Choice Institutional Equities

Granules India: Scaling up for Next Phase of Growth

July 21, 2026 | CMP: INR 875 | Target Price: INR 1,110

Expected Share Price Return: 26.8% I Dividend Yield: 0.2% I Potential Upside: 27.0%

BUY

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info

BB Code	GRAN IN EQUITY
Face Value (INR)	1.0
52-week High/Low (INR)	910 / 433
Mkt Cap (Bn)	INR 215.9 / USD 2.3
Shares o/s (Mn)	247.8
3M Avg. Daily Volume	14,01,147

Change in CIE Estimates

	FY27E			FY28E		
INR Bn	**New**	**Old**	**Dev. (%)**	**New**	**Old**	**Dev. (%)**
Revenue	65.6	63.5	3.3	80.5	75.2	7.0
EBITDA	15.1	14.4	4.6	19.1	17.1	11.8
EBITDAM %	23.0	22.7	30 bps	23.7	22.7	100 bps
PAT	8.2	7.7	6.6	11.0	9.5	16.1
EPS (INR)	33.1	31.0	6.6	44.4	38.3	16.1

Actual vs CIE Estimates

INR Bn	Q1FY27A	CIE Est.	Dev.%
Revenue	14.8	16.4	(9.9)
EBITDA	3.4	3.9	(13.8)
EBITDAM %	22.9	24.0	(105) bps
PAT	1.8	2.2	(17.0)

Key Financials

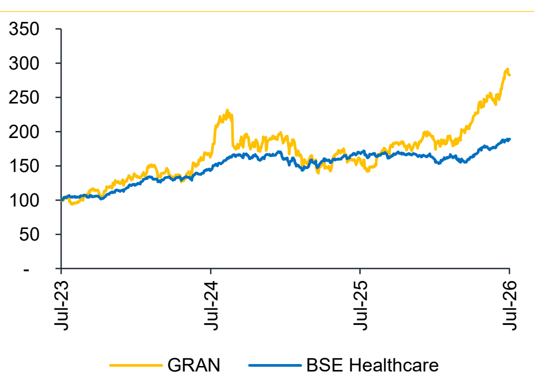
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44.8	53.7	65.6	80.5	95.8
YoY (%)	(0.5)	19.7	22.2	22.7	19.1
EBITDA	9.5	11.9	15.1	19.1	23.0
EBITDAM %	21.1	22.1	23.0	23.7	24.0
PAT	5.0	6.0	8.2	11.0	13.8
EPS (INR)	20.7	24.0	33.1	44.4	55.9
ROE %	13.5	11.7	14.0	16.0	17.0
ROCE %	14.4	13.8	16.4	19.1	20.6
PE(x)	42.3	36.5	26.5	19.7	15.7
EV/EBITDA	23.2	18.6	14.5	11.2	9.0

Shareholding Pattern (%)

	Jun 2026	Mar 2026	Dec 2025
Promoters	38.01	38.02	38.81
FIIs	17.50	15.31	13.55
DIIs	16.11	17.01	17.47
Public	28.36	29.67	30.15

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	89.1	32.3	12.2
GRAN	182.7	74.1	77.2



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Execution across Key Growth Levers Continues to Impress

We expect GRAN to ***sustain its growth trajectory alongside continued margin expansion***. We believe this will be driven by a higher contribution from complex generic products, new approvals from the GGP and GLS facilities, oncology product launches and scale-up in the CDMO business. ***We forecast a revenue CAGR of 21% over the next three years, with EBITDA margin of 22–24%.*** Further margin expansion could be supported by the scale-up of newly-approved products and an increasing contribution from the CDMO business.

We raise our FY27E/FY28E EPS estimate by 6.6%/16.1%, reflecting an ***improving outlook for FDA remediation and the product pipeline***. We value the stock at 25x FY28E EPS, revise our ***TP to INR 1,110*** and upgrade our rating to 'BUY.' In addition, ***a PEG ratio of 0.8x*** provides further comfort on the current valuation.

Soft Topline Overshadows Healthy Margin Expansion

- Revenue grew 22.0% YoY / 0.4% QoQ to INR 14,768 Mn (vs. CIE estimate: INR 16,388 Mn).
- EBITDA grew 37.4% YoY but declined 3.7% QoQ to INR 3,389 Mn; margin expanded 256 bps YoY but contracted 99 bps QoQ to 22.9% (vs. CIE estimate: 24.0%).
- PAT increased 59.8% YoY but declined 10.7% QoQ to INR 1,800 Mn (vs. CIE estimate: INR 2,169 Mn).

Post-Gagillapur Recovery, Complex Generics and CDMO Drive 21% CAGR

GRAN has delivered another quarter of sustained growth alongside margin expansion, reinforcing our view that its ***strategic initiatives are now translating into tangible execution***. With an increasing contribution from complex generics, continued momentum in the CDMO business and stabilising API pricing, ***we expect this trajectory to persist and forecast earnings to expand at a CAGR of 20–22% over the next three years.***

- Finished Dosage: ***Complex generics now account for 50% of segment revenue***, up from 39% a year ago, with the management maintaining its strategic focus on expanding this portfolio. At present, the company has ***50 dossiers awaiting approval***, of which approximately 50% are in the complex generics portfolio. We believe the rising contribution from this portfolio should not only support stronger revenue growth but also drive further margin expansion through an improved product mix.
- Peptides/CDMO: While the CDMO business at present contributes less than 5% of overall revenue, it ***remains a key pillar of the company's long-term growth strategy***. The ***management expects robust growth***, supported by new customer project wins, scale-up activities, commercial production from the India manufacturing site and operating leverage arising from a favourable shift in product mix.

Particulars (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Revenue	14,768	12,101	22.0	14,706	0.4
Cost of Goods Sold	5,078	4,251	19.5	5,041	0.7
Gross Margin (%)	65.6	64.9	74 bps	65.7	(11) bps
Operating Expenses	6,301	5,383	37.4	6,144	6.3
EBITDA	3,389	2,467	37.4	3,521	(3.7)
EBITDA Margin (%)	22.9	20.4	256 bps	23.9	(99) bps
Depreciation	796	688	15.7	817	(2.6)
Interest	211	238	(11.2)	327	(35.4)
PBT	2,404	1,704	41.1	2,464	(2.5)
Tax	604	319	89.5	608	(0.6)
PAT	1,800	1,126	59.8	2,016	(10.7)
EPS (INR)	7.3	4.6	56.4	8.1	(10.7)

Segmental Performance (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
API	1,943	1,627	19.4	1,975	(1.6)
PFI	1,297	1,194	8.6	1,341	(3.3)
FD	10,927	8,989	21.6	10,691	2.2
CDMO	600	291	NA	699	(14.2)

Source: GRAN, Choice Institutional Equities

Management Call – Highlights

The management expects Peptides CDMO business to achieve PAT positivity on a full-year basis from FY27.

The management expects EBITDA margin to sustain at 22–23% in FY27.

The differentiated pipeline continues to strengthen with 23–24 pending ANDA approvals, two Sole First-to-File opportunities and a growing oncology portfolio expected to start commercialisation in FY28.

Capacity Expansion & Product Launches

- The management reiterated that the company is transforming into a ***differentiated, innovation-led pharmaceutical company, with complex generics*** now contributing 50% of finished dosage revenues, up from 39% last year.
- ***Gagillapur remediation is substantially complete***, with all responses submitted to the USFDA. The company continues to await re-inspection, with ***nine products ready for launch*** upon regulatory clearance.
- ***Genome Valley is ramping up steadily and is expected to operate at over 50% utilisation by FY27-end***, while also serving as an alternative manufacturing site to de-risk the supply chain.
- The differentiated pipeline continues to strengthen with ***23–24 pending ANDA approvals, two Sole First-to-File opportunities and a growing oncology portfolio expected to start commercialisation in FY28.***

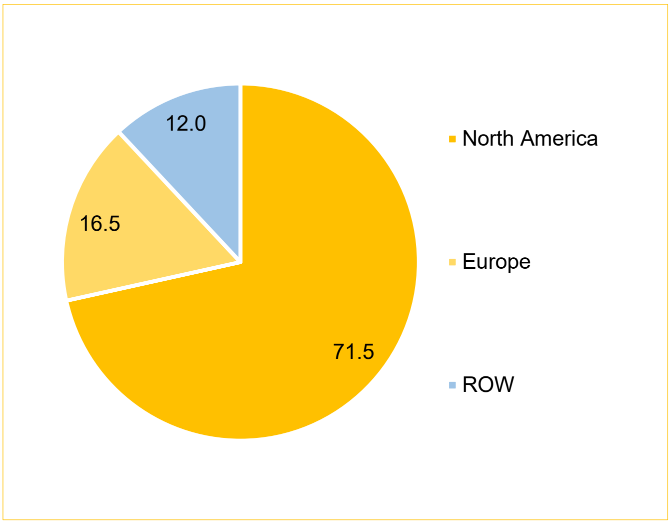
Peptide & CDMO Growth

- The management continues to position the ***Peptide CDMO business as a long-term growth pillar***, targeting ***PAT positivity in FY27*** despite inherent quarterly volatility.
- The business added ***three new customer projects*** in the quarter and ***continues to integrate Zurich and Hyderabad R&D capabilities to accelerate technology development.***
- The management reaffirmed its medium-term aspiration of building a ***USD 50 Mn revenue platform with 30%+ EBITDA margin*** for the Peptide CDMO Business.

Outlook

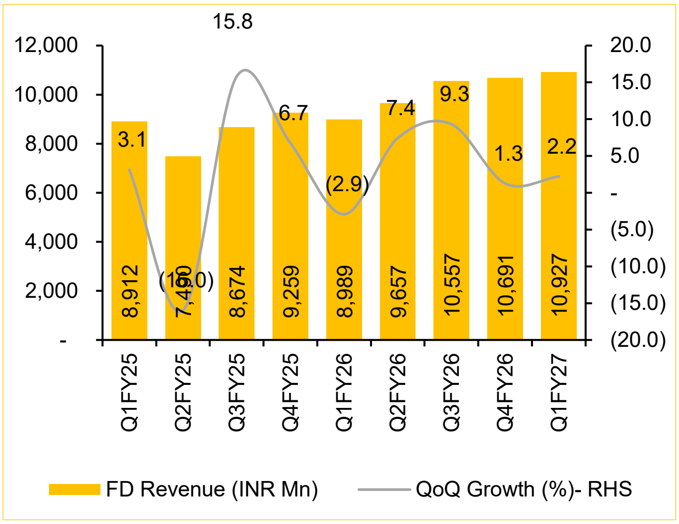
- The management remains confident of ***delivering a healthy growth in FY27***, driven by continued momentum in complex generics, Europe and controlled substances.
- The management expects ***EBITDA margin to sustain at 22–23%*** *in FY27.*
- ***FY27 CapEx guidance of INR 6,000 Mn remains unchanged***, with spending focussed on digitalisation, modular expansion and peptide infrastructure.
- ***R&D investment is expected to remain elevated at 5.5–6.0% of sales***, primarily towards complex generics, oncology and differentiated technologies.

Q1FY27 Segment Revenue Split (INR 14.8 Bn)



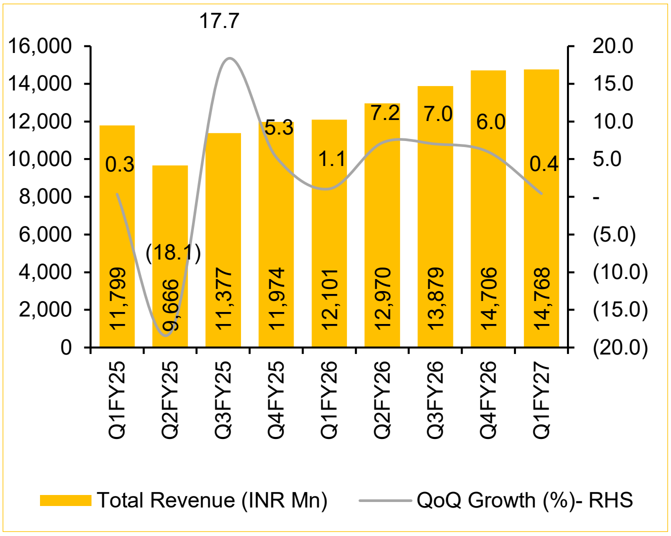
Source: GRAN, Choice Institutional Equities

FD Segment Grows 21.6% YoY



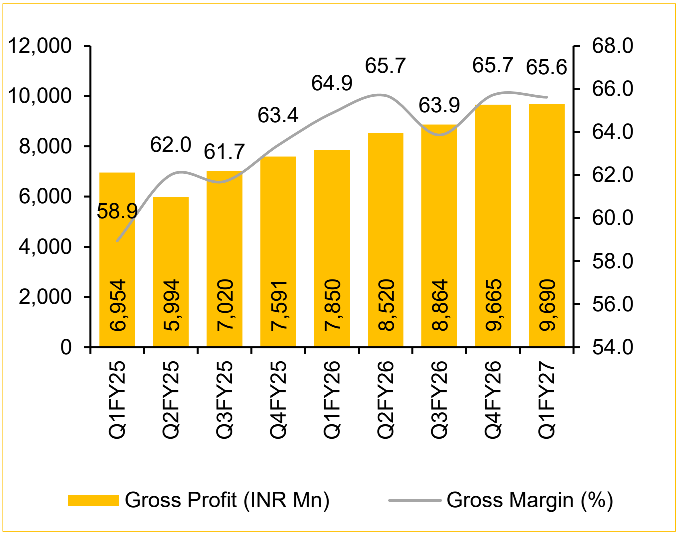
Source: GRAN, Choice Institutional Equities

Revenue below Estimate



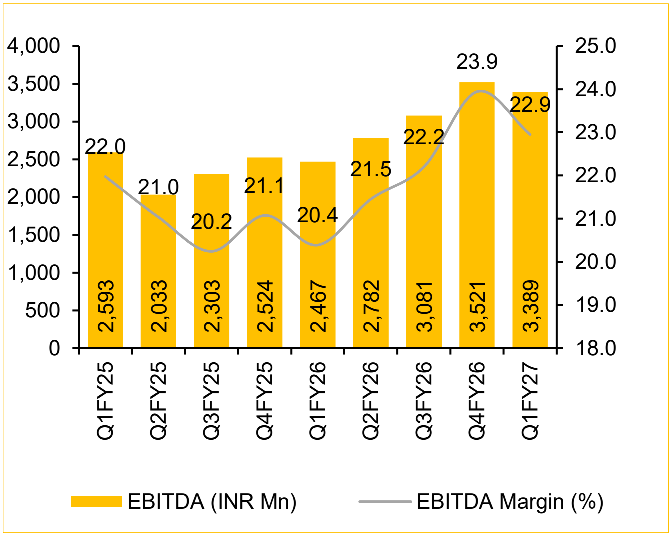
Source: GRAN, Choice Institutional Equities

Gross Margin Improves on Product Mix



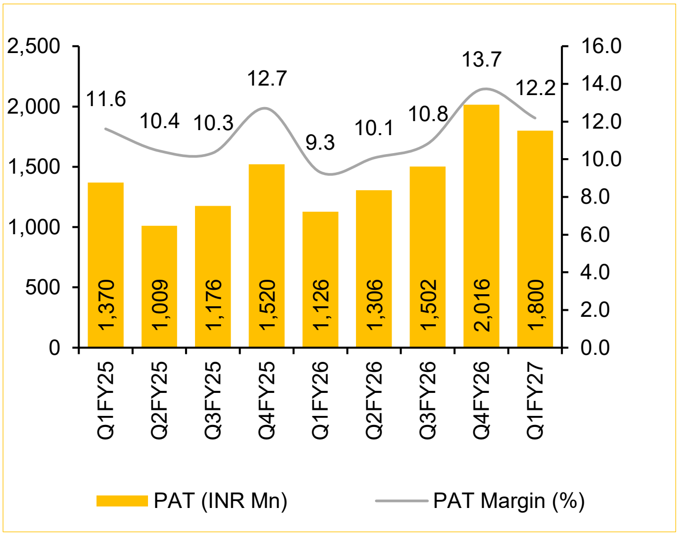
Source: GRAN, Choice Institutional Equities

EBITDA Margin below Estimate



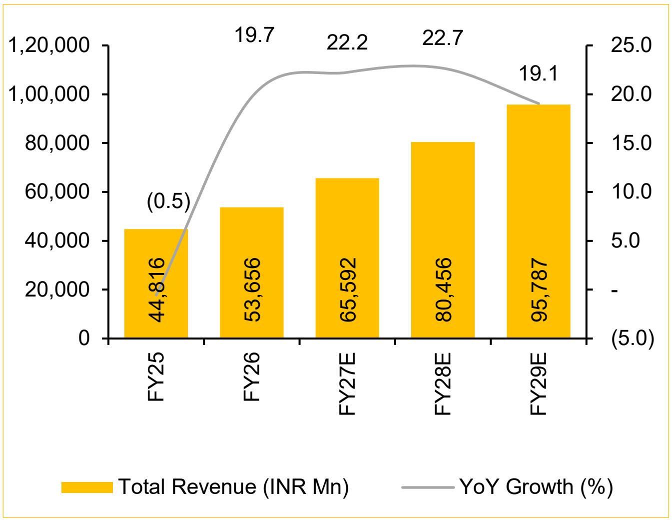
Source: GRAN, Choice Institutional Equities

PAT Grows in line with EBITDA



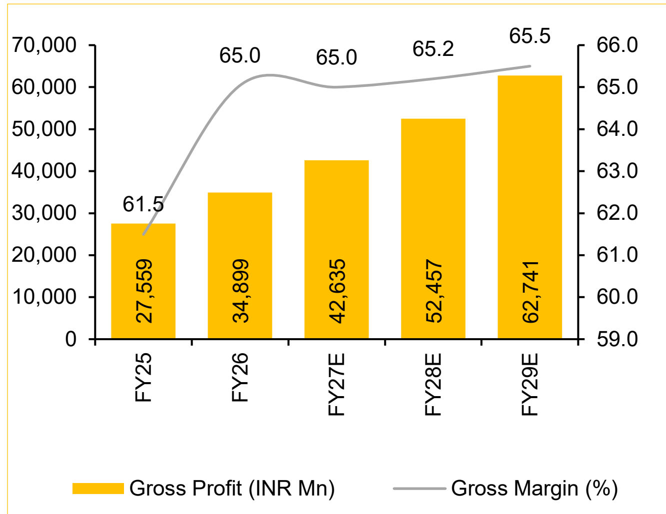
Source: GRAN, Choice Institutional Equities

Revenue to Expand at 21.3% over CAGR FY26–29E



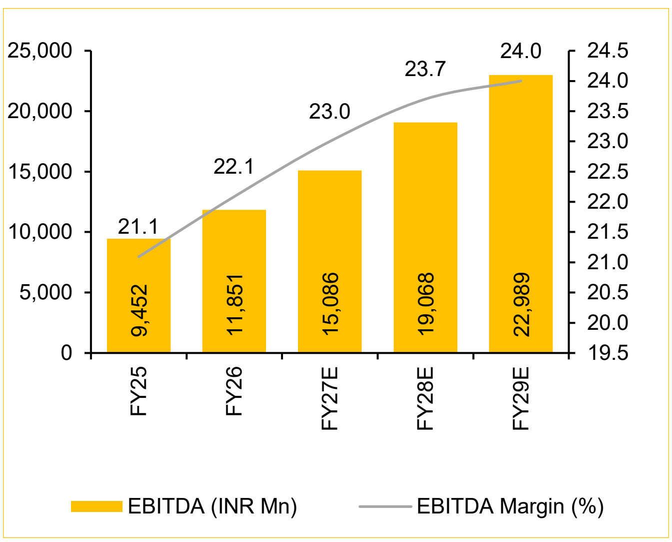
Source: GRAN, Choice Institutional Equities

Gross Margin Expansion Forecast to Remain Muted



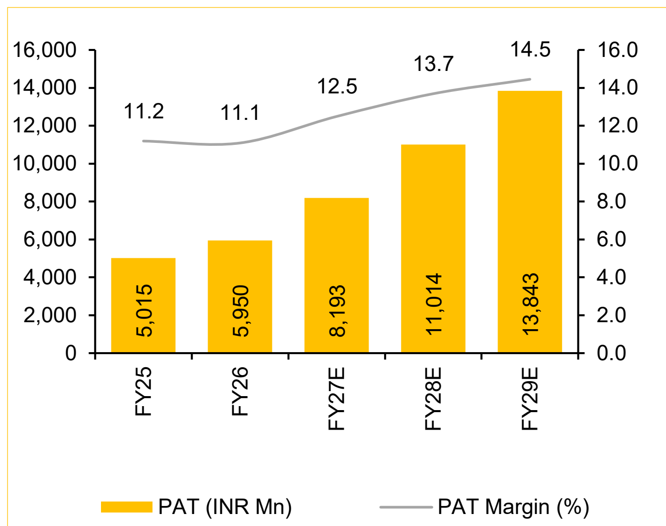
Source: GRAN, Choice Institutional Equities

Margin Expansion on Lower Remediation Cost



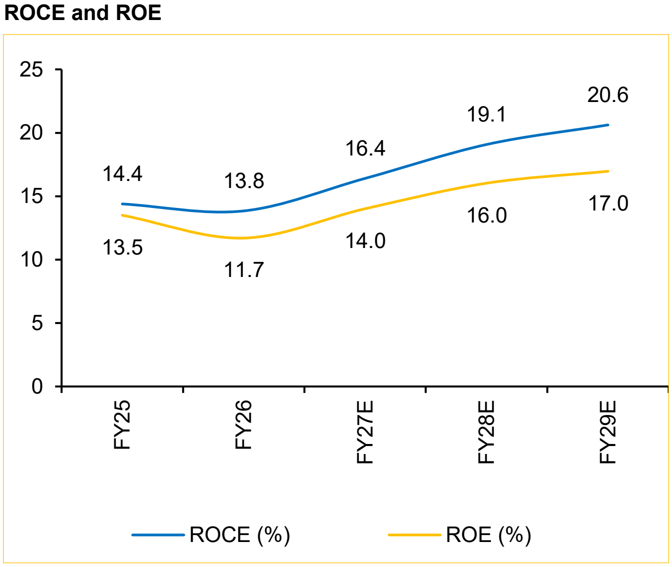
Source: GRAN, Choice Institutional Equities

Improving EBITDA Projected to Drive PAT Growth



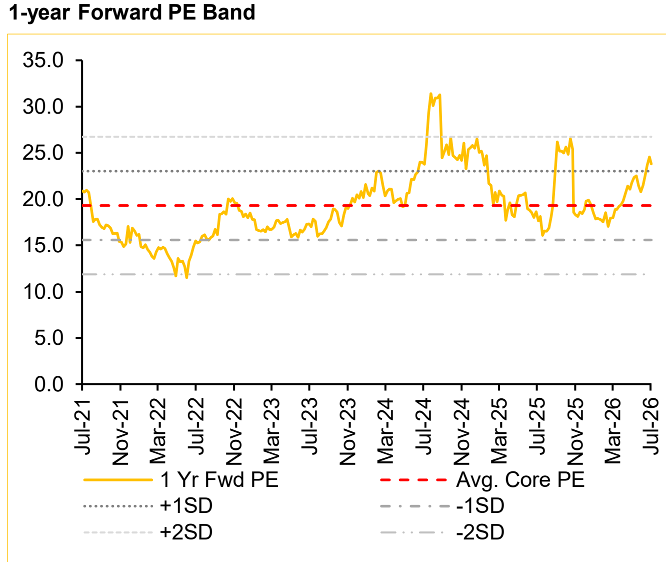
Source: GRAN, Choice Institutional Equities

ROCE and ROE



Source: GRAN, Choice Institutional Equities

1-year Forward PE Band



Source: GRAN, Choice Institutional Equities

Income Statement (INR Mn)

Particulars	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44,816	53,656	65,592	80,456	95,787
Gross Profit	27,559	34,899	42,635	52,457	62,741
EBITDA	9,452	11,851	15,086	19,068	22,989
Depreciation	2,255	2,961	3,462	3,882	4,232
EBIT	7,197	8,890	11,624	15,186	18,756
Other Income	129	203	328	402	479
Interest Expense	1,032	1,144	1,028	903	779
PBT	6,602	7,850	10,924	14,685	18,457
PAT	5,015	5,950	8,193	11,014	13,843
EPS (INR)	20.7	24.0	33.1	44.4	55.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	(0.5)	19.7	22.2	22.7	19.1
Gross Profit	10.9	26.6	22.2	23.0	19.6
EBITDA	10.4	25.4	27.3	26.4	20.6
PAT	23.7	18.6	37.7	34.4	25.7
Margins (%)					
Gross Profit Margin	61.5	65.0	65.0	65.2	65.5
EBITDA Margin	21.1	22.1	23.0	23.7	24.0
PBT Margin	14.7	14.6	16.7	18.3	19.3
Tax Rate	24.0	24.2	25.0	25.0	25.0
PAT Margin	11.2	11.1	12.5	13.7	14.5
Profitability (%)					
ROE	13.5	11.7	14.0	16.0	17.0
ROIC	16.9	19.7	18.0	20.3	21.0
ROCE	14.4	13.8	16.4	19.1	20.6
Financial Leverage					
OCF/EBITDA (x)	1.1	0.8	0.8	0.8	0.8
OCF/Net Profit (x)	1.7	1.3	1.2	1.1	1.0
Debt to Equity	0.3	0.3	0.2	0.2	0.1
Interest Coverage	7.0	7.8	11.3	16.8	24.1
Working Capital					
Inventory Days	284	326	300	280	280
Debtor Days	77	62	65	65	65
Payable Days	154	131	131	131	131
Cash Conversion Cycle	207	256	234	214	214
Valuation Metrics					
No of Shares (Mn)	242	248	248	248	248
EPS (INR)	20.7	24.0	33.1	44.4	55.9
BVPS (INR)	153.3	205.2	236.0	277.3	329.2
Market Cap (INR Bn)	211.9	212.2	216.9	216.9	216.9
PE	42.3	36.5	26.5	19.7	15.7
P/BV	5.7	4.3	3.7	3.2	2.7
EV/EBITDA	23.2	18.6	14.5	11.2	9.0
EV/Sales	4.9	4.1	3.3	2.7	2.2

Source: GRAN, Choice Institutional Equities

Balance Sheet (INR Mn)

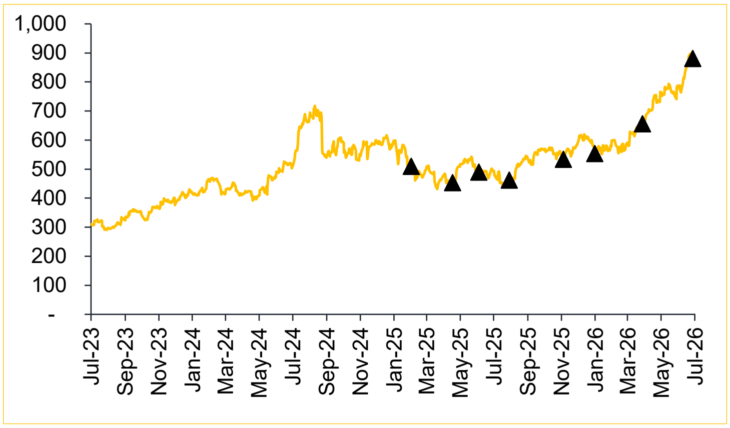
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	37,156	50,850	58,469	68,712	81,586
Borrowings	12,858	13,381	12,381	10,881	9,381
Trade Payables	7,261	6,728	8,235	10,043	11,854
Other Non-current Liabilities	2,223	2,458	2,458	2,458	2,458
Other Current Liabilities	3,028	3,783	3,783	3,783	3,783
Total Net Worth & Liabilities	**62,526**	**77,200**	**85,326**	**95,877**	**1,09,061**
Net Block	20,221	28,603	31,141	33,258	34,026
Capital WIP	4,369	4,065	4,065	4,065	4,065
Goodwill & Intangible Assets	2,090	1,987	1,987	1,987	1,987
Investments	220	8	8	8	8
Trade Receivables	9,422	9,094	11,681	14,328	17,058
Cash & Cash Equivalents	5,964	9,491	10,354	13,530	19,344
Other Non-current Assets	4,470	4,859	4,859	4,859	4,859
Other Current Assets	15,769	19,092	21,231	23,840	27,713
Total Assets	**62,526**	**77,200**	**85,326**	**95,877**	**1,09,061**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	8,666	7,932	9,464	12,351	14,062
Cash Flows from Investing	(6,913)	(7,732)	(6,000)	(6,000)	(5,000)
Cash Flows from Financing	(925)	3,793	(2,601)	(3,174)	(3,248)

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	76.0	75.8	75.0	75.0	75.0
Interest Burden (%)	91.7	88.3	94.0	96.7	98.4
EBIT Margin (%)	16.1	16.6	17.7	18.9	19.6
Asset Turnover (x)	0.7	0.7	0.8	0.8	0.9
Equity Multiplier (x)	1.7	1.5	1.5	1.4	1.3
ROE (%)	**13.5**	**11.7**	**14.0**	**16.0**	**17.0**

Source: GRAN, Choice Institutional Equities

Historical Price Chart: GRAN



Date	Rating	Target Price
January 27, 2025	HOLD	623
May 29, 2025	BUY	640
June 27, 2025	BUY	640
August 13, 2025	BUY	640
November 14, 2025	ADD	660
January 24, 2025	BUY	690
April 30, 2026	ADD	835
July 21, 2026	BUY	1,110

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000 Cr Market Cap**

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