Piramal Pharma | BUY

Small win, strong signal

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Piramal Pharma has secured a new commercial contract for its overseas unit that, although small, adds to its expanding commercial portfolio and is likely to support profitability improvement at international subsidiaries. Botanix Pharmaceuticals has announced that it has onboarded Piramal Pharma as a secondary API supplier for Sofdra (sofpironium bromide), with manufacturing to be carried out at Piramal's Riverview facility and scale-up expected from FY28; we estimate peak revenue potential of USD 15mn–20mn from this opportunity. This is Piramal's second such win in the past 12 months following the New Amsterdam FDC contract. This indicates improving deal traction for overseas CDMO facilities and reinforcing our view that better capacity utilisation will drive profitability ahead. Overall, we expect Piramal Pharma to deliver 16%/48% revenue/EBITDA CAGR over FY26–28 led by CDMO recovery and higher asset utilisation. At CMP, the stock trades at 17x/11x FY27E/FY28E EV/EBITDA, which appears attractive relative to Indian peers; hence, we maintain BUY with a TP of INR 211.

- **About Botanix:** Botanix Pharmaceuticals is an Australian dermatology company that transitioned to a commercial-stage firm following FDA approval of its flagship product, Sofdra, for treating primary axillary hyperhidrosis (excessive underarm sweating). Other than Sofdra, the company also has four assets currently under Phase 2.

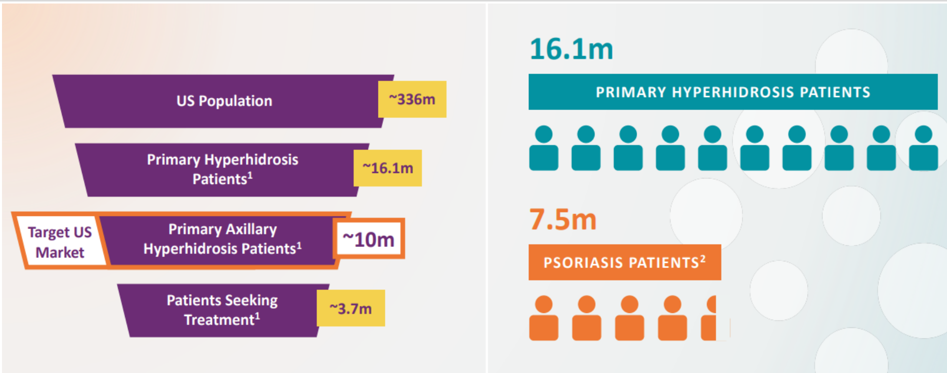
- **About Sofdra:** Sofdra/sofpironium bromide is the first and only FDA-approved chemical entity for treating primary axillary hyperhidrosis. As a topical anticholinergic gel, it represents a clinical shift from invasive Botox injections or systemic oral medications that carry heavy side-effects.

- **Product potential:** Currently, the product is primarily geared toward the US market. In the US, ~16mn people suffer from primary hyperhidrosis. The approved indication—primary axillary hyperhidrosis—represents a TAM of ~10mn patients, of which ~3.7mn patients are seeking treatment. As per our understanding, and with a 5% market share assumption, the end-product has a peak sales potential of ~USD 400mn-500mn.

- **Piramal Pharma – secondary supplier:** Piramal is being onboarded as the secondary supplier for the API (sofpironium bromide) alongside the existing and primary supplier Kaken Pharmaceutical. Botanix currently has apprehensions over its existing supplier on the cost and payment terms front. As per our understanding, while the commercials with Piramal are still under discussion, the tech transfer is to begin immediately. The product is likely to be pursued at the Riverview facility.

- **Implications for Piramal Pharma:** On a standalone basis, the product might not be a sizeable opportunity for Piramal's hefty topline. This represents the second contract win for the Riverview site in recent times. It shows commitment on the management's part towards the earlier guidance of ramping up utilisation at its global sites (i.e., ex-India sites). The company's CDMO business currently operates at high single-digit EBITDA margin owing to losses at its underutilised international facilities. We expect the profitability turnaround at its global sites, along with ramp-up of the commercial innovator product portfolio, to aid in expanding segmental margins to high-teens by FY28.

Exhibit 1: Hyperhidrosis – Market size



Source: Company

Exhibit 2: Hyperhidrosis treatment options

Source: Company

Exhibit 3: Sofdra – competitive benchmarking

Treatment	Type	Application	Primary Side Effects	Efficacy	Estimated Cost
Sofdra	Topical - Prescription	Daily gel	Dry mouth, blurred vision, site pain	High	USD 970
OTC Antiperspirants (Degree, Old Spice)	Topical (Cosmetic)	Daily	Skin irritation	Low	USD 5–15
Clinical OTC (Certain DRI, SweatBlock)	Topical	Daily to Weekly at bedtime	Burning, itching, stinging	Moderate	USD 10–25
Drysol	Topical - Prescription	2–3 times weekly at bedtime	Significant skin irritation, burning	High	USD 20–30
Qbrexza	Topical - Prescription	Daily wipe	Dry mouth (62%), sore throat	High	USD 630
Cuvposa	Prescription (Oral Liquid)	Twice daily (oral)	Dry mouth, constipation, tooth decay risk	High	Varies (often insurance)
Botox	Invasive (Neurotoxin)	Injections every 6 months	Injection site pain, temporary weakness	Very High	USD 1,000 per session
miraDry	Invasive (Microwave)	1–2 office sessions	Swelling, soreness, hair/odour reduction	Very High	USD 2,000–3,000
Surgery (ETS)	Surgical (Nerve cutting)	One-time procedure	Compensatory sweating elsewhere, infection	Very High (Permanent)	Most Costly

Source: Industry, JM Financial

APPENDIX I

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