

OneSource Specialty Pharma | BUY

Strong quarter, GLP-1 tailwinds in sight

OneSource delivered a strong 4QFY25 with Revenue/EBITDA/PAT growing 22%/79%/100+% YoY vs pro-forma 4QFY24. Top-line growth was supported by customer wins and execution of new contracts. EBITDA margins expanded to 43% (vs 29% pro-forma 4QFY24, 40% JMFe), enabled by shift in revenue mix in favour of high-margin DDC business. OneSource's clientele is expected to be amongst the first entrants in key Sema markets. Most of these key markets are opening up in 2026, including Canada and Brazil, enabling the MSA to CSA flywheel. DDC capacity expansion plans are on track with expected commercialization from Q4FY26. During the earnings call, the company re-iterated the FY28 guidance of USD 400mn rev. with ~40% EBITDA margin. We believe the company's tie-ups with leading global generic players positions it well to capitalise on the forthcoming GLP-1 patent expiries in various markets. Overall the stock remains attractive, vs. listed CDMO peers. Post 4Q, we maintain BUY rating with an updated TP of INR 2,113 based on 22x multiple of 1QFY28 EBITDA.

- **GLP-1 led DDC segment to drive FY26 growth:** Majority of FY26 revenue is anticipated from commercial sales of DDC products. With Semaglutide losing protection in Canada in Jan 2026, and the other three countries from Mar 2026 onwards, almost all of OneSource's partners are likely to be in the first wave of markets entrants. These markets are currently suffering from accessibility with penetration being as low 1% in Brazil and 4-5% in Canada. OneSource expects the Brazil/Canada market to expand to 10-12x/4-5x current users post opening up of market. Further, 10+ DDC projects are projected to move from MSAs to CSAs (pending approval) for OneSource in FY26. Many of the approvals will potentially come in H2FY26, thus providing a lumpy QoQ FY26, though company remains confident of delivering the guided ~30% growth in FY26 on an annual basis. Liraglutide/Teriparatide is expected to be commercialised in Q1FY26/FY26.
- **Capacity expansion & Compliance stronghold:** Phase 1 of DDC capacity expansion (addition of 60mn annual capacity) is on track and is expected to be ready by December 2025. The new line is being set up in the existing facility, thus not requiring additional inspection (as per company) and being able to deliver revenue from the get-go. OneSource also successfully concluded 60 regulatory inspections and customer audits in FY25. Further, no more inspections are required for the Canadian and Brazilian GLP-1 markets as the facilities are already EUGMP and USFDA approved.
- **Clientele traction:** Company added 15 new customers and 39 new RFPs in FY25. The year saw significant repeat business from existing clientele. Clientele includes innovator companies, biotech firms, and top generic players. Company won 16 new DDC projects in FY25, with 20 customers currently partnering with OneSource for DDC.
- **Near-term risk assessment:** The demand forecast and increasing capacity commitments for DDC provide reasonable certainty on revenue build up. Additionally, the diverse base of clientele ensures that the company is not dependent on single client whose approval status could potentially jeopardise company's growth prospects. OneSource is fairly

| Financial Summary | | | | | (INR mn) |
|------------------------|--------|--------|--------|--------|----------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 1,719 | 14,449 | 18,939 | 26,399 | 34,070 |
| Sales Growth (%) | 344.1 | 740.4 | 31.1 | 39.4 | 29.1 |
| EBITDA | -882 | 4,665 | 6,439 | 10,401 | 13,662 |
| EBITDA Margin (%) | -51.3 | 32.3 | 34.0 | 39.4 | 40.1 |
| Adjusted Net Profit | -2,357 | 3,434 | 3,880 | 7,105 | 9,657 |
| Diluted EPS (INR) | -21.7 | 30.0 | 33.9 | 62.1 | 84.4 |
| Diluted EPS Growth (%) | 0.0 | 0.0 | 13.0 | 83.1 | 35.9 |
| Adj. ROIC (%) | -18.5 | 8.8 | 26.1 | 37.5 | 43.6 |
| ROE (%) | -39.9 | 10.9 | 6.5 | 11.1 | 13.5 |
| P/E (x) | -76.4 | 55.3 | 48.9 | 26.7 | 19.7 |
| P/B (x) | 45.5 | 3.2 | 3.1 | 2.8 | 2.5 |
| EV/EBITDA (x) | -219.8 | 41.5 | 29.7 | 18.0 | 13.1 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company data, JM Financial. Note: Valuations as of 05/May/2025



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Recommendation and Price Target

| | |
|----------------------------|-------|
| Current Reco. | BUY |
| Previous Reco. | BUY |
| Current Price Target (12M) | 2,113 |
| Upside/(Downside) | 27.4% |
| Previous Price Target | 2,049 |
| Change | 3.1% |

Key Data – ONESOURC IN

| | |
|--------------------------|------------------|
| Current Market Price | INR1,659 |
| Market cap (bn) | INR189.8/US\$2.3 |
| Free Float | 54% |
| Shares in issue (mn) | 114.4 |
| Diluted share (mn) | 114.4 |
| 3-mon avg daily val (mn) | INR388.2/US\$4.6 |
| 52-week range | 1,800/1,163 |
| Sensex/Nifty | 80,797/24,461 |
| INR/US\$ | 84.3 |

Price Performance

| % | 1M | 6M | 12M |
|-----------|------|----|-----|
| Absolute | 10.7 | NA | NA |
| Relative* | 3.3 | NA | NA |

* To the BSE Sensex

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Thomson Publisher & Reuters,
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confident that the in-market competition between generic players and resulting impact on GLP-1 prices will not have material impact on DDC realisations for OneSource. On threat from Oral GLP-1s, the innovator pipeline carries both oral and injectable GLP-1s and the innovator themselves expect contribution from orals to be 25% of their GLP-1 portfolio. OneSource also has other verticals and capabilities, which along with cross-selling, reduces the risk in near-term.

■ Key financials:

- OneSource's Q4FY25 Revenue /EBITDA/PAT for the quarter were INR 4.3bn/1.8bn/992 mn, growing 22%/79%/100+% YoY compared to pro-forma numbers and were -12%/-5%/+42% vs JMFe;
- Top line growth driven by customer addition and increased execution of contracts from customers added in H1FY25;
- Gross Margins came in at 74% (vs JMFe 74%);
- EBITDA margins at 43% (vs JMFe 40%). Margin expansion on account of revenue mix changing in favour of high-margin DDC business and operating leverage;
- PBT was +1% vs JMFe, difference because of lower than anticipated interest expense partially offset by lower than anticipated other income;
- PAT margin of 23% (vs JMFe 14%), variance vs JMFe largely on account of tax;

Exhibit 1. Financial Highlights

| OneSource Specialty Pharma - P&L (INR mn) | Quarterly | | | | | | | Annual | | |
|--|---------------------|--------------|--------------|--------------|---------------|-------------|--------------|-------------------|---------------|--------------|
| | Pro-forma Q4FY24 | Q4FY25A | % YoY | Q4FY25E | % change | Q3FY25A | % QoQ | Pro-forma FY24 | FY25A | % YoY |
| Net Sales | 3436 | 4,260 | 22% | 4,858 | -12.3% | 3926 | 8.5% | 10,821 | 14,449 | 30% |
| Other op income | | | | | | | | | | |
| Revenue | 3436 | 4,260 | 22% | 4,858 | -12.3% | 3926 | 8.5% | 10,821 | 14,449 | 30% |
| Raw Material/FG | | 1,109 | | 1,273 | | 1015 | 9.2% | | | |
| Gross Profit | | 3,150 | | 3,585 | -12% | 2910 | 8.3% | | | |
| - % of revenue | | 74% | | 74% | 16 bps | 74% | -17 bps | | | |
| Opex & Other expenses | | 1,325 | | 1,665 | -20% | 1478 | -10.3% | | | |
| EBITDA | 1004 | 1,825 | 79% | 1,920 | -4.9% | 1432 | 27.4% | 2,247 | 4,665 | 104% |
| EBITDA (%) | 29% | 43% | 1362 bps | 40% | 333 bps | 36% | 637 bps | 21% | 32% | 1165 bps |
| Other Income | | 29 | | 50 | -42% | 54 | | | | |
| Interest | | 334 | | 458 | -27% | 458 | -27.1% | | | |
| Depreciation & Amortization | | 280 | | 280 | 0% | 283 | | | | |
| PBT | | 835 | | 824 | 1.3% | 340 | | | | |
| Tax | | -157 | | 126 | -225% | 23 | | | | |
| Tax Rate (%) | | -19% | | 15% | | | | | | |
| Exceptional items | | 0 | | 0 | | 1005 | | | | |
| Minority Interest | | | | | | | | | | |
| PAT | -112 | 992 | 100+% | 699 | 42.0% | -688 | 100+% | -2,281 | 936 | 100+% |
| PAT Margin (%) | | 23% | | 14% | 891 bps | -18% | 4082 bps | | | |
| EPS | | 9 | | 6 | | -6 | | | | |

Source: Company. Note: FY25 PAT being shown here is Adjusted PAT.

One Source 4Q call KTAs

■ Guidance:

- Maintain FY28 guidance of USD 400mn revenue and 38-40% EBITDA margin
- FY26 is a transition year, aim to do better YoY and set up the company for growth in FY27 and FY28.

■ Outlook:

- FY26 will see the semaglutide patent expiry – One Source is dependent on customers getting approval in end market. 1HFY26 will be tepid and 2HFY26 will be strong, overall the year is dependent on customer approvals
- FY27 will be a solid year with consistent QoQ growth
- Big commercial launches in next 12-24 months
- Added 15 new customers and now have more than 70 logos

■ Drug Device Combination:

- At present, they have 20+ customers and management believe it is prudent for them to not onboard any more customers due to inability of servicing everyone.
- The company is prioritizing customers with 1. Take or pay arrangement, 2. Longer term relationship, 3. Long term demand outlook
- At present 50 DDC projects under different stages
- The company has expertise is DDC and not to specific molecules. The first DDC product in USA is a non GLP peptide and commercialization will occur in FY26.
- First product in Europe is a biologic peptide and commercialisation will happen in FY26.
- The company have 10+ products in DDC. While volumes are not the same as GLP-1s the per unit realization is attractive.
- Teriparatide approval in place, launch in FY26

■ Semaglutide:

- Almost all markets coming off patent have been poorly served by the innovator. Main driver will be increased access. In Brazil less than 1% penetration by Novo, In Canada 4-5% penetration. IQVIA numbers not reflective of true demand, expect brazil to be 10-12x and 4-5x in Canada of existing situation
- Pricing pressure: As a CDMO, One Source only take a fraction of the end market price, their pricing is based on volumes. Therefore the management believe that end market pricing should not have a meaningful impact to their realization
- The management believe self-administration is the way forward in the Western world. In India maybe vials are possible. The company is well prepared as in its new facility is fungible, the new line can produce both vials or cartridges.

■ Liraglutide:

- Launch likely next quarter

■ New products:

- NBE - first in class product, in clinical manufacturing at present. Expect commercialization in FY28-29. The present guidance does not include NBE revenue.
- NCE: Some launches as early as FY27. Overall, these are significant opportunities.

■ Facility:

- New line: This is getting added in the current site, as per company understanding they do not need an additional inspection for this.

- The company is doubling its DDC capacity in FY26
- For Semaglutide
ANVISA: For Brazil no more inspection only await customer approval for Semaglutide
Health Canada does not inspect if facility is EU and USFDA approved

■ **Financials:**

- Prepaid high cost debt and reduced debt during the quarter and now Net debt is INR 4.7bn
- Aim to remain below 1.5x Net Debt to EBITDA
- Invest USD 100mn over the next few years for capacity expansion
- Asset turns at 1.9x now, aim to stay above 2x
- Will have slightly inflated balance sheet for now due to merger of 3 entities and will work through this going ahead

Financial Tables (Consolidated)

| Income Statement (INR mn) | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Sales | 1,719 | 14,449 | 18,939 | 26,399 | 34,070 |
| Sales Growth | 344.1% | 740.4% | 31.1% | 39.4% | 29.1% |
| Total Revenue | 1,719 | 14,449 | 18,939 | 26,399 | 34,070 |
| Cost of Goods Sold/Op. Exp | 705 | 4,350 | 5,492 | 7,128 | 8,858 |
| Operating Expenses | 1,897 | 5,433 | 7,008 | 8,870 | 11,550 |
| EBITDA | -882 | 4,665 | 6,439 | 10,401 | 13,662 |
| EBITDA Margin | -51.3% | 32.3% | 34.0% | 39.4% | 40.1% |
| EBITDA Growth | 0.0% | 0.0% | 38.0% | 61.5% | 31.4% |
| Depn. & Amort. | 763 | 2,739 | 2,837 | 3,077 | 3,193 |
| EBIT | -1,645 | 1,926 | 3,602 | 7,324 | 10,469 |
| Other Income | 42 | 175 | 201 | 275 | 436 |
| Finance Cost | 894 | 1,663 | 800 | 550 | 450 |
| PBT before Excep. & Forex | -2,498 | 440 | 3,004 | 7,049 | 10,455 |
| Excep. & Forex Inc./Loss(-) | -1,159 | -1,111 | 0 | 0 | 0 |
| PBT | -3,657 | -671 | 3,004 | 7,049 | 10,455 |
| Taxes | 0 | -498 | 481 | 1,269 | 2,091 |
| Reported Net Profit | -3,657 | -173 | 2,523 | 5,780 | 8,364 |
| Adjusted Net Profit | -2,357 | 3,434 | 3,880 | 7,105 | 9,657 |
| Net Margin | -137.1% | 23.8% | 20.5% | 26.9% | 28.3% |
| Diluted Share Cap. (mn) | 108.5 | 114.4 | 114.4 | 114.4 | 114.4 |
| Diluted EPS (INR) | -21.7 | 30.0 | 33.9 | 62.1 | 84.4 |
| Diluted EPS Growth | 0.0% | 0.0% | 13.0% | 83.1% | 35.9% |
| Dividend Per Share (INR) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: Company, JM Financial

| Cash Flow Statement (INR mn) | | | | | |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Profit before Tax | -3,912 | -678 | 3,004 | 7,049 | 10,455 |
| Depn. & Amort. | 954 | 2,739 | 2,837 | 3,077 | 3,193 |
| Net Interest Exp. / Inc. (-) | 894 | 1,663 | 800 | 550 | 450 |
| Inc (-) / Dec in WCap. | -41 | -4,199 | -160 | -1,635 | -1,681 |
| Others | 1,032 | -134 | 0 | 0 | 0 |
| Taxes Paid | 0 | -70 | -481 | -1,269 | -2,091 |
| Operating Cash Flow | -1,072 | -679 | 6,001 | 7,772 | 10,325 |
| Capex | 4,898 | -1,281 | -3,500 | -3,500 | -1,500 |
| Free Cash Flow | 3,826 | -1,959 | 2,501 | 4,272 | 8,825 |
| Others | 207 | -730 | 0 | 0 | 0 |
| Investing Cash Flow | 5,105 | -2,011 | -3,500 | -3,500 | -1,500 |
| Inc / Dec (-) in Capital | 0 | 8,755 | 0 | 0 | 0 |
| Inc / Dec (-) in Loans | -2,807 | -2,229 | -1,250 | -1,250 | -1,000 |
| Others | -1,098 | -2,406 | 1,326 | -550 | -450 |
| Financing Cash Flow | -3,905 | 4,120 | 76 | -1,800 | -1,450 |
| Inc / Dec (-) in Cash | 128 | 1,431 | 2,577 | 2,472 | 7,375 |
| Opening Cash Balance | 95 | 223 | 3,098 | 4,230 | 6,702 |
| Closing Cash Balance | 223 | 1,653 | 5,675 | 6,702 | 14,078 |

Source: Company, JM Financial

| Balance Sheet (INR mn) | | | | | |
|-----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Shareholders' Fund | 3,957 | 58,806 | 61,329 | 67,109 | 75,473 |
| Total Loans | 5,622 | 7,716 | 6,466 | 5,216 | 4,216 |
| Total - Equity & Liab. | 9,579 | 66,522 | 67,795 | 72,325 | 79,689 |
| Net Fixed Assets | 10,506 | 63,359 | 63,340 | 63,763 | 62,070 |
| Gross Fixed Assets | 6,824 | 8,974 | 11,663 | 13,822 | 13,865 |
| Intangible Assets | 3,254 | 52,202 | 49,493 | 47,757 | 46,022 |
| Capital WIP | 427 | 2,184 | 2,184 | 2,184 | 2,184 |
| Current Assets | 2,580 | 12,143 | 15,312 | 20,850 | 31,378 |
| Inventories | 112 | 1,581 | 2,076 | 2,893 | 3,734 |
| Sundry Debtors | 552 | 4,166 | 5,708 | 7,956 | 10,268 |
| Cash & Bank Balances | 761 | 3,098 | 4,230 | 6,702 | 14,078 |
| Other Current Assets | 1,154 | 3,299 | 3,299 | 3,299 | 3,299 |
| Current Liab. & Prov. | 3,507 | 8,981 | 10,858 | 12,288 | 13,760 |
| Current Liabilities | 917 | 5,123 | 7,000 | 8,430 | 9,902 |
| Provisions & Others | 2,590 | 3,858 | 3,858 | 3,858 | 3,858 |
| Net Current Assets | -927 | 3,162 | 4,454 | 8,562 | 17,619 |
| Total - Assets | 9,579 | 66,522 | 67,795 | 72,325 | 79,689 |

Source: Company, JM Financial

| Dupont Analysis | | | | | |
|---------------------|---------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| Net Margin | -137.1% | 23.8% | 20.5% | 26.9% | 28.3% |
| Asset Turnover (x) | 0.1 | 0.4 | 0.3 | 0.4 | 0.4 |
| Leverage Factor (x) | 2.2 | 1.3 | 1.2 | 1.1 | 1.1 |
| RoE | -39.9% | 10.9% | 6.5% | 11.1% | 13.5% |

| Key Ratios | | | | | |
|---------------------|--------|-------|-------|-------|-------|
| Y/E March | FY24A | FY25A | FY26E | FY27E | FY28E |
| BV/Share (INR) | 36.5 | 513.9 | 536.0 | 586.5 | 659.6 |
| ROIC | -18.5% | 8.8% | 26.1% | 37.5% | 43.6% |
| ROE | -39.9% | 10.9% | 6.5% | 11.1% | 13.5% |
| Net Debt/Equity (x) | 1.2 | 0.1 | 0.0 | 0.0 | -0.1 |
| P/E (x) | -76.4 | 55.3 | 48.9 | 26.7 | 19.7 |
| P/B (x) | 45.5 | 3.2 | 3.1 | 2.8 | 2.5 |
| EV/EBITDA (x) | -219.8 | 41.5 | 29.7 | 18.0 | 13.1 |
| EV/Sales (x) | 112.8 | 13.4 | 10.1 | 7.1 | 5.3 |
| Debtor days | 117 | 105 | 110 | 110 | 110 |
| Inventory days | 24 | 40 | 40 | 40 | 40 |
| Creditor days | 114 | 65 | 106 | 116 | 117 |

Source: Company, JM Financial

History of Recommendation and Target Price

| Date | Recommendation | Target Price | % Chg. |
|-----------|----------------|--------------|--------|
| 29-Apr-25 | Buy | 2,049 | |

Recommendation History

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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|-----------------------|---|
| Rating | Meaning |
| Buy | Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields. |
| Hold | Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months. |
| Sell | Price expected to move downwards by more than 10% from the current market price over the next twelve months. |

* REITs refers to Real Estate Investment Trusts.

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