline of 2.1% YoY, impacted by customer programme phasing, regulatory timing and generics pressure.
- Agrochemical CDMO: progress in qualification campaigns, registration sample work and new lab-scale programmes with large global innovators.
- Performance Chemicals: photochromic coating stable; OLED undergoing product cycle transition; early-stage engagement in electronic materials and semiconductor-linked chemistries.
- FY27 will be a qualification and readiness year; meaningful revenue growth from new programmes anticipated from FY28 onwards.

Valuation Methodology

Earnings have reported below our estimates on all fronts. Q1FY27E is expected to be weaker due to the impact of the Middle-East crisis, followed by stable Q2FY26 — which means growth has got deferred from beginning of FY27 to H2FY27.

Thus, we have lowered our EPS estimates by 12%/17% for FY27E and FY28E to Rs 6.01 and Rs 8.54 per share respectively. We have factored in moderate growth rather than high growth for the company, due to: 1) slow reloading of deferred molecules 2) Nacharam facility to function smoothly from H2FY27 post USFDA re-inspection 3) FY27 to be the year of qualification of customers and equipment for Specialty Chemicals while growth would return from FY28.

During 4QFY26, adjusting against the destocking impact, growth was in single digit. We expect a similar growth trend to continue as 48% of the sales is derived from the API++ segment (commodity business) and 52% of the business (CDMO business) growth to defer to H2FY27. We have introduced FY29 estimates and arrive at a Sales/EBITDA/PAT CAGR of 12%/26%/37% from FY27-29E respectively.

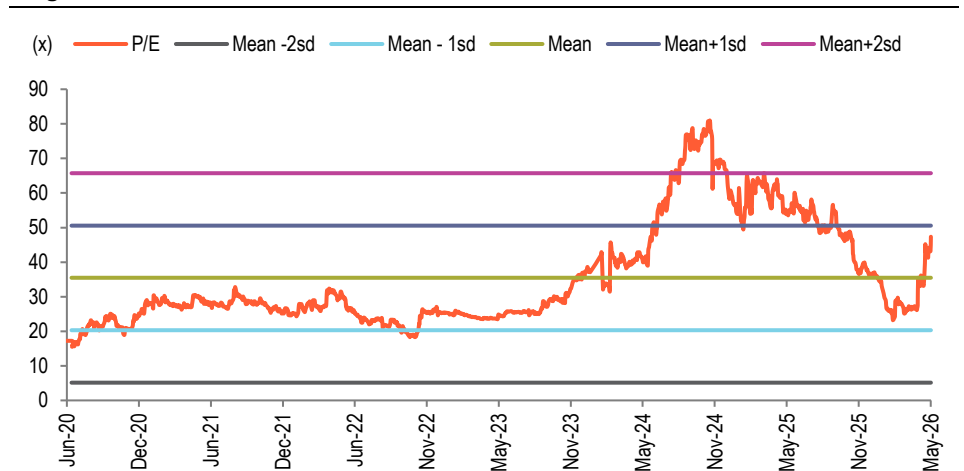
At CMP, the stock trades at 71.5x on FY27E EPS of Rs 6 per share and 50x on FY28 EPS of Rs 8.5 per share. We have also reduced our ascribed PE from a high-growth to a mid-growth company, as the API++ business makes for 48% of sales, which would also lead to a medium-range margin vs the earlier factoring in 30%+ margins. Thus, we ascribe a PE of 40x (earlier 44x) and roll forward to Mar'28 EPS to arrive at TP of Rs 341 per share (Earlier PT of Rs 414), Thus, double downgrade to SELL (earlier BUY)

Fig 9 – Change in Estimates

(Rs mn)	New		Old		Variance (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	24,511	27,310	25,291	30,349	(3)	(10)
EBITDA	5,025	6,418	5,185	6,980	(3)	(8)
EBITDA M (%)	21	24	21	23	0bps	1bps
EPS	6.01	8.5	6.8	10.3	(12)	(17)

Source: Company, BOBCAPS Research

Fig 10 – 1 YF P/E Band



Source: Bloomberg

Key Risks

Upside risk to the stock

- A faster execution of the orderbook
- Product approvals on time
- The ability to clock higher margins due to change in product mix

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Total revenue	26,085	22,686	24,511	27,310	30,594
EBITDA	7,971	4,270	5,025	6,418	7,954
Depreciation	1,668	1,873	2,000	2,200	2,400
EBIT	6,303	2,397	3,025	4,218	5,554
Net interest inc./(exp.)	411	372	350	300	250
Other inc./(exp.)	692	341	400	450	500
Exceptional items	158	295	0	0	0
EBT	6,584	2,365	3,075	4,368	5,804
Income taxes	1,584	569	774	1,099	1,461
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	5,000	1,796	2,301	3,268	4,343
Adjustments	0	1	2	3	4
Adjusted net profit	4,873	1,792	2,301	3,268	4,343

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Accounts payables	2,684	2,846	2,824	3,092	3,403
Other current liabilities	2,264	1,696	1,960	2,058	2,173
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	41,031	44,300	48,643
Shareholders' fund	36,488	39,113	41,414	44,682	49,026
Total liab. and equities	54,810	57,296	59,442	62,777	67,246
Cash and cash eq.	1,025	597	1,492	2,165	4,124
Accounts receivables	7,721	6,810	7,051	7,856	8,801
Inventories	4,674	5,622	5,842	6,397	7,041
Other current assets	2,598	2,587	2,377	2,601	2,863
Investments	3,372	5,286	5,286	5,286	5,286
Net fixed assets	17,648	19,901	20,901	21,978	22,637
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	59,442	62,777	67,246

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Cash flow from operations	6,734	3,684	4,433	4,778	5,835
Capital expenditures	(3,167)	(1,994)	(3,000)	(3,277)	(3,059)
Change in investments	(1,049)	(569)	211	(224)	(263)
Other investing cash flows	318	17	0	0	0
Cash flow from investing	(3,897)	(2,546)	(2,789)	(3,501)	(3,322)
Equities issued/Others	88	324	0	0	0
Debt raised/repaid	(2,998)	(1,135)	(397)	(300)	(300)
Interest expenses	(364)	(341)	(350)	(300)	(250)
Dividends paid	0	0	0	0	0
Other financing cash flows	-	(500)	0	0	0
Cash flow from financing	(3,274)	(1,652)	(747)	(600)	(550)
Chg in cash & cash eq.	(438)	(513)	897	677	1,963
Closing cash & cash eq.	967	491	1,492	2,165	4,124

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
Reported EPS	11.5	4.7	6.0	8.5	11.4
Adjusted EPS	11.5	4.7	6.0	8.5	11.4
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	86.5	102.2	108.2	116.8	128.1

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
EV/Sales	6.3	7.2	6.7	6.0	5.4
EV/EBITDA	20.6	38.4	32.6	25.6	20.6
Adjusted P/E	37.1	91.4	71.2	50.1	37.7
P/BV	5.0	4.2	4.0	3.7	3.3

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	101.7	103.6	104.5
EBIT margin (EBIT/Revenue)	24.2	10.6	12.3	15.4	18.2
Asset turnover (Rev./Avg TA)	47.6	39.6	41.2	43.5	45.5
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.4	1.4
Adjusted ROAE	13.4	4.6	5.6	7.3	8.9

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	9.0	(13.0)	8.0	11.4	12.0
EBITDA	6.7	(46.4)	17.7	27.7	23.9
Adjusted EPS	(23.3)	(59.4)	28.4	42.1	32.9
Profitability & Return ratios (%)					
EBITDA margin	30.6	18.8	20.5	23.5	26.0
EBIT margin	24.2	10.6	12.3	15.4	18.2
Adjusted profit margin	19.2	7.9	9.4	12.0	14.2
Adjusted ROAE	13.4	4.6	5.6	7.3	8.9
ROCE	13.2	4.7	5.7	7.5	9.2
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	1.3	1.4	1.5
Current ratio	2.5	2.8	3.0	3.2	3.7
Net interest coverage ratio	17.0	7.4	9.8	15.6	24.2
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%

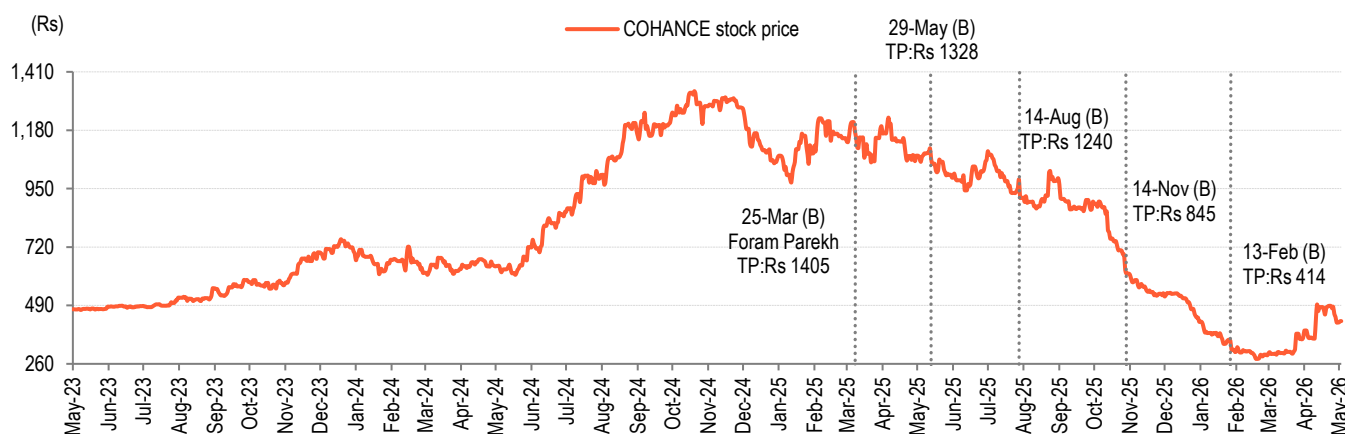
HOLD – Expected return from -6% to +15%

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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