

Orchid Pharma

26 May 2025

RESULT UPDATE

Sector: Pharmaceuticals	Rating: BUY
CMP: Rs 741	Target Price: Rs 1,112

Stock Info

Sensex/Nifty	82,176/25,001
Bloomberg	ORCP IN
Equity shares	50.7mn
52-wk High/Low	Rs 1,998/670
Face value	Rs 10
M-Cap	Rs 37.6bn/ USD 0.4bn

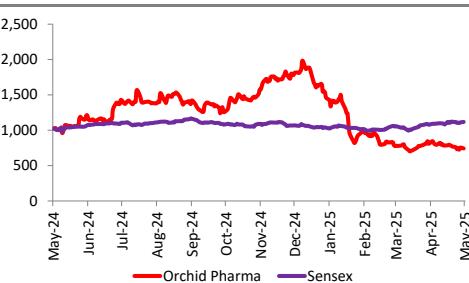
Financial Snapshot (Rs mn)

Y/E March	FY25	FY26E	FY27E
Revenue	9,219	13,526	18,680
Gross profit	3,777	5,040	7,018
Gross Margin (%)	41.0%	37.3%	37.6%
EBITDA	1,172	1,490	2,493
Margin (%)	13%	11%	13%
PAT	997	1,140	2,011
EPS	19.6	19.0	33.6
ROE (%)	8.2	8.0	11.9
P/E (x)	51.5	53.2	30.1
EV/EBITDA (x)	43.8	42.2	25.8

Shareholding pattern (%)

	Sep-24	Dec-24	Mar-25
Promoter	69.84	69.84	69.84
-Pledged	-	-	-
FII	1.94	2.53	2.69
DII	18.30	19.00	20.10
Others	9.94	8.63	7.37

Stock Performance (1-year)



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A strong start for Enmetazobactam in India

Orchid Pharma's (ORCP) reported revenue (Rs 2,375 mn) was slightly higher than consensus expectations, while EBITDA (Rs. 280 mn) and Net earnings (Rs. 223 mn) were inline. Currently, there is intense pricing pressure in the export markets for ORCP's top three APIs, which has limited FY25 revenue growth to 12.5% (Rs. 9,219 mn) despite a ~18–20% volume growth. Losses on account of their branded formulation business is also impacting margins. About 8% of EBITDA was adversely impacted owing to investment in branded formulation business. During the quarter, ORCP also did not realize any royalties from Enmetazobactam as their partner Allegra Therapeutics has filed for bankruptcy. As a result, the US launch for enmetazobactam also stands delayed. In India, Enmetazobactam is doing quite well and has achieved 10,000 patient treatments in H2FY25 which we estimate should translate to an annual sales value of Rs. 400 mn. Overall, the AMS division is expected to become profitable in FY27/FY28. ORCP anticipates a muted FY26 due to pricing pressures and 7-ACA CapEx, but maintains mid-teen EBITDA margins (13–15%) via volume growth, mix optimization, and cost control. The 7-ACA project faces a six-month delay (completion by December 2026), while Cefiderocol is on track for a 2QFY27 India launch. We revise our forecasts on ORCP as we knock off the contribution from Enmetazobactam royalties (due to Allegra's bankruptcy), shift contribution of 7-ACA project to FY28 (from FY27) and account for the Dhanuka Laboratories merger from 2HFY26 (earlier guidance of full year FY26). Based on our revised forecasts, we retain BUY with a PT of Rs. 1,112. Our PT is based on 20x multiple to base business earnings and assign a risk adjusted option value of Rs. 440 per share based on 5x earnings contribution from 7-ACA, Cefiderocol, Enmetazobactam royalties and regulated market filings (ANDA with Para IV) by FY29.

4QFY25 earnings highlights

Orchid Pharma (ORCP IN) reported Revenue at Rs 2,375 mn in 4QFY25, up 9.4% on a YoY basis & 9.3% on a QoQ basis. EBITDA stood at Rs 280 mn, down 3.2% on a YoY basis & up 6.1% on a QoQ basis. EBITDA margin was 11.8%, down 154 bps on a YoY basis and 35 bps on a QoQ basis. PAT stood at Rs 223 mn, down 32.3% on a YoY basis & up 7.3% on a QoQ basis. PAT margin was 9.4%, down 579 bps on a YoY basis and 17 bps on a QoQ basis.

4QFY25 earnings call highlights

• Enmetazobactam

- ✓ **India Market:** Performing better than expected, achieving 10,000 patient treatments in six months (H2FY25) against a full-year target of 10,000. Strong early traction for Orchid's brand, Orbiclef.
- ✓ **Pricing Strategy:** Priced between meropenem (a carbapenem with over 200 brands) and more expensive antibiotics like Cefepime to balance affordability and value.

✓ Available in most large corporate hospitals in North, South, and West India, with plans to expand to East India. Frequently prescribed, with month-on-month growth.

✓ Allegra Therapeutics' insolvency filing in Germany creates uncertainty for near-term commercialization in the US and other international markets. Orchid is evaluating legal and commercial pathways to protect its interests, but the process is preliminary due to limited access to documents and information.

- **7-ACA**

✓ Construction ongoing, with 50% of detailed engineering completed. Facing site-related challenges, leading to a six-month delay.

✓ Mechanical completion now targeted for December 2026 (previously June 2026). First commercial product expected by March 2027.

✓ Rs. 6,000mn planned for the Jammu plant, with Rs. 1,200 mn already utilized. Major expenses are expected toward the end of the project timeline, as advances have already been paid.

- **Cefiderocol –**

✓ Facility is currently under construction phase. Development and execution is on track. Commercial launch in India is anticipated in 2QFY27, subject to approval of the drug by regulator.

- **AMS Segment**

✓ Currently, the segment has an EBITDA drag of Rs 90mn over FY25, which ORCP anticipates, and shall continue for the next 2 years. Strategic rationale is a long-term investment to build brand credibility in the hospital segment, critical for launching high-value products like Cefiderocol in 2027. The division leverages Orchid's proprietary molecule to gain early market traction.

- ORCP absorbed a one-time expense of Rs. 660 mn in Q3FY25 for Good Manufacturing Practice (GMP) inspections by European and US authorities, both completed satisfactorily.
- A significant increase in receivables and inventories was noted due to sales occurring in February and March 2025, expected to be realized within two months (by May 2025). Inventory was also higher due to strategic decisions to avoid selling at lower prices amid pricing pressure.
- Operating cash flow declined significantly due to tied-up cash in receivables and inventory. Management clarified this was not due to pushing sales into the channel but rather timing of sales and strategic inventory buildup.

Exhibit 1: Quarterly performance

Financial Summary (Rsmn)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Revenue	2,171	2,173	2,375	9.4	9.3	8,194	9,219	113
Total material costs	1,281	1,248	1,380	7.7	10.6	4,845	5,442	12
% of revenue	59.0	57.4	58.1	(90) bps	70 bps	59.0	57.4	(160) bps
Staff costs	176	221	222	26.6	0.8	705	864	23
% of revenue	8.1	10.1	9.4	127 bps	(78) bps	8.6	9.4	76 bps
Other expenses	425	441	492	15.9	11.6	1,547	1,742	13
% of revenue	19.6	20.3	20.7	116 bps	43 bps	18.9	18.9	2 bps
EBITDA	289	264	280	-3.2	6.1	1,098	1,172	7
EBITDA margin (%)	13.3	12.1	11.8	(154) bps	(35) bps	13.4	12.7	(69) bps
Other income	134	85	39	-70.8	-54.1	312	275	-12
Interest costs	35	38	39	12.7	3.1	164	145	-11
Depreciation	84	86	89	5.4	3.1	332	345	4
PBT	304	225	191	-37.2	-14.9	914	956	5
Tax	-31	-	-0	-	-	-31	-2	-
Tax rate (%)	-0	-	-0	(10) bps	(21) bps	-0.0	-0.2	-
Share of Profit and Minority interest	-5	-17	32	-678.7	-288.7	-29	39	-235
Reported PAT	330	208	223	-32.3	7.3	916	997	9

Source: Company, Systematix Institutional Research

Exhibit 2: Margin Summary

Particulars (%)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross Profit	43%	39%	38%	45%	41%	39%	41%	43%	42%
EBITDA	19%	12%	12%	16%	13%	13%	14%	12%	12%
EBIT	15%	8%	8%	12%	9%	10%	10%	8%	8%
PAT	28%	5%	10%	13%	15%	12%	12%	10%	9%

Source: Company, Systematix Institutional Research

Exhibit 3: Change in estimates

Particulars (Rs mn)	New estimates		Old estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net sales	13,526	18,680	17,909	24,440	(24.5)	(23.6)
EBITDA	1,490	2,493	1,860	5,193	(19.9)	(52.0)
Margin (%)	11.0%	13.3%	10.4%	21.2%	60 bps	(790) bps
PAT	1,140	2,011	1,360	2,883	(16.1)	(30.3)
Margin (%)	8.4%	10.8%	7.59%	11.80%	81 bps	(100) bps
EPS	19.0	33.6	22.7	48.1	(16.1)	(30.2)

Source: Systematix Institutional Research

Exhibit 4: Actual vs Estimates

Particulars (Rs mn)	Actuals	Systematix	Var(%)	Consensus	Var(%)
Net sales	2,375	2,280	4	2,279	4
EBITDA	280	280	-0	288	-3
Margin (%)	11.8	12.3	(50) bps	12.6	(85) bps
PAT	223	221	1	251	-11
Margin (%)	9.4	9.7	(30) bps	11.0	(163) bps

Source: Company, Systematix Institutional Research

FINANCIALS

Profit & Loss Statement

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Revenues	6,659	8,194	9,219	13,526	18,680
YoY gr. (%)	19%	23%	13%	47%	38%
Cost of Goods Sold	3,846	4,845	5,442	8,485	11,662
Gross Profit	2,813	3,349	3,777	5,040	7,018
Margin (%)	42%	41%	41%	37%	38%
Employee Cost	654	696	864	1,048	1,163
Other Expenses	1,316	1,546	1,742	2,502	3,362
EBITDA	843	1,107	1,172	1,490	2,493
YoY gr. (%)	54%	31%	6%	27%	67%
Margin (%)	13%	13.51%	13%	11%	13%
Depreciation & Amortization	548	332	345	388	422
EBIT	295	774	826	1,102	2,071
Margin (%)	4%	9%	9%	8%	11%
Net Interest	329	164	145	145	341
Other Income	194	309	275	183	280
Exceptional Items	392	-	-	-	-
Profit Before Tax	552	919	956	1,140	2,011
Margin (%)	8%	11%	10%	8%	11%
Total Tax	-	-31	-2	-	-
Effective tax rate (%)	0%	-3%	0%	0%	0%
Share of Associate	-22	-29	39	-	-
Discontinued operations	-68	-	-	-	-
Profit after tax	463	922	997	1,140	2,011
EPS	11	18	20	19	34
YoY gr. (%)	-2474%	60%	8%	-3%	76%

Source: Company, Systematix Institutional Research

Balance Sheet

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	408	507	507	2,542	2,542
Reserves & Surplus (Ex OCI)	6,478	11,187	12,166	13,306	15,317
Net Worth	6,886	11,695	12,673	15,848	17,859
Debt	2,898	1,345	1,742	5,242	5,242
Trade payables	1,818	2,296	2,221	3,381	4,670
Other Provisions	161	57	58	58	58
Other liabilities	489	146	184	184	184
Total Liabilities	12,252	15,539	16,878	24,714	28,013
Net block	5,731	6,202	6,327	6,839	6,755
CWIP	465	307	807	5,162	7,162
Other Non-current asset	602	664	1,174	1,174	1,174
Investments	444	458	497	497	497
Cash and Cash Equivalents	306	2,666	1,796	3,008	1,556
Debtors	2,152	1,955	2,418	3,381	4,670
Inventories	2,287	2,642	3,264	4,058	5,604
Other current asset	265	644	595	595	595
Total Assets	12,252	15,539	16,878	24,714	28,013

Source: Company, Systematix Institutional Research

Cash Flow

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	463	890	995	1,140	2,011
Depreciation	548	332	345	388	422
Interest	322	164	145	145	341
Others	-356	-54	-199	-183	-280
Working capital	-791	-78	-1,085	-597	-1,546
Direct tax	-3	6	-9	-	-
Net cash from Op. activities	183	1,260	192	894	947
Net Capital expenditures	-264	-648	-1,501	-5,255	-2,338
Others	-48	-2,472	1,232	183	280
Net Cash from Inv. activities	-312	-3,120	-269	-5,072	-2,057
Issue of share cap. / premium	-	3,919	-	2,035	-
Debt changes	634	-2,085	283	-	-
Dividend paid	-	-	-	-	-
Others	-322	-164	-31	3,355	-341
Net cash from Fin. activities	312	1,670	252	5,389	-341
Net change in cash	183	-190	175	1,211	-1,451

Source: Company, Systematix Institutional Research

Key Financial Metrics

YE: Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Per Share(Rs)					
EPS	11.3	18.2	19.6	19.0	33.6
CEPS	24.8	24.7	26.5	25.5	40.6
BVPS	168.7	230.6	249.9	264.7	298.2
DPS	-	-	-	-	-
Return Ratio(%)					
RoCE	7.6	11.0	9.5	8.6	11.0
RoE	6.9	9.9	8.2	8.0	11.9
Balance Sheet					
Net Debt : Equity (x)	0.4	-0.1	-0.0	0.1	0.2
Net Working Capital (Days)	130	122	133	115	104
Valuation(x)					
PER	89	56	52	53	30
EV/EBITDA	52.1	45.2	43.8	42.2	25.8
EV/Sales	6.6	6.1	5.6	4.6	3.4

Source: Company, Systematix Institutional Research

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