Granules India: Scaling up for Next Phase of Growth

November 03, 2026 | CMP: INR 819 | Target Price: INR 1,010

Expected Share Price Return: 23.1% I Dividend Yield: 0.2% I Potential Upside: 23.3%

Choice Institutional Equities

BUY

Sector View: Positive

Q2FY27 Result Update

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)	922 / 520
Mkt Cap (Bn)	INR 203 / USD 2.1
Shares o/s (Mn)	273
3M Avg. Daily Volume	9,16,710

Change in CIE Estimates

	FY27E			FY28E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	65.9	65.7	0.3	81.0	80.6	0.6
EBITDA	15.0	15.1	(0.6)	19.4	19.1	1.8
EBITDAM %	22.8	23.0	(20) bps	24.0	23.7	30 bps
PAT	8.1	8.2	(1.5)	11.1	11.0	1.0
EPS (INR)	29.6	30.1	(1.5)	40.8	40.4	1.0

Actual vs CIE Estimates

INR Bn	Q2FY27A	CIE Est.	Dev.%
Revenue	15.6	16.4	(4.8)
EBITDA	3.4	3.9	(14.2)
EBITDAM %	21.6	24.0	(236) bps
PAT	1.8	2.2	(16.2)

Key Financials

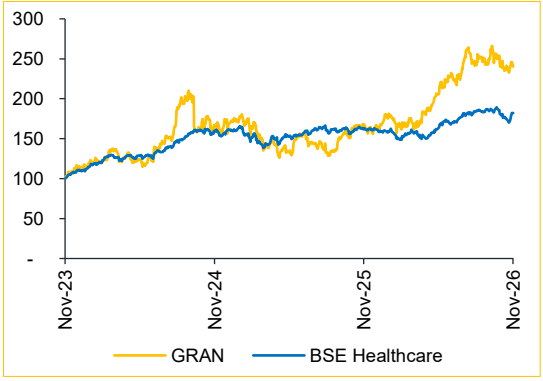
INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44.8	53.7	65.9	81.0	96.7
YoY (%)	(0.5)	19.7	22.8	23.0	19.3
EBITDA	9.5	11.9	15.0	19.4	24.2
EBITDAM %	21.1	22.1	22.8	24.0	25.0
PAT	5.0	6.0	8.1	11.1	14.4
EPS (INR)	20.7	24.0	29.6	40.8	52.9
ROE %	13.5	11.7	11.7	14.0	15.5
ROCE %	14.4	13.8	14.0	16.7	18.7
PE(x)	39.6	34.1	27.6	20.0	15.5
EV/EBITDA	21.7	17.5	14.3	10.8	8.4

Shareholding Pattern (%)

	Sep 2026	Jun 2026	Mar 2026
Promoters	37.39	38.01	38.02
FIIs	20.29	17.50	15.31
DIIs	15.40	16.11	17.01
Public	26.93	28.36	29.67

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	82.3	14.0	11.6
GRAN	140.3	44.0	43.2



Moving Up the Value Chain with a Strong Launch Pipeline

We believe GRAN is ***steadily moving up the value chain***, evolving from an API and PFI player into a focussed complex generics business, with CDMO emerging as the next growth platform. Despite the recent inspection outcome at GGP, we believe the ***company remains on track to sustain its growth trajectory***, as the outcome does not disrupt its launch pipeline. Five launches, including two controlled substances, are planned for H2FY27E. Products previously ready for launch at GGP are also being transferred to other sites for commercialisation. The ***increasing contribution from complex generics and controlled substances will support margin expansion***. We project EBITDA margin to reach ~25% by FY29E as compared with 22.1% in FY26.

We maintain our positive view on the company and retain our target price of **INR 1,010** and **'BUY'** rating, implying a PEG ratio of 0.8x.

Soft Topline Overshadows Healthy Margin Expansion

- Revenue grew 20.3% YoY / 5.6% QoQ to INR 15,600 Mn (vs. CIE estimate: INR 15,662 Mn).
- EBITDA grew 21.3% YoY and was flat QoQ to INR 3,376 Mn; margin expanded 19 bps YoY but contracted 131 bps QoQ to 21.6% (vs. CIE estimate: 24.5%).
- PAT increased 39.2% YoY and 1.0% QoQ to INR 1,818 Mn (vs. CIE estimate: INR 2,181 Mn).

Four Growth Levers Set to Drive 21.7% Revenue CAGR and Earnings Upswing

GRAN continues to deliver a healthy growth, and ***we project this momentum to sustain***. We forecast a revenue CAGR of 21.7% in FY26–29E, alongside healthy margin expansion. We believe growth will be driven by four key levers:

- **Controlled Substances:** GRAN ranks ***#3 in the US controlled substances market*** by value, with Adderall XR holding a 29% market share. Two launches are planned for H2FY27.
- **Complex Generics:** GRAN continues to increase its focus on complex generics, with the ***revenue contribution*** rising from 1% in FY20 to ***~34% in Q2FY27***. The company has a ***pipeline of ~26 approved ANDAs, representing a TAM of USD 35 Bn***. A majority are complex products, with at least three launches planned for H2FY27E.
- **Oncology:** ***Launches are projected to begin in FY28E***, with two filings already completed and six more planned by early next year. GRAN is targeting differentiation through formulation depth and early market entry rather than portfolio breadth.
- **Peptide CDMO:** This is a ***long-term growth driver***, with a meaningful contribution to revenue and margin projected from FY29E. The company has seen ***increased RFP and RFQ activity, while capacity expansion continues as planned.***

Particulars (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Revenue	15,600	12,970	20.3	14,768	5.6
Cost of Goods Sold	5,561	4,450	25.0	5,078	9.5
Gross Margin (%)	64.4	65.7	(134) bps	65.6	(126) bps
Operating Expenses	6,663	5,738	32.9	6,301	10.1
EBITDA	3,376	2,782	21.3	3,389	(0.4)
EBITDA Margin (%)	21.6	21.5	19 bps	22.9	(131) bps
Depreciation	839	720	16.4	796	5.3
Interest	210	292	(28.2)	211	(0.7)
PBT	2,434	1,759	38.4	2,404	1.3
Tax	616	453	36.1	604	1.9
PAT	1,818	1,306	39.2	1,800	1.0
EPS (INR)	6.7	5.4	23.9	7.3	(8.2)

Segmental Performance (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
API	2,091	1,705	22.6	1,943	7.6
PFI	1,604	1,331	20.5	1,297	23.7
FD	11,417	9,657	18.2	10,927	4.5
CDMO	488	276	NA	600	(18.7)

Source: GRAN, Choice Institutional Equities

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Management Call – Highlights

The USFDA inspected Gagillapur from 19–30 October. This was its first inspection since the February 2025 warning letter.

Five US launches are planned across Q3 and Q4. Two are controlled substances with limited competition.

Gagillapur Inspection

- The USFDA inspected Gagillapur from 19–30 October. This was its first inspection since the February 2025 warning letter.
- The ***management stated that none of the observations was related to data integrity***, cross-contamination or facility upkeep.
- It sees no impact on manufacturing or distribution from the site. A detailed response will be submitted.
- Approvals typically follow within 30–90 days of clearance.

Pipeline and Launches

- ***Around 26 ANDA approvals are pending with a TAM of USD 35 Bn.***
- Five US launches are planned across Q3 and Q4. Two are controlled substances with limited competition.
- Three first-to-file opportunities were announced and the management classified these as litigation-linked opportunities.
- Complex generics accounted for 47% of formulations' revenue and targets a contribution of 50%+ over the medium term.
- Granules ranks #3 in the US controlled substances market. The company made around eight ex-US filings over the past six months.

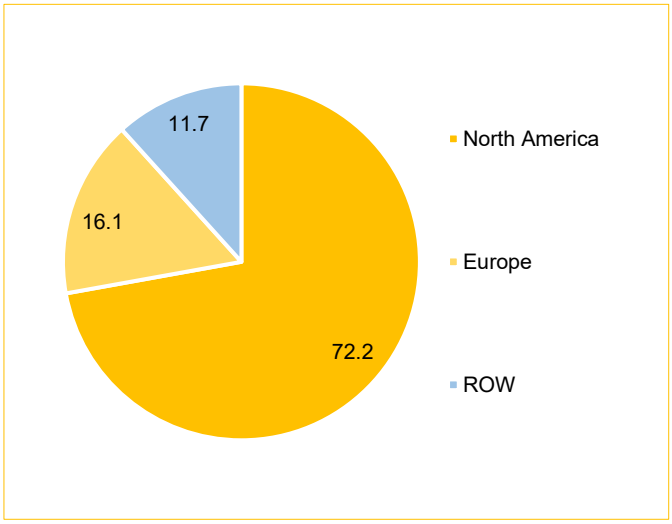
Peptide/CDMO Update

- The management indicated that H2 is seasonally stronger. EBITDA breakeven depends on product mix and customer offtake.
- ***The Zurich site cleared its Swissmedic GMP inspection*** without critical findings.
- The management cited renewed supply engagement with two large peptide CDMO players. Early discussions are also under way on a second-year campaign with another partner.
- Oligonucleotide scientific leadership is now in place. The Zurich and Heidelberg R&D teams are collaborating on peptides and oligonucleotides.

Outlook

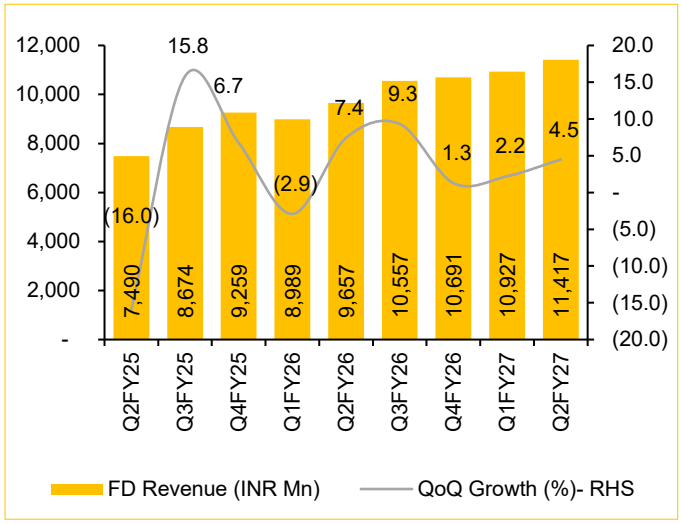
- Gross margin stood at 64.4%, down 234 bps YoY, due to higher input and freight cost. The management indicated that pressure could persist.
- A ***richer complex-generics mix is expected to provide the key offset***.

Q2FY27 Segment Revenue Split (INR 15.6 Bn)



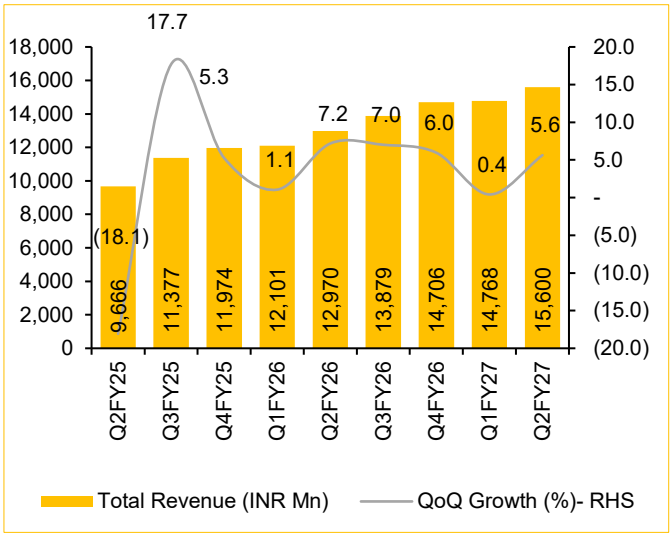
Source: GRAN, Choice Institutional Equities

FD Segment Grows 18.2% YoY



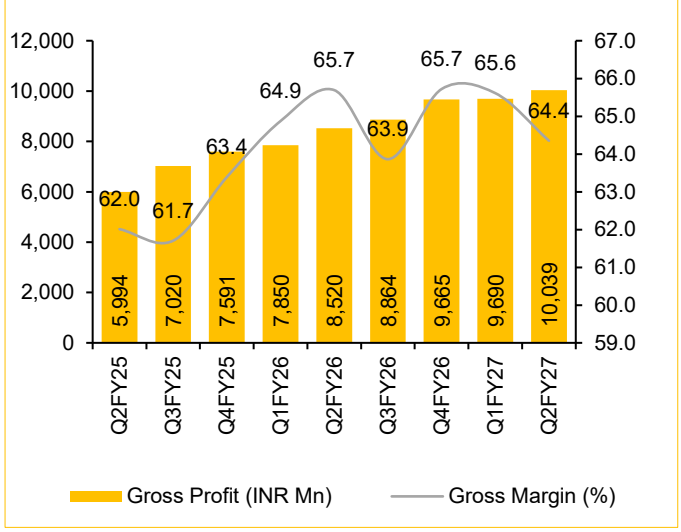
Source: GRAN, Choice Institutional Equities

Revenue in-line with Estimate



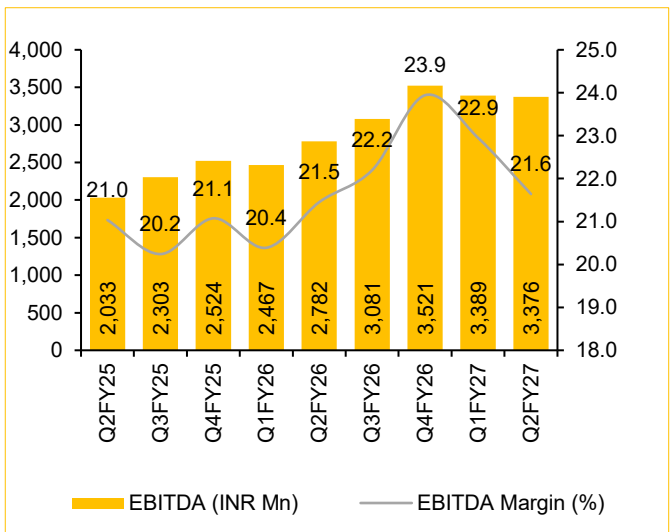
Source: GRAN, Choice Institutional Equities

Gross Margin Contracts 100 bps QoQ



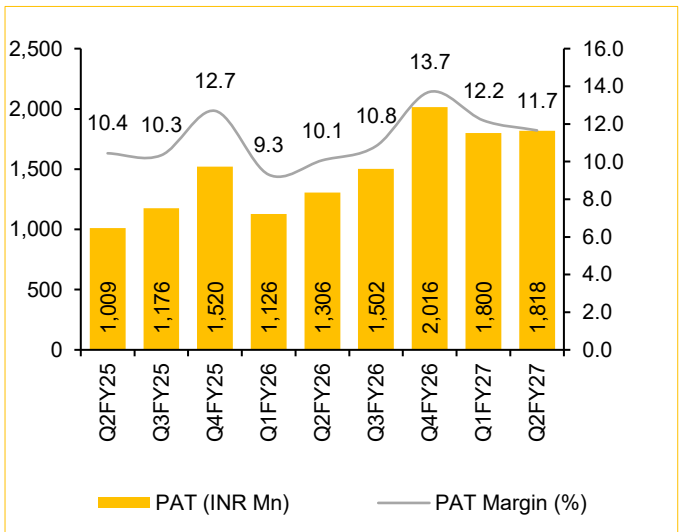
Source: GRAN, Choice Institutional Equities

EBITDA Margin below Estimate



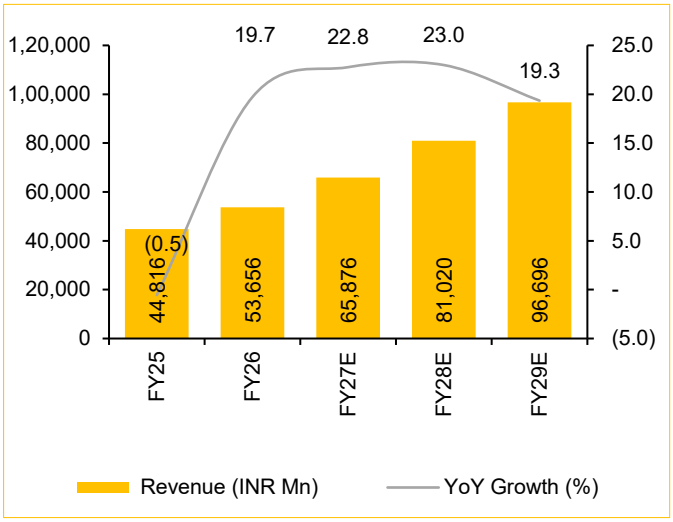
Source: GRAN, Choice Institutional Equities

PAT Grows in line with EBITDA



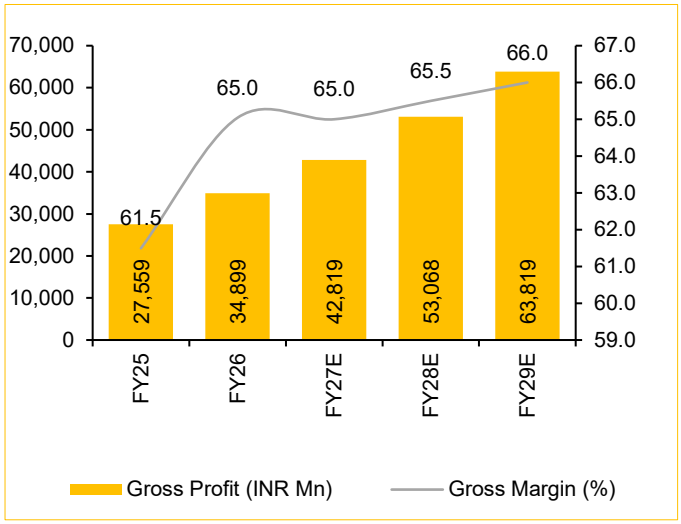
Source: GRAN, Choice Institutional Equities

Revenue to Expand at 21.7% over CAGR FY26–29E



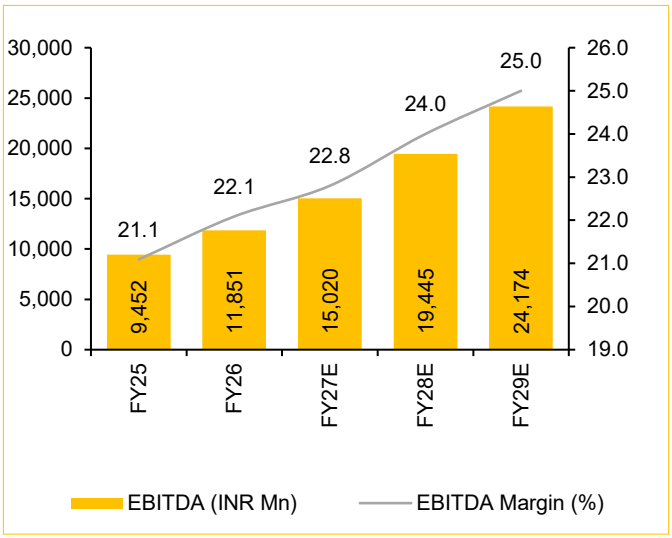
Source: GRAN, Choice Institutional Equities

Gross Margin Expansion to Remain Muted



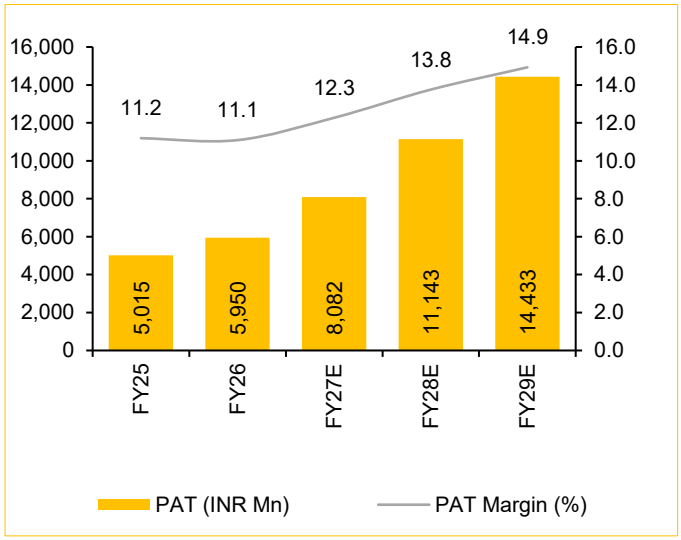
Source: GRAN, Choice Institutional Equities

Margin Expansion on Mis Shift



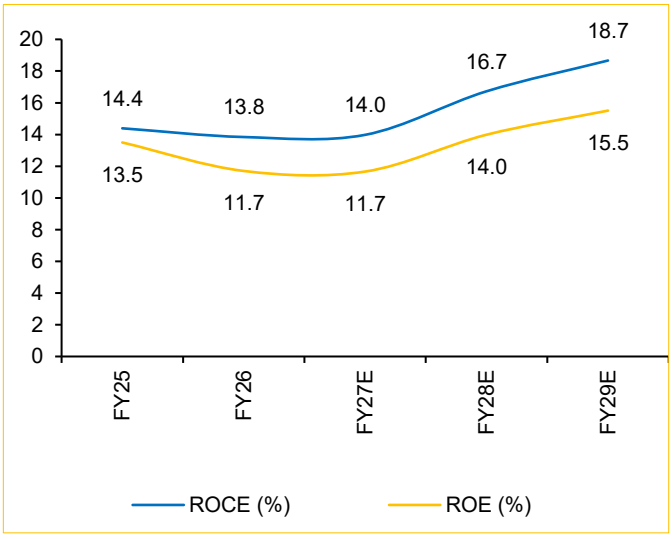
Source: GRAN, Choice Institutional Equities

PAT Growth to Follow EBITDA Trend



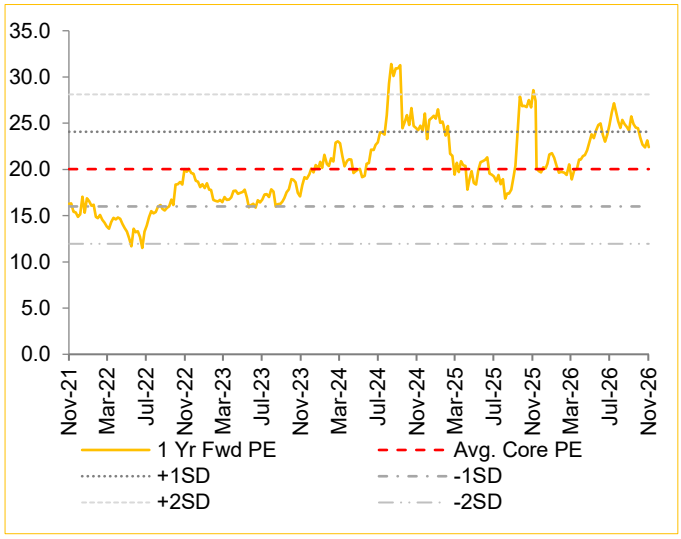
Source: GRAN, Choice Institutional Equities

ROCE and ROE trend



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	65,876	81,020	96,696
Gross Profit	27,559	34,899	42,819	53,068	63,819
EBITDA	9,452	11,851	15,020	19,445	24,174
Depreciation	2,255	2,961	3,462	3,882	4,302
EBIT	7,197	8,890	11,557	15,562	19,871
Other Income	129	203	329	405	483
Interest Expense	1,032	1,144	1,111	1,111	1,111
PBT	6,602	7,850	10,776	14,857	19,244
PAT	5,015	5,950	8,082	11,143	14,433
EPS (INR)	20.7	24.0	29.6	40.8	52.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	(0.5)	19.7	22.8	23.0	19.3
Gross Profit	10.9	26.6	22.7	23.9	20.3
EBITDA	10.4	25.4	26.7	29.5	24.3
PAT	23.7	18.6	35.8	37.9	29.5
Margins (%)					
Gross Profit Margin	61.5	65.0	65.0	65.5	66.0
EBITDA Margin	21.1	22.1	22.8	24.0	25.0
PBT Margin	14.7	14.6	16.4	18.3	19.9
Tax Rate	24.0	24.2	25.0	25.0	25.0
PAT Margin	11.2	11.1	12.3	13.8	14.9
Profitability (%)					
ROE	13.5	11.7	11.7	14.0	15.5
ROIC	12.1	12.2	14.1	17.4	20.3
ROCE	14.4	13.8	14.0	16.7	18.7
Financial Leverage					
OCF/EBITDA (x)	1.1	0.8	0.8	0.9	0.8
OCF/Net Profit (x)	1.7	1.3	1.1	1.2	1.0
Debt to Equity	0.3	0.3	0.2	0.2	0.1
Interest Coverage	7.0	7.8	10.4	14.0	17.9
Working Capital					
Inventory Days	284	326	325	300	300
Debtor Days	77	62	65	65	65
Payable Days	154	131	150	150	150
Cash Conversion Cycle	207	256	240	215	215
Valuation Metrics					
No of Shares (Mn)	242	248	273	273	273
EPS (INR)	20.7	24.0	29.6	40.8	52.9
BVPS (INR)	153.3	205.2	254.0	292.0	341.2
Market Cap (INR Bn)	198.2	198.5	202.9	223.4	223.4
PE	39.6	34.1	27.6	20.0	15.5
P/BV	5.3	4.0	3.2	2.8	2.4
EV/EBITDA	21.7	17.5	14.3	10.8	8.4
EV/Sales	4.6	3.9	3.3	2.6	2.1

Source: GRAN, Choice Institutional Equities

Balance Sheet (INR Mn)

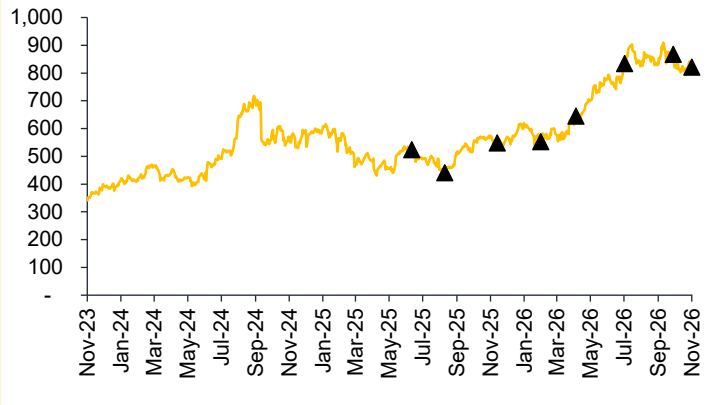
Particulars	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	37,156	50,850	69,296	79,659	93,082
Borrowings	12,858	13,381	13,381	13,381	13,381
Trade Payables	7,261	6,728	9,475	11,487	13,511
Other Non-Current Liabilities	2,223	2,458	2,458	2,458	2,458
Other Current Liabilities	3,028	3,783	3,783	3,783	3,783
Total Net Worth & Liabilities	**62,526**	**77,200**	**98,393**	**1,10,767**	**1,26,214**
Net Block	20,221	28,603	31,141	33,258	34,956
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	11,731	14,428	17,220
Cash & Cash Equivalents	5,964	9,491	21,709	26,825	33,735
Other Non-Current Assets	4,470	4,859	4,859	4,859	4,859
Other Current Assets	15,769	19,092	22,892	25,336	29,384
Total Assets	**62,526**	**77,200**	**98,393**	**1,10,767**	**1,26,214**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	8,666	7,932	8,965	13,006	15,031
Cash Flows from Investing	(6,913)	(7,732)	(6,000)	(6,000)	(6,000)
Cash Flows from Financing	(925)	3,793	9,254	(1,891)	(2,121)

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	93.2	95.5	96.8
EBIT Margin (%)	16.1	16.6	17.5	19.2	20.6
Asset Turnover (x)	0.7	0.7	0.7	0.7	0.8
Equity Multiplier (x)	1.7	1.5	1.4	1.4	1.4
ROE (%)	**13.5**	**11.7**	**11.7**	**14.0**	**15.5**

Source: GRAN, Choice Institutional Equities

Historical Price Chart: GRAN



Date	Rating	Target Price
June 27, 2025	BUY	640
August 13, 2025	BUY	640
November 14, 2025	ADD	660
January 24, 2026	BUY	690
April 30, 2026	ADD	835
July 21, 2026	BUY	1,110
October 01, 2026	BUY	1,010
November 03, 2026	BUY	1,010

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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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