BUY Granules India

Strong margin print; on the right trajectory

Pharmaceuticals ▸ Result Update ▸ **July 22, 2026**

CMP (Rs): 876 | TP (Rs): 950

Granules's 1QFY27 EBITDA/PAT were ahead of our estimates (by 7%/11%), primarily on the back of a beat in gross margin. The gross margin (65.6%) beat was aided by a favorable mix, while the quarter's EBITDA margin outperformance has also come in the face of elevated R&D spend. The company reiterating that the Genome Valley facility will approach 50%+ utilization by end-FY27 (also reflected in the rapid scale-up seen in ex-US markets) and that Senn (peptide CDMO) will be profitable in FY27 were the key positives. The continued increase in the share of complex generics in formulation sales (~50% in 1QFY27 vs ~39% in the base quarter), a key driver of the gross margin outperformance, is largely a consequence of sustained momentum in the company's controlled substance portfolio. Granules has continued to gain share CYTD in recent launches in the US controlled substance market. Gagillapur clearance in FY27 could pose an upside to our formulation sales estimates (*refer to our recent plant visit note*), while growth in Senn could turn out to be non-linear in the medium term (not part of our base case). We expect cumulative FCF generation of ~Rs14bn over FY26-29E (net debt now down to ~Rs1bn) and a PAT CAGR of ~27% over this period. We raise FY27-29 earnings estimates by ~5% and lift our Jun-27 TP by ~6% to Rs950 (vs Rs900 earlier). Retain BUY.

EBITDA outperformance driven by gross margin sustaining at elevated levels

Formulation sales grew ~22% yoy, broadly in line with our expectations. The shift in product mix toward complex generics, along with the opening inventory levels in the US, helped sustain gross margin at the record-high levels seen in 4Q despite RM cost pressures. Overall revenue was in line with lower PFI sales offset by a strong uptick in API and peptide CDMO sales. API growth was driven by higher sales from products filed earlier in Europe, while growth in Senn was supported by the commencement of one pharma project and two cosmetics projects during the quarter.

KTAs from the earnings call

1) The company has nine ANDAs pending approval from Gagillapur; approval for nine other products is contingent on IP-related resolution. 2) Senn's 2HFY27 is expected to be better than 1H, while both 1H and 2H will see yoy growth (expected FY27 revenue of ~Rs2.4bn); the company targets to scale Senn to $50mn in revenue with a 30% EBITDA margin over the next three years. 3) The company has earmarked land for its India-based peptide manufacturing facility in Vizag (estimated capex of Rs1bn for peptide intermediates and Rs2bn for peptide API). 4) The company expects to launch 1-2 controlled substance products in FY28 and has a pipeline of 4-5 controlled substance products. 5) Granules expects to launch its first self-developed, backward-integrated oncology product in FY28 across markets; 9-13 oral solid oncology products are in various phases of development, most of which are backward integrated.

Target Price – 12M	Jun-27
Change in TP (%)	**5.6**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	8.4

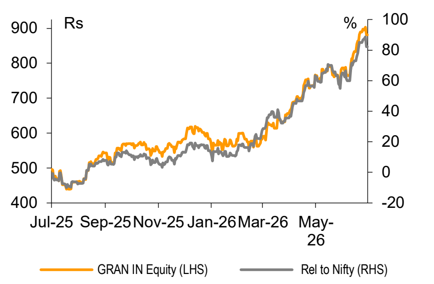
Stock Data	**GRAN IN**
52-week High (Rs)	910
52-week Low (Rs)	433
Shares outstanding (mn)	247.8
Market-cap (Rs bn)	217
Market-cap (USD mn)	2,255
Net-debt, FY27E (Rs mn)	2,284.3
ADTV-3M (mn shares)	1.2
ADTV-3M (Rs mn)	1,175.9
ADTV-3M (USD mn)	12.2
Free float (%)	62.0
Nifty-50	24,187.7
INR/USD	96.2

Shareholding,Jun-26	
Promoters (%)	38.0
FPIs/MFs (%)	17.5/16.1

Price Performance

(%)	1M	3M	12M
Absolute	11.3	31.1	77.1
Rel. to Nifty	10.5	33.3	83.7

1-Year share price trend (Rs)



Granules India: Financial Snapshot (Consolidated)

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44,816	53,656	60,497	68,026	79,410
EBITDA	9,452	11,851	13,827	16,466	20,532
Adj. PAT	4,708	6,050	7,407	9,255	12,295
Adj. EPS (Rs)	19.4	24.4	29.9	35.3	45.1
EBITDA margin (%)	21.1	22.1	22.9	24.2	25.9
EBITDA growth (%)	10.4	25.4	16.7	19.1	24.7
Adj. EPS growth (%)	16.1	25.8	22.4	18.0	27.8
RoE (%)	13.6	13.7	13.6	13.7	14.8
RoIC (%)	14.7	15.8	15.4	17.0	19.9
P/E (x)	42.3	36.5	29.3	24.8	19.4
EV/EBITDA (x)	23.3	18.6	16.0	13.4	10.7
P/B (x)	5.7	4.3	3.8	3.0	2.7
FCFF yield (%)	1.0	(1.4)	1.2	2.1	2.8

Source: Company, Emkay Research

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Exhibit 1: Granules - 1QFY27 earnings snapshot

Granules - P&L	1QFY26A	1QFY27A	yoy chg	1QFY27E	Delta vs Emkay est	1QFY27E (consensus)	Delta vs consensus	4QFY26A	qoq chg
(Rs mn)									
Net sales	12,101	14,768	22%	14,625	1%			14,706	0%
Total income	**12,101**	**14,768**	**22%**	**14,625**	**1%**	**14,638**	**1%**	**14,706**	**0%**
Raw material	4,251	5,078	19%	5,090	0%			5,041	1%
Gross profit	7,850	9,690	23%	9,536	2%			9,665	0%
- Gross margin	**64.9%**	**65.6%**	**74 bps**	**65.2%**	**41 bps**			**65.7%**	**-11 bps**
Staff costs	2,028	2,546	26%	2,532	1%			2,404	6%
Other expenses	3,356	3,755	12%	3,832	-2%			3,739	0%
EBITDA	**2,467**	**3,389**	**37%**	**3,172**	**7%**	**3,309**	**2%**	**3,521**	**-4%**
% EBITDA margin	**20.4%**	**22.9%**	**256 bps**	**21.7%**	**126 bps**	**22.6%**	**34 bps**	**23.9%**	**-99 bps**
Other income	163	23	-86%	63	-64%			88	-74%
Interest expense	238	211	-11%	197	7%			327	-35%
Depreciation	688	796	16%	870	-8%			817	-3%
Profit before tax (PBT)	**1,704**	**2,404**	**41%**	**2,167**	**11%**			**2,464**	**-2%**
Tax	319	604	90%	542	12%			608	-1%
- Tax rate	18.7%	25.1%	643 bps	25.0%	14 bps			24.7%	47 bps
Exceptional item	(259)	-		-				159	
Reported PAT	**1,126**	**1,800**	**60%**	**1,625**				**2,016**	**-11%**
Adjusted PAT	**1,328**	**1,800**	**35%**	**1,625**	**11%**	**1,721**	**5%**	**1,893**	**-5%**
EPS (Rs) - Adjusted	**5.5**	**7.3**		**6.6**				**7.6**	
% cost ratios	**1QFY26A**	**1QFY27A**	**YoY chg**	**1QFY27E**	**Delta vs Emkay Est**			**4QFY26A**	**QoQ chg**
Raw material	35.1	34.4	-74 bps	34.8	-41 bps			34.3	11 bps
Staff costs	16.8	17.2	48 bps	17.3	-7 bps			16.4	89 bps
Mfg and other expenses	27.7	25.4	-230 bps	26.2	-77 bps			25.4	bps
Sales break-up	**1QFY26A**	**1QFY27A**	**YoY chg**	**1QFY27E**	**Delta vs Emkay Est**			**4QFY26A**	**QoQ chg**
API	1,627	1,943	19%	1,774	10%			1,975	-2%
PFI	1,194	1,297	9%	1,422	-9%			1,341	-3%
Formulations	8,989	10,927	22%	11,012	-1%			10,691	2%
Peptides	291	600	106%	418	43%			699	-14%

Source: Company, Bloomberg, Emkay Research

Exhibit 2: Changes to estimates

(Rs mn)	FY27E			FY28E			FY29E		
	Old	**New**	**change %**	**Old**	**New**	**change %**	**Old**	**New**	**change %**
API	7,082	7,233	2%	7,204	7,334	2%	7,389	7,497	1%
PFI	5,676	5,483	-3%	5,926	5,622	-5%	6,190	5,767	-7%
Formulations	45,999	45,392	-1%	52,967	52,203	-1%	63,156	62,705	-1%
Peptides	2,230	2,390	7%	2,676	2,867	7%	3,211	3,441	7%
Total operating revenue	**60,987**	**60,497**	**-1%**	**68,774**	**68,026**	**-1%**	**79,947**	**79,410**	**-1%**
Gross profit	**39,642**	**39,500**	**0%**	**45,047**	**44,824**	**0%**	**52,765**	**52,722**	**0%**
- margin	**65.0%**	**65.3%**		**65.5%**	**65.9%**		**66.0%**	**66.4%**	
EBITDA	**13,844**	**13,827**	**0%**	**16,471**	**16,466**	**0%**	**20,466**	**20,532**	**0%**
- margin	22.7%	22.9%		24.0%	24.2%		25.6%	25.9%	
PAT	**7,045**	**7,407**	**5%**	**8,806**	**9,255**	**5%**	**11,711**	**12,295**	**5%**
EPS (Rs)	**28.4**	**29.9**	**5%**	**33.6**	**35.3**	**5%**	**42.9**	**45.1**	**5%**

Source: Emkay Research

Granules India: Consolidated Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**44,816**	**53,656**	**60,497**	**68,026**	**79,410**
Revenue growth (%)	(0.5)	19.7	12.7	12.4	16.7
EBITDA	**9,452**	**11,851**	**13,827**	**16,466**	**20,532**
EBITDA growth (%)	10.4	25.4	16.7	19.1	24.7
Depreciation & Amortization	2,255	2,961	3,319	3,679	4,047
EBIT	**7,197**	**8,890**	**10,507**	**12,787**	**16,485**
EBIT growth (%)	11.0	23.5	18.2	21.7	28.9
Other operating income	-	-	-	-	-
Other income	129	203	218	368	687
Financial expense	1,032	1,144	850	815	779
PBT	**6,294**	**7,950**	**9,876**	**12,341**	**16,393**
Extraordinary items	308	(100)	0	0	0
Taxes	1,587	1,900	2,469	3,085	4,098
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**5,015**	**5,950**	**7,407**	**9,255**	**12,295**
PAT growth (%)	23.7	18.6	24.5	25.0	32.8
Adjusted PAT	**4,708**	**6,050**	**7,407**	**9,255**	**12,295**
Diluted EPS (Rs)	**19.4**	**24.4**	**29.9**	**35.3**	**45.1**
Diluted EPS growth (%)	16.1	25.8	22.4	18.0	27.8
DPS (Rs)	**1.5**	**1.5**	**1.8**	**2.2**	**2.8**
Dividend payout (%)	**7.2**	**6.1**	**6.1**	**6.1**	**6.1**
EBITDA margin (%)	21.1	22.1	22.9	24.2	25.9
EBIT margin (%)	16.1	16.6	17.4	18.8	20.8
Effective tax rate (%)	25.2	23.9	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**5,383**	**6,766**	**7,881**	**9,590**	**12,364**
Shares outstanding (mn)	243	248	248	262	273

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	243	248	248	273	273
Reserves & Surplus	36,913	50,602	57,556	77,189	88,732
Net worth	**37,156**	**50,850**	**57,804**	**77,462**	**89,005**
Minority interests	0	0	0	0	0
Non-current liab. & prov.	(365)	(268)	(268)	(268)	(268)
Total debt	**12,858**	**13,381**	**11,681**	**9,981**	**8,281**
Total liabilities & equity	**51,656**	**66,180**	**71,333**	**89,149**	**98,803**
Net tangible fixed assets	20,221	28,603	32,193	35,521	38,736
Net intangible assets	2,123	2,018	1,476	934	397
Net ROU assets	1,954	1,911	1,846	1,754	1,634
Capital WIP	4,369	4,065	4,065	4,065	4,065
Goodwill	0	117	117	117	117
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**5,964**	**9,491**	**9,397**	**22,167**	**25,626**
Current assets (ex-cash)	25,191	28,186	31,644	35,218	40,758
Current Liab. & Prov.	10,191	10,381	11,576	12,799	14,702
NWC (ex-cash)	**15,000**	**17,805**	**20,068**	**22,420**	**26,057**
Total assets	**51,656**	**66,180**	**71,333**	**89,149**	**98,803**
Net debt	6,894	3,891	2,284	(12,186)	(17,344)
Capital employed	51,656	66,180	71,333	89,149	98,803
Invested capital	**37,343**	**48,426**	**53,737**	**58,875**	**65,190**
BVPS (Rs)	153.2	205.2	233.3	295.2	326.3
Net Debt/Equity (x)	0.2	0.1	-	(0.2)	(0.2)
Net Debt/EBITDA (x)	0.7	0.3	0.2	(0.7)	(0.8)
Interest coverage (x)	7.1	8.0	12.6	16.2	22.0
RoCE (%)	**15.5**	**15.9**	**16.0**	**16.8**	**18.6**

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	6,165	7,746	9,658	11,973	15,706
Others (non-cash items)	(117)	1,191	0	0	0
Taxes paid	(1,438)	(2,402)	(2,469)	(3,085)	(4,098)
Change in NWC	768	(2,708)	(2,263)	(2,352)	(3,637)
Operating cash flow	**8,666**	**7,933**	**9,095**	**11,029**	**12,796**
Capital expenditure	(6,545)	(10,934)	(6,368)	(6,464)	(6,726)
Acquisition of business	0	0	0	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(6,913)**	**(7,732)**	**(5,952)**	**(5,891)**	**(5,825)**
Equity raised/(repaid)	-	5	0	25	0
Debt raised/(repaid)	626	523	(1,700)	(1,700)	(1,700)
Payment of lease liabilities	68	92	(36)	(50)	(68)
Interest paid	(1,032)	(1,144)	(850)	(815)	(779)
Dividend paid (incl tax)	(364)	(364)	(453)	(566)	(752)
Others	(223)	4,680	(197)	10,738	(214)
Financing cash flow	**(925)**	**3,793**	**(3,236)**	**7,632**	**(3,513)**
Net chg in Cash	828	3,993	(94)	12,770	3,459
OCF	8,666	7,933	9,095	11,029	12,796
Adj. OCF (w/o NWC chg.)	7,898	10,641	11,358	13,381	16,433
FCFF	2,121	(3,002)	2,727	4,565	6,071
FCFE	1,088	(4,145)	1,877	3,750	5,292
OCF/EBITDA (%)	91.7	66.9	65.8	67.0	62.3
FCFE/PAT (%)	21.7	(69.7)	25.3	40.5	43.0
FCFF/NOPLAT (%)	**39.4**	**(44.4)**	**34.6**	**47.6**	**49.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	42.3	36.5	29.3	24.8	19.4
P/CE(x)	30.5	24.1	20.2	17.8	14.6
P/B (x)	5.7	4.3	3.8	3.0	2.7
EV/Sales (x)	4.9	4.1	3.6	3.2	2.8
EV/EBITDA (x)	23.3	18.6	16.0	13.4	10.7
EV/EBIT(x)	30.6	24.8	21.0	17.3	13.4
EV/IC (x)	5.9	4.6	4.1	3.7	3.4
FCFF yield (%)	1.0	(1.4)	1.2	2.1	2.8
FCFE yield (%)	0.5	(1.9)	0.9	1.7	2.4
Dividend yield (%)	0.2	0.2	0.2	0.2	0.3
DuPont-RoE split					
Net profit margin (%)	10.5	11.3	12.2	13.6	15.5
Total asset turnover (x)	1.0	0.9	0.9	0.9	0.9
Assets/Equity (x)	1.4	1.3	1.2	1.2	1.1
RoE (%)	**13.6**	**13.7**	**13.6**	**13.7**	**14.8**
DuPont-RoIC					
NOPLAT margin (%)	12.0	12.6	13.0	14.1	15.6
IC turnover (x)	1.2	1.3	1.2	1.2	1.3
RoIC (%)	**14.7**	**15.8**	**15.4**	**17.0**	**19.9**
Operating metrics					
Core NWC days	122.2	121.1	121.1	120.3	119.8
Total NWC days	**122.2**	**121.1**	**121.1**	**120.3**	**119.8**
Fixed asset turnover	2.1	2.0	1.9	1.9	2.1
Opex-to-revenue (%)	40.4	43.0	42.4	41.7	40.5

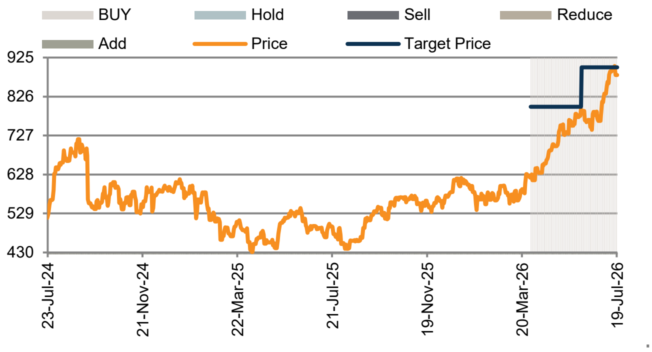
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
04-Jun-26	791	900	Buy	Shashank Krishnakumar
30-Apr-26	700	800	Buy	Shashank Krishnakumar
31-Mar-26	620	800	Buy	Shashank Krishnakumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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