

Granules India - Toe in the Door in CDMO Business

February 25, 2025 | CMP: INR 516 | Target Price: INR 623 | Potential Upside: 20.8%

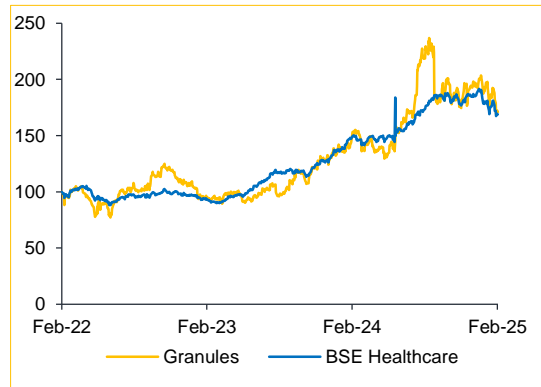
HOLD

Company Info	
BB Code	GRAN IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	725/382
Mkt Cap (Bn)	INR 125 / \$1.5
Shares o/s (Mn)	242.4
3M Avg. Daily Volume	24,48,502

Key Financials					
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	45.1	45.1	44.4	50.5	59.2
YoY (%)	19.8	-0.1	-1.5	13.7	17.3
EBITDA	9.1	8.6	9.1	10.9	13.2
EBITDAM %	20.2	19.0	20.4	21.5	22.3
Adj PAT	5.2	4.1	4.4	5.4	6.9
EPS	21.3	16.7	18.3	22.4	28.3
RoE %	18.2	12.6	12.1	12.9	14.0
ROCE %	18.7	14.6	13.9	14.9	16.3
PE(x)	27.3	34.8	31.8	26.0	20.5
EV/EBITDA	16.2	17.4	16.3	13.5	11.2
BVPS	117.1	133.3	151.4	174.1	202.4
FCF	11.5	8.2	13.0	12.1	13.2

Shareholding Pattern (%)			
	Dec-24	Sep-24	Jun-24
Promoters	38.85	38.87	38.87
FIIs	15.87	19.49	20.39
DIIIs	19.57	14.85	14.11
Public	25.71	26.80	26.61

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	77.1	89.6	20.4
GRAN	92.2	102.6	33.6



Granules India enters CDMO business by acquiring Swiss-based Senn Chemicals AG

We anticipate that this acquisition aligns with Granules' strategic vision to expand into peptide-based anti-diabetic therapies, strengthen its high-margin CDMO capabilities, and advance next-generation therapeutics. By leveraging Senn Chemicals' expertise in peptide synthesis alongside its own large-scale, cost-efficient manufacturing infrastructure, Granules aims to deliver high-quality peptide-based solutions globally. This acquisition enhances Granules' position in peptide-based drug development, particularly in the rapidly growing anti-diabetic and anti-obesity markets, including GLP-1 receptor agonists.

High-growth, High-margin CDMO business: The CDMO sector is set for sustained growth, driven by structural shifts in drug development and high-margin opportunities. According to BCG, CDMO business is expected to grow at a CAGR of 20% (\$15.6Bn in 2023 to \$ 44.6Bn in 2029). Companies within our coverage, including Divi's, Laurus Labs, and Piramal Pharma, are projected to achieve YoY growth of 35%, 40%, and 17%, respectively, in their CDMO businesses in FY25. This acquisition is a small acquisition contributing ~4% of the total revenue, however it opens door to explore larger opportunity in the CDMO space from a long term perspective. Considering that the acquisition is into CDMO business which is a high-margin business, valued at a higher multiple, will benefit the group company in the long-term.

Transaction Details:

- **Senn Chemicals AG:** Based in Switzerland, Senn specializes in peptide development, manufacturing, and CDMO services, supporting global clients across Pharmaceuticals, Cosmetics and Theragnostic industries, from early development to commercial production.
- **Deal Value:** The total consideration is approximately INR 192Cr.
- **Equity Stake:** Granules India is acquiring 100% of Senn Chemicals AG's equity.
- **Timeline:** The transaction is expected to be completed in the H1CY25, subject to regulatory approvals.
- **Subsidiary Formation:** To facilitate the acquisition, Granules India will incorporate a wholly owned subsidiary with an authorized share capital of INR 500Cr and a paid up capital of INR 200Cr.
- **Revenue:** The target entity had estimated sales of CHF 19.6 Mn (INR 1.85Bn) in the CY24.

View and Valuation: Considering this is a small acquisition, we do not anticipate significant impact from this acquisition. We continue to maintain our forecast and rating of 'HOLD' with a target price of INR 623 (PE of 22x) on FY27 EPS.

Recent Report Links:

[Q3FY25 Result Update](#)
[Initiating Coverage Update](#)

Deepika Murarka

Email: Deepika.murarka@choiceindia.com
 Ph: +91 22 6707 9513

Maitri Sheth

Email: maitri.sheth@choiceindia.com
 Ph: +91 22 6707 9511

Institutional Research Team

Utsav Verma	Head of Research – Institutional Equities	utsav.verma@choiceindia.com	+91 22 6707 9440
Deepika Murarka	Analyst – Pharmaceuticals / Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Ashutosh Murarka	Analyst – Cement / Building Material	ashutosh.murarka@choiceindia.com	+91 22 6707 9887
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Aayush Saboo	Analyst – Real Estate & Infrastructure	aayush.saboo@choiceindia.com	+91 22 6707 9512
Maitri Sheth	Analyst – Pharmaceuticals / Healthcare	maitri.sheth@choiceindia.com	+91 22 6707 9511
Bharat Kumar Kudikyala	Associate – Building Material	bharat.kudikyala@choiceindia.com	+91 22 6707 9887
Heet Chheda	Associate – Automobile	heet.chheda@choiceindia.com	+91 22 6707 9952
Aryan Goyal	Associate – Auto	aryan.goyal@choiceindia.com	+91 22 6707 9517
Rushil Katiyar	Associate – Information Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9887

CHOICE RATING DISTRIBUTION & METHODOLOGY

BUY	The security is expected to generate upside of 15% or more over the next 12 months
HOLD	The security is expected to show upside or downside returns by 14% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months

Disclaimer**Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014**

Choice Equity Broking Private Limited-Research Analyst - INH000000222. (CIN. NO.: U65999MH2010PTC198714). Reg. Add.: Sunil Patodia Tower, J B Nagar, Andheri(East), Mumbai 400099. Tel. No. 022-6707 9999

Compliance Officer--Prashant Salian, Email Id – Prashant.salain@choiceindia.com Contact no. 022- 67079999- Ext-2310

Grievance officer-Deepika Singhvi Tel.022-67079999- Ext-834. Email- ig@choiceindia.com

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors

This Research Report (hereinafter referred as “Report”) has been prepared by Choice Equity Broking Private Limited as a Research Entity (hereinafter referred as “CEBPL RE” Limited. The Research Analysts, strategists are principally responsible for the preparation of “CEBPL RE” research. The research analysts have received compensation based upon various factors, which may include quality of research, investor client feedback, stock picking, competitive factors and firm revenues etc.

Whilst CEBPL has taken all reasonable steps to ensure that this information is correct, CEBPL does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and CEBPL does not accept any liability as a result. Securities and Derivatives markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication of future performance.

General Disclaimer: This ‘Report’ is strictly meant for use by the recipient and is not for circulation. This Report does not take into account particular investment objectives, financial situations or specific needs of individual clients nor does it constitute a personal recommendation. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through CEBPL nor any solicitation or offering of any investment/trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this “Report” should rely on information/data arising out of their own Study/investigations. It is advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This ‘Report’ has been prepared on the basis of publicly available information, internally developed data and other sources believed by CEBPL to be reliable. CEBPL or its directors, employees, affiliates or representatives shall not be responsible for, or warrant for the accuracy, completeness, adequacy and reliability of such information / opinions / views. Though due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of CEBPL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this report.

The price and value of the investments referred to in this Report and the income from them may tend to go down as well as up, and investors may incur losses on any investments. Past performance shall not be a guide for future performance. CEBPL does not provide tax advice to its clients, and all investors are strongly advised to take advice of their tax advisers regarding taxation aspects of any potential investment. Opinions are based on the current scenario as of the date appearing on this 'Report' only. CEBPL does not undertake to advise you as to any change of our views expressed in this "Report" may differ on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold CEBPL, its employees and associates responsible for any losses, damages of any type whatsoever.

Disclaimers in respect of jurisdiction: This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject "CEBPL RE" to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by "CEBPL RE" in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this 'Report' shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. "CEBPL" requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to "CEBPL". Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in Mumbai (India).

Statements on ownership and material conflicts of interest, compensation - CEBPL and Associates reciprocates to the best of the knowledge and belief of CEBPL/ its Associates/ research Analyst who is preparing this report.

Disclosures of Interest (Additional):

1. "CEBPL", its research Analyst(s), or its associates or relatives of the Research Analyst does not have any financial interest in the company(ies) covered in this report.
2. "CEBPL" its research Analyst, or its associates or relatives of the research analyst affiliates collectively do not hold more than 1 of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. "CEBPL", its research analyst, his/her associate, his/her relative, do not have any other material conflict of interest at the time of publication of this research report.
4. "CEBPL", its research analyst, and its associates have not received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in this report, in the past twelve months.
5. "CEBPL", its research analyst, or its associates have not managed or co-managed in the previous twelve months, a private or public offering of securities for the company (ies) covered in this report.
7. "CEBPL, or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party, in connection with the research report.
8. CEBPL research analyst has not served as an Officer, Director, or employee of the company (ies) covered in the Research report.
9. "CEBPL", its research analyst has not been engaged in market making activity for the company(ies) covered in the Research report.

Details of Associates of CEBPL and Brief History of Disciplinary action by regulatory authorities are available on our website i.e. <https://choiceindia.com/research-listing>

Sr. No.	Particulars	Yes / No
1.	Whether compensation has been received from the company(ies) covered in the Research report in the past 12 months for investment banking transaction by CEBPL	No
2	Whether Research Analyst, CEBPL or its associates or relatives of the Research Analyst affiliates collectively hold more than 1 of the company(ies) covered in the Research report	No
3.	Whether compensation has been received by CEBPL or its associates from the company(ies) covered in the Research report	No
4.	CEBPL or its affiliates have managed or co-managed in the previous twelve months a private or public offering of securities for the company(ies) covered in the Research report	No
5.	CEBPL, its research analyst, his associate, or its associates have received compensation for investment banking or merchant banking or brokerage services or for any other products or services from the company(ies) covered in the Research report, in the last twelve months	No

Copyright: The copyright in this research report belongs exclusively to CEBPL. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the CEBPL's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

This "Report" is for distribution only under such circumstances as may be permitted by applicable law. This "Report" has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This "Report" is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither CEBPL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this "report" or lack of care in this report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Information barriers may be relied upon by CEBPL, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of CEBPL.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by CEBPL with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior written consent of CEBPL and CEBPL accepts no liability whatsoever for the actions of third parties in this respect.

The details of CEBPL, its research analyst and its associates pertaining to the companies covered in the Research report are given above.

MAITRI JIGNESH SHETH
Digitally signed by MAITRI JIGNESH SHETH
Date: 2025.02.25 08:13:44 +05'30'

DEEPIKA SARANSH MODY

Digitally signed by DEEPIKA SARANSH MODY
Date: 2025.02.25 08:13:09 +05'30'