SELL
TP: Rs 280 | ▼ 35%

COHANCE LIFESCIENCES

| Pharmaceuticals | 09 November 2026

Specialty CDMO guidance lowered; valuations expensive

- **Sales/ EBITDA/PAT reported 3.7%/-22.9%/4.6% above our estimate respectively. EBITDA Margin reported 256 bps lower than our estimate**
- **Pharma CDMO two small molecules to undergo genericization affecting volumes**
- **On roll forward to Sep'28 EPS, we continue to ascribe a PE of 40x to arrive at a PT of Rs 280 (earlier PT of Rs 315 per share)**

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Earnings below estimate – Sales declined by 14.2% YoY but grew by 12.9% QoQ to Rs 4.7 bn, primarily driven by a 27.4% YoY decline but 34.5% QoQ growth in Pharma CDMO sales, a 40% YoY decline but 26.4% QoQ growth in Chemicals CDMO sales, and 5% YoY and 1% QoQ growth in API++ sales. Lower sales led to an 18.6% YoY decline but 11.8% QoQ growth in Gross Profit. Operational expenses were higher, with employee cost growing by 21% YoY and 15.5% QoQ, leading to a 71% YoY decline in EBITDA to Rs 354 mn. COHANCE reported a PBT loss of Rs 148 mn as against a profit of Rs 838 mn in 1QFY27; however, due to a tax credit, it reported a PAT of Rs 23 mn.

Slowdown in the API++ business - The API++ segment (anchored in respiratory and gastro therapy) contributed 56% of sales in 2QFY27 (63% in 1QFY27), reporting growth of 5% YoY and 1% QoQ to Rs 2.6 bn. Growth was lowered by a heavy audit, which disrupted operations and delayed some shipments; this was offset by the growth in the formulation's revenue.

Specialty CDMO sales lowered due to slowdown in the legacy business – COHANCE's specialty CDMO sales declined by 40% YoY but grew by 26% QoQ to Rs 417 mn. The YoY decline was due to lower agrochemical CDMO volumes, pricing pressure and programme phasing; however, performance in Chemicals was relatively stable. The company has made progress, with commercial manufacturing and initial dispatches having begun for a crop protection programme with two new Japanese innovators. However, management lowered its FY27 guidance, now expecting a decline in FY27E sales against the earlier guidance of flat sales.

Valuation - As the company is loss-making and awaiting the genericization of small-molecule KSMs, we lower our EPS estimates by 1%/16%/19% for FY27E/FY28E/FY29E to Rs 4.14/Rs 6.05/Rs 7.99, respectively. At the CMP, the stock trades at a PE of 62x on Sep'28 roll-forward EPS of Rs 7 per share. We continue to ascribe a PE of 40x to arrive at a PT of Rs 280 per share (earlier PT: Rs 315 per share).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	COHANCE IN/Rs 434
Market cap	US$ 1.7bn
Free float	50%
3M ADV	US$ 5.2mn
52wk high/low	Rs 724/Rs 267
Promoter/FPI/DII	50%/11%/17%

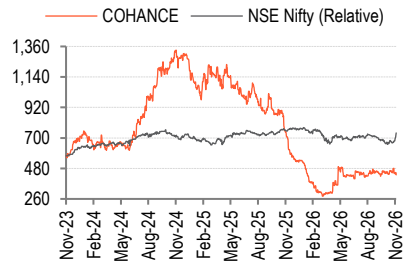
Source: NSE | Price as of 6 Nov 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	26,085	22,686	22,035
EBITDA (Rs mn)	7,971	4,270	3,966
Adj. net profit (Rs mn)	4,873	1,792	1,584
Adj. EPS (Rs)	11.5	4.7	4.1
Adj. ROAE (%)	13.4	4.6	3.9
Adj. P/E (x)	37.5	92.5	104.7
EV/EBITDA (x)	20.8	38.9	41.9
Adj. EPS growth (%)	(23.3)	(59.4)	(11.6)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Pharma CDMO sales improved sequentially – In 2QFY27, COHANCE's Pharma CDMO sales declined by 27% YoY but grew by 34.5% QoQ to Rs 1.67 bn. During the quarter, in the small molecules segment, the company reloaded orders across existing commercial programs, improving visibility for Q3, Q4 and next year. The company received three significant late-stage awards from large global pharma customers: two commercial programs and one Phase 3 programme. The ADC segment and niche technologies reported a 14% sales contribution in H1FY27. This was impacted by customer destocking on two established commercial programs, which reduced near-term payload demand; however, a customized payload programme for a large pharma customer is moving through scale-up and could be bigger in FY28E. Nevertheless, these positives would be offset by the genericization of small-molecule KSMs.

Financial Summary

Fig 1 – Quarterly highlights

(Rs Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	BoB estimates	Var (%)
Net Sales	4,767	5,556	(14.2)	4,223	12.9	4,597	3.7
Total Expenses	4,413	4,346	1.5	4,211	4.8	4,139	6.6
(%) of net sales	93	78		100		90	
Raw material consumed	1,391	1,411	(1.4)	1,203	15.6	1,288	8.0
(%) of net sales	29	25		28		28	
Gross Profit	3,376	4,144	(18.6)	3,020	11.8	3,309	2.0
Staff cost	1,535	1,267	21.2	1,330	15.5	1,241	23.7
(%) of net sales	32	23		31		27	
Other Expenses	1,486	1,668	(10.9)	1,679	(11.5)	1,609	(7.6)
(%) of net sales	31	30		40		35	
EBITDA	354	1,210	(70.7)	12	2,950.0	459	(22.9)
Depreciation	502	440	14.0	495	1.3	500	
EBIT	(148)	769	NA	(484)	(69.4)	(41)	
Interest	84	88	(4.5)	67	24.2	57	
Other Income	124	156	(20.4)	123	1.3	130	
PBT	(108)	838	NA	(429)	NA	32	(438.8)
Less: Taxation	(130)	174	(174.9)	23		8	(1,732)
Recurring PAT	23	664	NA	(452)	NA	24	(4.4)
Exceptional items	0	0		0		0	
Reported PAT	23	664	NA	(452)	NA	24	(4.4)
Key Ratios (%)							
Gross Margin	70.8	74.6	(378bps)	71.5	(70bps)	72.0	(116)
EBITDA Margin	7.4	21.8	(1435bps)	0.3	715bps	10.0	(256)
Tax / PBT	121.1	20.7	10037bps	(5.4)	12653bps	25.2	
NPM	0.5	11.9	(1147bps)	(10.7)	1118bps	0.5	(4)
Reported EPS	(0.6)	1.3	NA	0.5	(223.4bps)	(1.1)	46.6

Source: Company, BOBCAPS Research

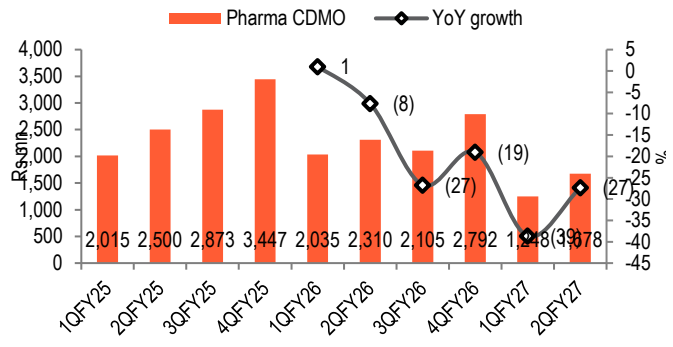
Fig 2 – Segmental Mix

(Rs Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	BoB estimates	Var (%)
Pharma CDMO	1,678	2,310	(27.4)	1,248	34.5	1,400	20
Specialty CDMO	417	702	(40.6)	330	26.4	400	4
API++	2,671	2,543	5.0	2,645	1.0	2,797	(5)
Total revenues	4,766	5,555	(14.2)	4,223	12.9	4,597	4

Source: Company, BOBCAPS Research

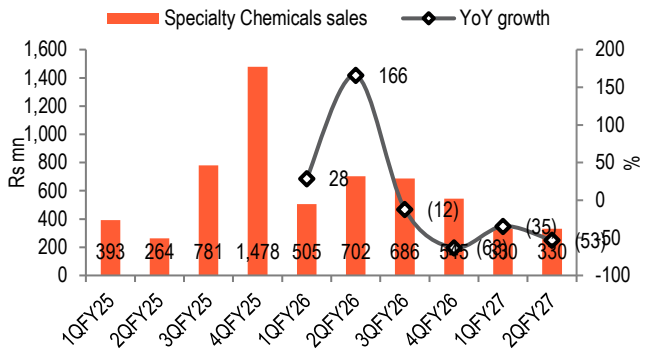
Financial Charts

Fig 3 – Pharma CDMO sales recovered sequentially



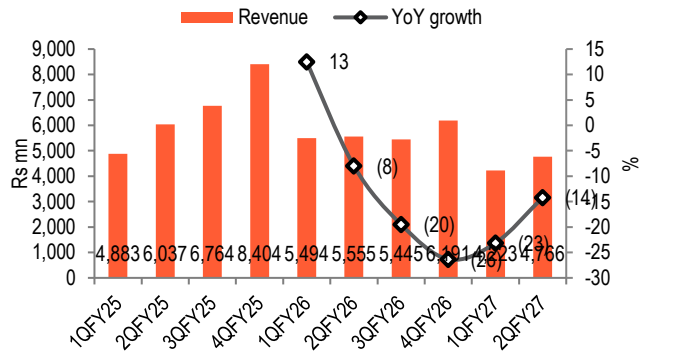
Source: Company, BOBCAPS Research

Fig 4 – Specialty chemical sales lowered due to slowdown in the legacy business



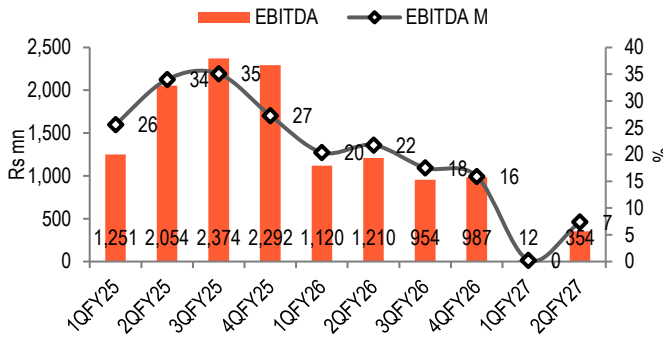
Source: Company, BOBCAPS Research

Fig 5 – Revenue recovered with the recovery in Pharma CDMO sales



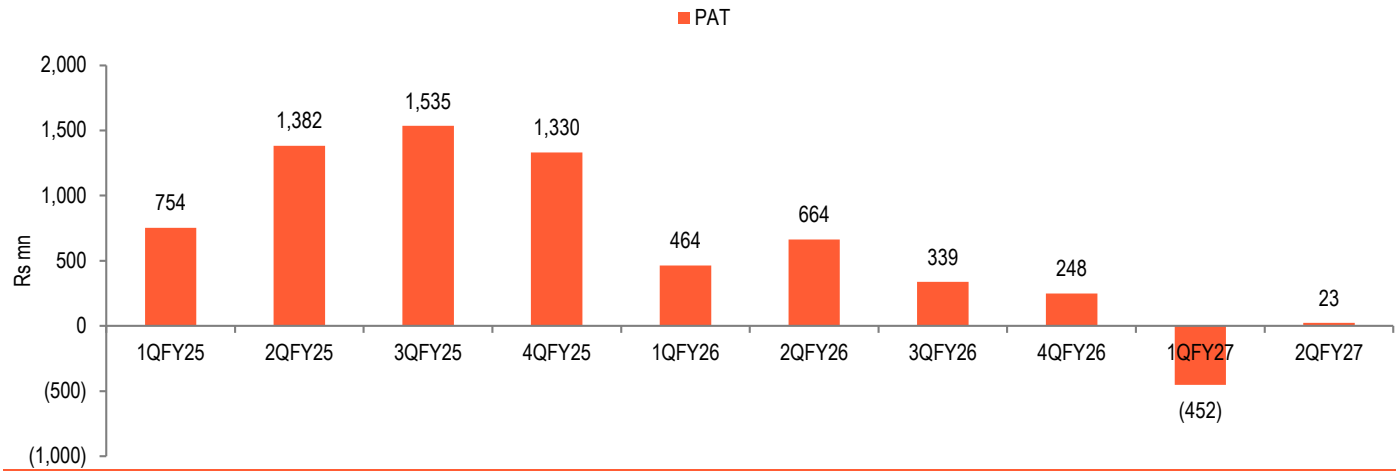
Source: Company, BOBCAPS Research

Fig 6 – EBITDA recovered with the recovery in sales



Source: Company, BOBCAPS Research

Fig 7 – PAT recovered with the recovery in operations



Source: Company, BOBCAPS Researc

1. **Opening: Safety Incident and Suryapet**

- Management expressed sadness over the death of a colleague in an incident at the **Suryapet facility** and said corrective and preventive actions have begun. Safety and compliance remain the top priority.
- A **closure order** has been issued for Suryapet, and the company is assessing any further impact. The development was only about 24 hours old at the time of the call.
- **Suryapet details from Q&A:**
    - It is one of the smaller commercial manufacturing plants and is a non-GMP facility.
    - Management declined to give FY26 revenue or the share of H2 orders from it.
    - Management declined to say whether H2 guidance assumes a reopening date, and said it needs time for clarity.
    - The aim is to resolve the closure, and management said it does not expect the plant to stay shut permanently because it provides local employment.

2. **Headline Financials (Q2 FY27)**

- Year on year, performance remained lower, mainly from reduced Pharma CDMO and Specialty Chemicals contributions and an adverse business and product mix.
- **Currency note:** the transcript's CFO section writes "$" for the figures, but the company reports in rupees, and ₹ appears elsewhere in the call. I have treated them as rupee figures.
- **Gross margins:** volumes and adverse product mix hurt Q2 and H1, and higher raw material prices hurt product margins. These were partly offset by stronger nucleic acids and formulations. Selective pricing and procurement actions are underway. H2 focus is on revenue quality, mix and utilisation, which should support operating leverage.
- **Management's trajectory:** Q1 was the low point. Q2 delivered the expected sequential recovery. H2 is expected to deliver year-on-year growth in both revenue and EBITDA, though Suryapet impact is still being assessed.

3. **Balance Sheet and Capital**

- Cohance remained **cash positive**. Cash and liquid investments were close to ₹2,900 million against borrowings of about ₹2,300 million.
- Receivables improved materially in H1.
- Inventory rose to about ₹7,300 million from about ₹5,600 million, supported by ongoing needs and expected H2 orders. The focus is on cash conversion discipline.
- H1 capex was a little over ₹1,000 million, excluding acquisitions and ownership investments. Figures as transcribed; the units may be garbled.
- Further capital programmes are planned to build adjacent capabilities in ADC payload linkers and bioconjugation, with spending phased against customer visibility.

- Capital is also directed at R&D infrastructure across payload linkers, APIs and specialty chemicals, plus quality, safety, sustainability and maintenance.
- H2 drivers: scheduled small molecule deliveries and reloads, API Plus resilience, Sapala growth, NJ Bio approaching breakeven, and progressive improvement elsewhere.

4. Pharma CDMO (Yann D'Herve)

- Revenue grew **34.5% QoQ**, led by small molecules. It was still down **27% YoY in Q2** and **32% in H1**. Sequential momentum is expected to continue through H2.
- Niche technologies were 13.7% of revenue in Q2 and 14.4% in H1.
- At Cohance standalone, commercial revenue is healthy at about 78% of sales, though Q2 had an adverse product mix.
- **Small molecules:**
    - Multiple reload orders were received across existing commercial programmes, improving visibility for Q3, Q4 and next year.
    - Three significant late-stage awards came from large global pharma customers: **two commercial programmes and one Phase 3 programme**.
    - Late-stage and commercial RFP activity has strengthened. Phase 3 programmes stand at 11 and commercial products at 19.
    - Quality improvement programmes continue.
- **ADCs:**
    - H1 was hit by customer destocking on **two established commercial programmes**, which reduced near-term payload demand.
    - The funnel is improving, with a broader range of RFQs across payloads and linkers, some of which could be developed and manufactured from India.
    - A customised payload programme for a large pharma customer is moving through scale-up and could be bigger next fiscal year.
    - **NJ Bio:** reorganised with more business development resources and sharper commercial accountability. It delivered two ADC GMP campaigns in Q2, including one covering the full lifecycle from early R&D through toxicology and GMP. It also supported an accelerated 28-day drug substance to drug product programme.
    - Bioconjugation capacity expansion is on track for **commercial availability by early FY28**.
    - The goal is to take NJ Bio to breakeven as funding conditions and orders improve.
- **Nucleic acids (Sapala):**
    - Revenue grew **33.6% YoY in Q2 and 83% in H1**, with no contribution from early Phase 3 supplies in Q2.
    - Growth came from specialised nucleosides, amidites (transcribed as "amides") and other building blocks.

- Integration with Cohance's commercial organisation and manufacturing network is under way. The plan is to use existing capacity better and add capability only where needed, rather than build standalone capacity.

5. API Plus (Gunjan Singh)

- Revenue was **₹2,671 million**, up **5% YoY**, and **56% of consolidated revenue**. H1 revenue is slightly below last year.
- A **heavy audit schedule** disrupted operations and delayed some shipments.
- Formulations revenue rose on product sales and profit share income.
- Higher raw material prices hit select API products. Selective price pass-throughs and sourcing and process cost work are helping, and year-to-date **material margin percentage is ahead of last year**.
- **API portfolio:** anchored in respiratory and gastro therapies. Further commercial orders arrived for established products, and the funnel is widening through new grades, customers and lifecycle management.
- **Lifecycle management with innovators:**
  - Last quarter the company highlighted three innovator companies, and **two have now reached the sampling stage**.
  - Of the three, two are new customers and one is existing, and all three are European.
  - The offering targets products already off patent or about to go off patent. Innovators pay a slight premium to generic pricing, so margins are better and demand more predictable.
  - The process runs from qualification and audits to sampling, validation, multi-market filing and commercial supply. Monetisation typically starts **18 to 36 months** after successful sampling.
- **R&D:** new product development and validation work is on track for selected niche products.
- **Formulations:** performance was per plan. A new extension of a key emerging-market product was secured, with further opportunities in pellets, modified release and differentiated products, and EU geographic diversification.
- **Pricing environment:** Umang said generic API pricing is stable, with no big increases or decreases. Pricing power comes from moving beyond generic APIs up the value chain.
- **Strategy:** move up the value chain by combining intermediates, APIs, pellets and finished dosage forms.
- H2 order visibility is better across APIs and formulations.

6. Specialty Chemicals (Amrit Singh)

- Revenue fell **40.6% YoY to ₹417 million**, on lower agrochemical CDMO volumes, pricing pressure and programme phasing. Performance Chemicals was relatively stable.

- **Progress:**
    - Commercial manufacture and initial dispatches have begun for a crop protection programme with **two new Japanese innovators**.
    - Registration of a new active ingredient with an existing innovator is on plan, with commercial launch expected from **H2 calendar 2028**.
    - Performance Chemicals is supported by its coatings business and advanced materials programmes. Opportunities are being developed in OLED and electronics chemistries, with early discussions on semiconductor applications.
- **Guidance change:** FY27 revenue was previously expected to be broadly flat. Because of legacy agrochemical weakness and generic pressure, management **now expects a YoY decline in FY27**.
- Newer programmes will not fully offset this near term, but management is confident the trajectory improves over the next 2–3 years.
- **Strategy:** reduce reliance on a few mature crop protection products and grow differentiated innovator-led business. Targeted automation, environmental upgrades and a dedicated R&D lab should speed customer qualification.
- **Medium-term goals:** qualify two new products for Performance Materials and add one new customer in each of the US, Europe and Japan.

7. Quality and Regulatory

- US FDA inspections are complete at three API and formulation facilities. The transcript names them as “Pashchimaranam, Shamshabad, and Jagiapet” (spellings uncertain).
- Responses were submitted within the stipulated timelines, and CAPA work is progressing on schedule.
- The FDA classification is awaited, expected in roughly **1 to 3 months** (the speaker mentioned “1 month to 45 days or maybe 1 to 3 months”). Management sees no impact on H2 so far but did not want to pre-empt the outcome.
- Global CAPAs are applied across all facilities, though sites are at different stages of remediation.
- Management said the timing of future inspections and resolution is up to the FDA.

8. Guidance and Outlook

- H2 FY27 is expected to show **YoY growth in revenue and EBITDA**, subject to Suryapet clarity.
- The two new commercial programmes are **incremental** to the earlier H2 outlook.
    - They are patent-protected products from large pharma innovators, now launched or launching.
    - Cohance will supply registered starting materials (RSMs), with unit economics comparable to its other small molecule CDMO projects.
    - First deliveries are expected in **Q4 FY27 or Q1 FY28**. Forecast uncertainty remains because the products are only just launching.

- **Destocking and reloads:**
    - Two small molecule KSMs are becoming generic over the next 1–2 years, so their volumes fell this year and will stay lower.
    - A third patent-protected molecule has received good reloads for end FY27 and FY28, with more under discussion.
    - Management did not quantify the recovery of the ₹260 crore of destocked revenue an analyst cited.
- **EBITDA:** no specific margin guidance. Management said Q2's roughly 9–10% margin should improve sequentially.
- **NJ Bio restructuring costs:** costs were limited in Q2, and no further restructuring costs are expected in H2 for transactions completed in the last 30–60 days. Management did not split savings from one-offs.
- Why the three wins happened: Umang said they came from long-standing customer relationships. Yann said they reflect quality and business development efforts, were confirmed in discussions at CPHI, and can be served from capacity added about two years ago.

9. Closing

Management sees significant value still to unlock from the integrated platform and wished participants a happy Diwali.

Valuation methodology

Earnings were below our estimates, with EBITDA 22.9% below our estimate and PBT reporting a loss of Rs 108 mn vs our estimate of Rs 32 mn. However, PAT was in line due to a tax credit. Going forward, the company expects reloading in many commercialized small-molecule programs and has received three significant late-stage programs in small molecules. However, this will be offset by the genericization of two small-molecule KSMs, which will see lower volumes. The company has also lowered its FY27 guidance for Specialty Chemicals CDMO sales from the earlier flattish growth, and is awaiting clarity on the impact of the Suryapet plant closure (Non GMP plant).

As the company is loss-making and awaiting the genericization of small-molecule KSMs, we lower our EPS estimates by 1%/16%/19% for FY27E/FY28E/FY29E to Rs 4.14/Rs 6.05/Rs 7.99, respectively. At the CMP, the stock trades at a PE of 62x on Sep'28 roll-forward EPS of Rs 7 per share. We continue to ascribe a PE of 40x to arrive at a PT of Rs 280 per share (earlier PT: Rs 315 per share).

Key risks

Key upside risks to our estimates are:

1- Faster restocking of orders

2- Earlier than expected recovery in the legacy agro chemical sales

3- Intense cost rationalisation leading to dImprovement in margins

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Total revenue	**26,085**	**22,686**	**22,035**	**23,037**	**24,816**
EBITDA	7,971	4,270	3,966	5,068	6,204
Depreciation	1,668	1,873	2,000	2,200	2,420
EBIT	6,303	2,397	1,966	2,868	3,784
Net interest inc./(exp.)	411	372	350	375	400
Other inc./(exp.)	692	341	500	600	700
Exceptional items	158	295	0	0	0
EBT	6,584	2,365	2,116	3,093	4,084
Income taxes	1,584	569	533	779	1,028
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**5,000**	**1,796**	**1,584**	**2,315**	**3,056**
Adjustments	0	1	2	3	4
Adjusted net profit	**4,873**	**1,792**	**1,584**	**2,315**	**3,056**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Accounts payables	2,684	2,846	2,539	2,654	2,760
Other current liabilities	2,264	1,696	1,873	1,908	1,970
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	40,314	42,629	45,685
Shareholders' fund	36,488	39,113	40,696	43,011	46,067
Total liab. and equities	**54,810**	**57,296**	**58,353**	**60,518**	**63,442**
Cash and cash eq.	1,025	597	1,903	2,896	4,886
Accounts receivables	7,721	6,810	6,339	6,627	7,139
Inventories	4,674	5,622	5,252	5,491	5,711
Other current assets	2,598	2,587	2,178	2,259	2,401
Investments	3,372	5,286	5,286	5,286	5,286
Net fixed assets	17,648	19,901	20,901	21,465	21,527
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**	**58,353**	**60,518**	**63,442**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26E	FY27E	FY28E	FY29E
Cash flow from operations	**6,734**	**3,684**	**4,647**	**4,516**	**5,317**
Capital expenditures	(3,167)	(1,994)	(3,000)	(2,764)	(2,482)
Change in investments	(1,049)	(569)	409	(80)	(142)
Other investing cash flows	318	17	0	0	0
Cash flow from investing	**(3,897)**	**(2,546)**	**(2,591)**	**(2,845)**	**(2,624)**
Equities issued/Others	88	324	0	0	0
Debt raised/repaid	(2,998)	(1,135)	(397)	(300)	(300)
Interest expenses	(364)	(341)	(350)	(375)	(400)
Dividends paid	0	0	0	0	0
Other financing cash flows	-	(500)	0	0	0
Cash flow from financing	**(3,274)**	**(1,652)**	**(747)**	**(675)**	**(700)**
Chg in cash & cash eq.	**(438)**	**(513)**	**1,309**	**996**	**1,993**
Closing cash & cash eq.	**967**	**491**	**1,903**	**2,896**	**4,886**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26E	FY27E	FY28E	FY29E
Reported EPS	11.5	4.7	4.1	6.0	8.0
Adjusted EPS	11.5	4.7	4.1	6.0	8.0
Dividend per share	0.0	0.0	0.0	0.0	0.0
Book value per share	86.5	102.2	106.4	112.4	120.4

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26E	FY27E	FY28E	FY29E
EV/Sales	6.4	7.3	7.5	7.2	6.7
EV/EBITDA	20.8	38.9	41.9	32.8	26.8
Adjusted P/E	37.5	92.5	104.7	71.7	54.3
P/BV	5.0	4.2	4.1	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	107.6	107.8	107.9
EBIT margin (EBIT/Revenue)	24.2	10.6	8.9	12.5	15.2
Asset turnover (Rev./Avg TA)	47.6	39.6	37.8	38.1	39.1
Leverage (Avg TA/Avg Equity)	1.5	1.5	1.4	1.4	1.4
Adjusted ROAE	13.4	4.6	3.9	5.4	6.6

Ratio Analysis

Y/E 31 Mar	FY25A	FY26E	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	9.0	(13.0)	(2.9)	4.5	7.7
EBITDA	6.7	(46.4)	(7.1)	27.8	22.4
Adjusted EPS	(23.3)	(59.4)	(11.6)	46.2	32.0
Profitability & Return ratios (%)					
EBITDA margin	30.6	18.8	18.0	22.0	25.0
EBIT margin	24.2	10.6	8.9	12.5	15.2
Adjusted profit margin	19.2	7.9	7.2	10.0	12.3
Adjusted ROAE	13.4	4.6	3.9	5.4	6.6
ROCE	13.2	4.7	3.8	5.3	6.6
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	1.2	1.3
Current ratio	2.5	2.8	3.0	3.3	3.8
Net interest coverage ratio	17.0	7.4	7.0	9.2	11.2
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%

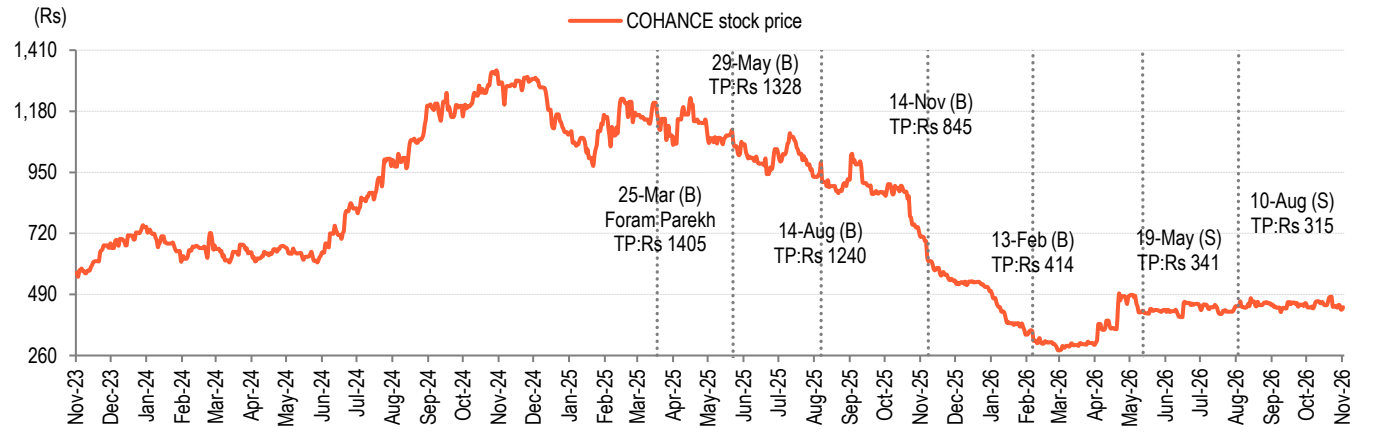
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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