

Granules India

Estimate change

TP change

Rating change



Bloomberg	GRAN IN
Equity Shares (m)	243
M.Cap.(INRb)/(USD\$)	126.7 / 1.5
52-Week Range (INR)	725 / 401
1, 6, 12 Rel. Per (%)	11/-14/12
12M Avg Val (INR M)	1407

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	44.8	50.6	58.7
EBITDA	9.5	11.3	13.5
Adj. PAT	4.8	5.9	7.6
EBIT Margin (%)	16.1	17.2	18.3
Cons. Adj. EPS (INR)	19.7	24.3	31.3
EPS Gr. (%)	13.6	23.3	28.9
BV/Sh. (INR)	153.2	176.3	206.5

Ratios

Net D:E	0.4	0.3	0.3
RoE (%)	13.8	14.7	16.4
RoCE (%)	11.5	12.5	14.0
Payout (%)	5.7	4.8	3.7

Valuations

P/E (x)	29.4	23.9	18.5
EV/EBITDA (x)	18.4	15.6	13.0
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	1.0	0.2	0.7
EV/Sales (x)	3.9	3.5	3.0

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	38.8	38.8	42.0
DII	22.4	19.6	10.7
FII	15.2	15.9	19.6
Others	23.6	25.7	27.8

FII includes depository receipts

CMP: INR522

TP: INR600 (+15%)

Buy

Broadly in-line quarter; margin resilience led by FDF

Gagillapur remediation, Senn integration weigh on near-term profitability

- Granules India (GRAN) delivered a slightly better-than-expected revenue in 4QFY25. However, it reported largely in-line EBITDA/PAT for the quarter.
- GRAN achieved the highest-ever gross margin on a quarterly basis, fueled by a strategic shift of product mix towards finished dosage formulation (FDF).
- Geography-wise, GRAN has garnered consistent growth in the North America segment, forming 77% of total sales for FY25.
- GRAN continues to work on product pipelines for other geographies such as the EU, LATAM, India, and the ROW markets.
- We cut our earnings estimates by 8%/6% for FY26/FY27 factoring in 1) an extended production disruption at the Gagillapur site to implement remediation measures, 2) additional operational costs related to Senn Chemicals, and 3) a weak pricing in Paracetamol API. We value GRAN at 18x 12M forward earnings to arrive at our TP of INR600.
- GRAN is focusing on building a differentiated product pipeline in the oncology and ADHD domains. With the Senn Chemicals acquisition, it is adding peptide CDMO as a growth driver for the future. It is also adding capacities in the FDF segment to cater to future manufacturing requirements. Overall, we expect a 14%/20%/26% revenue/EBITDA/PAT CAGR during FY25-27. **Reiterate BUY.**

Segmental mix benefit offset by higher opex on a YoY basis

- GRAN's 4QFY25 sales grew 1.8% YoY to INR11.9b (our est. of INR11.3b), led by increased sales in the FDF segment.
- FDF sales grew 7% YoY to INR9.2b (77% of sales).
- API sales declined 9% YoY to INR1.4b (13% of sales).
- Intermediate (PFI) sales declined 17% YoY to INR1.2b (10% of sales).
- Gross margin (GM) expanded 330bp to 63.4% due to a change in the segmental mix and lower RM costs.
- However, the EBITDA margin dipped 60bp YoY to 21.1% (our est. of 22.3%) due to higher employee costs/other expenses (up 120bp/270bp as % of sales).
- EBITDA was flat YoY at INR2.5b (our est. of INR2.5b) for the quarter.
- During the quarter, GRAN received an insurance claim (INR307m) for business disruption due to an incident related to information security.
- Adjusted PAT was stable YoY to INR1.2b (our estimate: INR1.2b).
- In FY25, GRAN's revenue was flat YoY at INR44.8b, while EBITDA/PAT grew 7.8%/11.9% YoY to INR9.4b/INR4.7b.

Highlights from the management commentary

- The ongoing remediation measures at the Gagillapur facility to resolve the USFDA regulatory issue are likely to impact production for a couple of more quarters.
- GRAN is awaiting USFDA/EU inspection at the Genome Valley Phase I plant. It started the Phase II plant and commenced validation activities recently.
- In addition to the amount spent on acquiring Senn Chemicals (~INR2b), GRAN would be further investing to integrate and scale up capacities/capabilities in the CDMO segment.

- The company submitted one ANDA in the oncology segment, and there are about 10 products under development.
- The paracetamol API business remains considerably impacted due to adverse supply-demand scenarios.

Quarterly Performance

(INR m)

Y/E March (Consolidated)	FY24				FY25				FY24	FY25E	FY25E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Sales	9,855	11,895	11,556	11,758	11,799	9,666	11,377	11,974	45,063	44,816	11,322	5.8
YoY Change (%)	-3.3	3.4	0.8	-1.6	19.7	-18.7	-1.5	1.8	-0.1	-0.5	-3.7	
Total Expenditure	8,276	9,765	9,051	9,201	9,206	7,633	9,074	9,451	36,293	35,364	8,799	
EBITDA	1,579	2,130	2,505	2,557	2,593	2,033	2,303	2,524	8,770	9,452	2,523	0.0
YoY Change (%)	-25.4	-12.3	8.3	8.3	64.2	-4.5	-8.1	-1.3	-4.9	7.8	-1.3	
Margins (%)	16.0	17.9	21.7	21.7	22.0	21.0	20.2	21.1	19.5	21.1	22.3	
Depreciation	492	525	524	532	529	525	566	635	2,073	2,255	567	
EBIT	1,086	1,605	1,981	2,025	2,064	1,508	1,737	1,889	6,697	7,197	1,956	-3.4
YoY Change (%)	-35.4	-19.3	8.3	8.1	90.0	-6.0	-12.3	-6.7	-9.2	7.5	-3.4	
Margins (%)	11.0	13.5	17.1	17.2	17.5	15.6	15.3	15.8	14.9	16.1	17.3	
Interest	225	260	286	288	270	257	266	240	1,058	1,032	228	
Other Income	3	15	7	19	21	32	57	19	44	129	1	
PBT before EO expense	865	1,360	1,701	1,756	1,814	1,284	1,528	1,668	5,683	6,294	1,729	-3.5
Extra-Ord expense	211	0	0	0	0	0	0	-308	211	-308	0	
PBT	654	1,360	1,701	1,756	1,814	1,284	1,528	1,976	5,472	6,001	1,729	
Tax	176	339	444	460	468	311	352	455	1,419	1,587	489	
Rate (%)	26.9	24.9	26.1	26.2	25.8	24.3	23.0	23.0	25.9	24.0	28.3	
(Profit)/Loss of JV/Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	479	1,021	1,257	1,296	1,346	972	1,176	1,520	4,052	5,015	1,240	22.6
Adjusted PAT	633	1,021	1,257	1,296	1,346	972	1,176	1,284	4,207	4,778	1,240	3.5
YoY Change (%)	-50.4	-29.6	1.1	3.4	112.7	-4.8	-6.4	-1.0	-19.5	13.6	-4.4	
Margins (%)	6.4	8.6	10.9	11.0	11.4	10.1	10.3	10.7	9.3	10.7	11.0	
EPS	3	4	5	5	6	4	5	5	17	20	5	3.5

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY24				FY25				FY24	FY25E	FY25E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
FD	5,420	7,375	7,627	8,642	8,912	7,490	8,674	9,259	29,090	34,335	8,678
YoY Change (%)	-1.2	25.9	45.9	41.3	64.4	1.6	13.7	7.1	28.2	18.0	0.4
PFI	1,478	1,427	1,733	1,482	997	756	1,309	1,232	6,107	4,294	1,213
YoY Change (%)	-37.6	-39.2	-18.7	-31.8	-32.6	-47.0	-24.5	-16.9	-32.3	-29.7	-18.2
API	2,957	2,974	2,196	1,633	1,890	1,420	1,393	1,483	9,823	6,186	1,431
YoY Change (%)	26.3	-10.0	-46.5	-55.5	-36.1	-52.2	-36.6	-9.2	-26.8	-37.0	-12.4
Cost Break-up											
RM Cost (% of Sales)	48.6	48.3	43.0	39.9	41.1	38.0	38.3	36.6	55.1	61.5	38.4
Staff Cost (% of Sales)	14.2	12.5	13.6	12.9	13.9	16.5	14.7	14.1	13.3	14.7	14.4
Other Cost (% of Sales)	21.1	21.2	21.7	25.4	23.1	24.5	26.7	28.2	22.4	25.7	24.9
Gross Margin (%)	51.4	51.7	57.0	60.1	58.9	62.0	61.7	63.4	44.9	38.5	61.6
EBITDA Margin (%)	16.0	17.9	21.7	21.7	22.0	21.0	20.2	21.1	19.5	21.1	22.3
EBIT Margin (%)	11.0	13.5	17.1	17.2	17.5	15.6	15.3	15.8	14.9	16.1	17.3

E: MOFSL Estimates

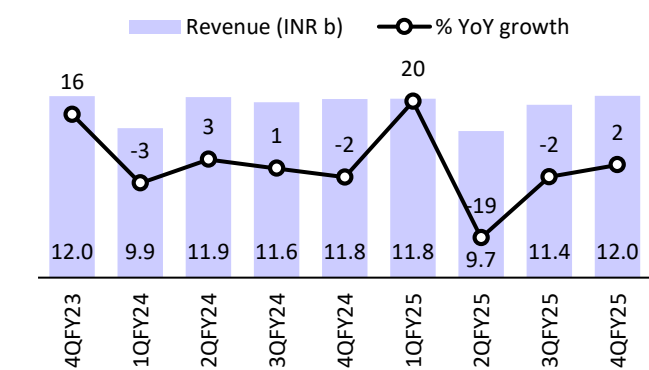


Conference call highlights

- GRAN incurred remediation costs to the tune of INR600m in FY25. GRAN would incur such costs in 1HFY26 as well. However, the quantum is expected to reduce over the medium term.
- The EU business has been severely impacted by the weakness in the Paracetamol business. Having said this, GRAN intends to increase the pace of filings to revive growth in this segment.
- Meaningful revenue from the Oncology segment is expected from FY28.
- GRAN filed three ANDAs in 4QFY25. It has about 127 products filed/92 approved across its focus markets.
- R&D spending was INR2.3b in FY25 (vs. INR2b in FY24).

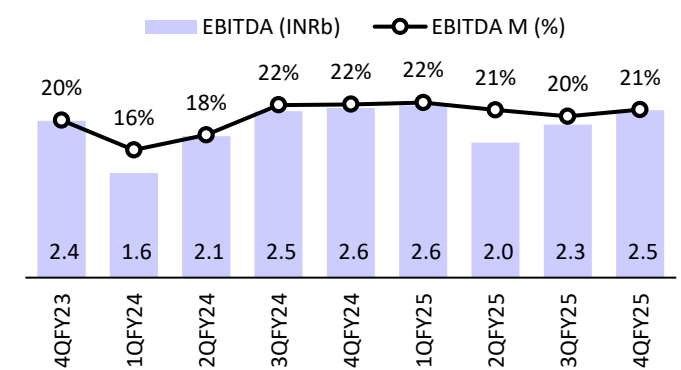
Key exhibits

Exhibit 1: Revenue grew 2% YoY in 4QFY25



Source: MOFSL, Company

Exhibit 2: EBITDA margin contracted 70bp YoY in 4QFY25



Source: MOFSL, Company

Capacity-led FDF expansion and entry of peptide CDMO to anchor the next growth phase

Building product pipeline/adding capacity to drive growth in the FDF segment

- In FY25, overall sales were stable YoY at INR44.8b, as the 18% rise in FDF sales was offset by a decline in API and PFI sales. The API/PFI sales were hit by price erosion, demand issues, and production slowdowns following the USFDA-related remediation at the Gagilapur facility.
- GRAN commenced operations of an additional 7.5b dosage line at its Genome Valley facility in 4QFY25, enabling the launch of complex products in the EU and other international markets.
- GRAN has increased its FDF capacity by 34% in FY25 to 39.4b tablets. Interestingly, management has expanded capacity in the FDF segment only in FY25, indicating the strategic focus towards higher-margin formulations.
- Further, the shift in revenue mix reinforces this trend. The FD to API+PFI revenue split has evolved from 50:50 in FY23 to 65:35 in FY24 and further to 77:23 in FY25. This declining contribution from API and PFI segments reflects both market challenges and a deliberate shift in management's strategic priorities, supporting the limited investment in API and PFI capacity expansion.
- GRAN's acquisition of Senn Chemicals AG marks its strategic entry into the high-growth peptide therapeutics and CDMO space. Leveraging Senn's expertise in

peptide synthesis and strong European presence, it aims to expand into complex therapies like GLP-1 agonists, strengthen its global innovation footprint, and become a key player in peptide-based pharmaceuticals, cosmetics, and theragnostic segments.

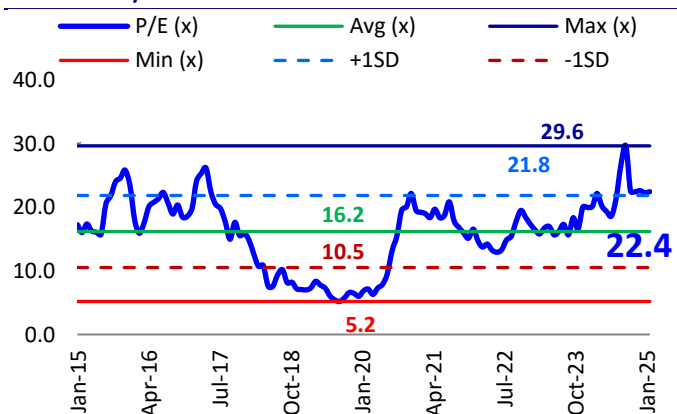
Enhancing prospects in regulated markets (US/EU)

- In FY25, GRAN reported 16% YoY growth in the US to INR34.5b, largely due to new launches in the Rx and OTC businesses. This was partly offset by the voluntary shutdown of the Gagillapur plant. Europe revenue declined 50% YoY to INR4.4b due to price erosion in paracetamol.
- GRAN has launched new products, such as Metoprolol, Kcl-tabs & Caps, Gabapentin, and Sertraline, which will drive growth in the US business.
- GRAN plans to file complex products in the Rx and OTC markets in the US, supported by the recent launches in new dosage forms.
- GRAN is implementing efforts to FDF-led growth in Europe through key partnerships and Dossier Sales/ BD deals on existing and new products.
- The management expects to launch a couple of complex products in the regulated market in the near term, which would support GRAN's overall growth.

Reiterate BUY

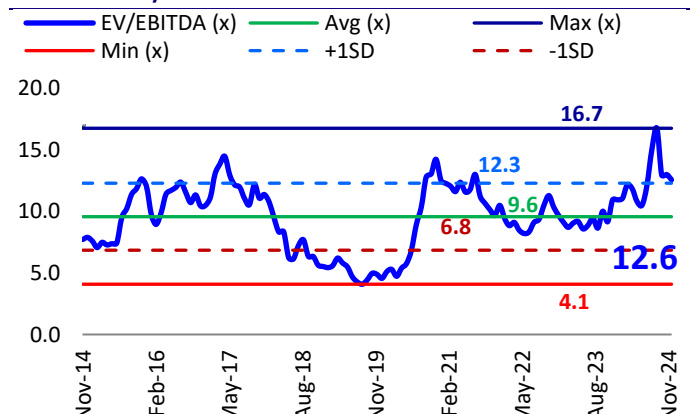
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- GRAN is focusing on building a differentiated product pipeline in the oncology and ADHD domains. With the Senn Chemicals acquisition, it is adding peptide CDMO as a growth driver for the future. It is also adding capacities in the FDF segment to cater to future manufacturing requirements. Overall, we expect a 14%/20%/26% revenue/EBITDA/PAT CAGR during FY25-27. **Reiterate BUY.**

Exhibit 3: P/E chart



Source: MOFSL, Company, Bloomberg

Exhibit 4: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

Story in charts

Exhibit 5: Expect a revenue CAGR of 15% over FY25-27

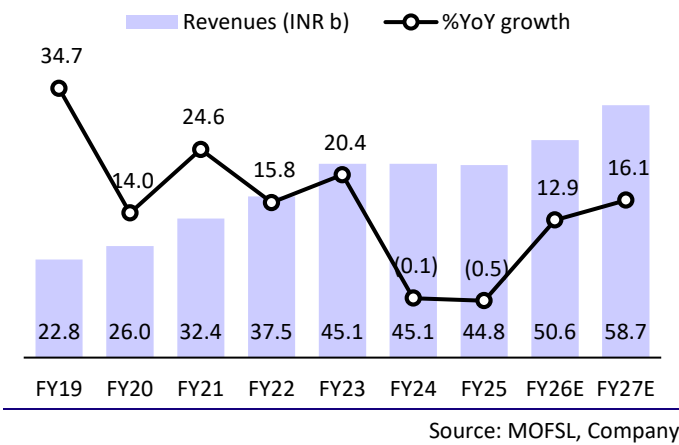


Exhibit 6: EBITDA margin to expand 160bp over FY25-27

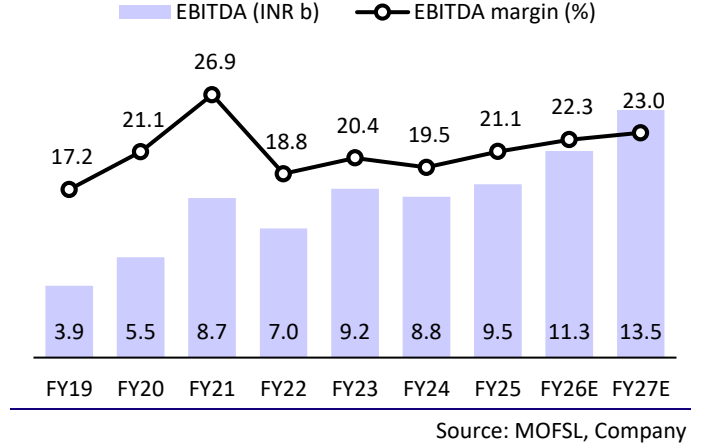


Exhibit 7: FD to further increase to 78% in FY26

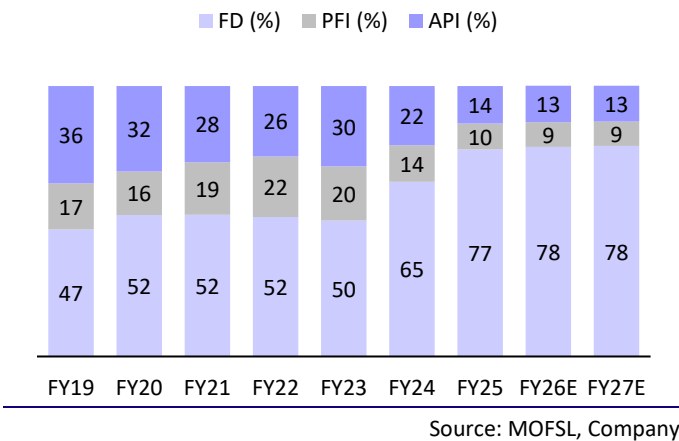


Exhibit 8: FDF sales to clock 21% CAGR over FY25-27

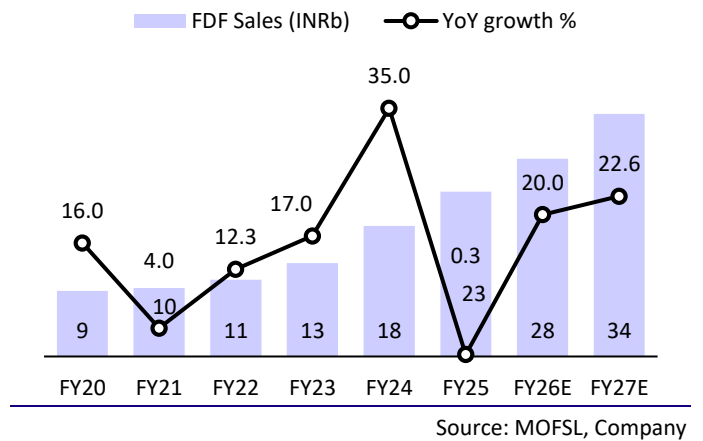


Exhibit 9: PAT to exhibit a 26% CAGR over FY25-27

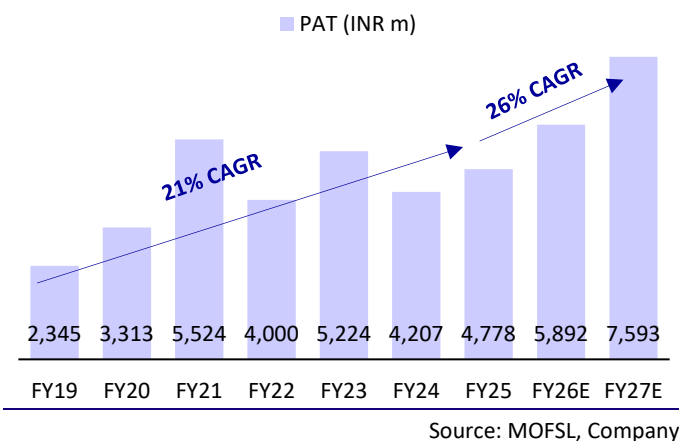
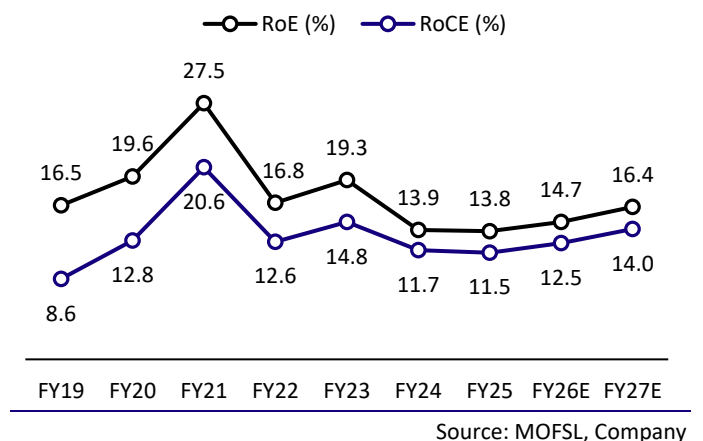


Exhibit 10: Return ratios rising steadily over FY24-26



Financials and valuations

Consolidated - Income Statement

	INRm								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	22,792	25,986	32,375	37,477	45,119	45,063	44,816	50,581	58,747
Change (%)	34.7	14.0	24.6	15.8	20.4	-0.1	-0.5	12.9	16.1
Total Expenditure	18,872	20,513	23,665	30,427	35,901	36,293	35,364	39,302	45,235
% of Sales	82.8	78.9	73.1	81.2	79.6	80.5	78.9	77.7	77.0
EBITDA	3,920	5,473	8,710	7,050	9,218	8,770	9,452	11,280	13,512
Margin (%)	17.2	21.1	26.9	18.8	20.4	19.5	21.1	22.3	23.0
Depreciation	1,055	1,370	1,515	1,586	1,845	2,073	2,255	2,603	2,772
EBIT	2,866	4,104	7,195	5,464	7,373	6,697	7,197	8,677	10,740
Int. and Finance Charges	285	270	263	232	559	1,058	1,032	1,132	1,000
Other Income	267	366	152	176	138	44	129	126	147
PBT bef. EO Exp.	2,848	4,199	7,085	5,407	6,952	5,683	6,294	7,671	9,886
EO Items	-80	57	-40	173	-80	-211	308	0	0
PBT after EO Exp.	2,768	4,257	7,045	5,580	6,872	5,472	6,601	7,671	9,886
Current Tax	891	1,257	1,954	1,382	1,772	1,652	1,828	1,780	2,294
Deferred Tax	72	-100	-405	70	-66	-233	-242	0	0
Tax Rate (%)	34.8	27.2	22.0	26.0	24.8	25.9	24.0	23.2	23.2
Add: Associate income	487	255	0	0	0	0	0	0	0
Reported PAT	2,292	3,354	5,496	4,128	5,166	4,052	5,015	5,892	7,593
Adjusted PAT	2,345	3,313	5,524	4,000	5,224	4,207	4,778	5,892	7,593
Change (%)	76.8	41.3	66.8	-27.6	30.6	-19.5	13.6	23.3	28.9
Margin (%)	10.2	12.6	17.0	10.6	11.5	9.3	10.6	11.6	12.9

Consolidated - Balance Sheet

	INRm								
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	254	254	248	248	242	242	243	243	243
Total Reserves	15,040	18,183	21,485	25,617	28,107	32,013	36,913	42,521	49,830
Net Worth	15,295	18,437	21,733	25,865	28,349	32,255	37,156	42,764	50,073
Minority Interest	0	0	0	6	0	0	0	0	0
Deferred Liabilities	655	482	11	139	77	231	314	314	314
Total Loans	9,330	7,932	7,504	10,928	11,362	13,151	14,548	13,752	12,922
Capital Employed	25,279	26,851	29,248	36,938	39,788	45,637	52,017	56,829	63,308
Gross Block	16,639	21,442	22,220	25,355	30,897	34,817	40,381	46,381	50,881
Less: Accum. Deprn.	5,473	6,842	8,357	9,943	11,788	13,861	16,116	18,719	21,491
Net Fixed Assets	11,167	14,600	13,863	15,412	19,109	20,956	24,265	27,662	29,390
Capital WIP	3,235	1,481	1,848	3,562	2,394	2,717	4,402	5,058	4,700
Total Investments	2,104	193	190	197	361	382	426	426	426
Curr. Assets, Loans&Adv.	13,279	15,957	21,226	25,945	27,168	30,783	32,755	34,632	39,950
Inventory	3,842	4,384	7,822	9,786	11,494	13,005	13,428	14,752	16,731
Account Receivables	6,735	6,620	7,654	9,250	9,485	9,858	9,422	11,225	14,003
Cash and Bank Balance	890	2,839	2,710	4,095	3,128	3,864	5,964	4,207	3,342
Loans and Advances	1,811	2,113	3,040	2,815	3,060	4,056	3,941	4,448	5,875
Curr. Liability & Prov.	4,548	5,432	7,887	8,191	9,258	9,573	10,509	11,627	11,835
Account Payables	3,235	3,569	5,410	6,386	7,821	7,495	7,261	8,291	9,667
Other Current Liabilities	1,144	1,589	2,160	1,294	998	1,580	2,614	2,950	1,762
Provisions	169	275	317	511	439	497	634	386	406
Net Current Assets	8,731	10,525	13,340	17,753	17,910	21,211	22,247	23,005	28,114
Appl. of Funds	25,279	26,852	29,248	36,938	39,788	45,637	52,017	56,829	63,308

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
EPS	9.7	13.7	22.8	16.5	21.5	17.3	19.7	24.3	31.3
Cash EPS	13.4	18.4	28.4	22.5	29.2	25.9	29.0	35.0	42.7
BV/Share	60.2	72.5	87.7	104.3	117.1	133.1	153.2	176.3	206.5
DPS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Payout (%)	13.4	8.9	5.3	7.0	5.5	7.0	5.7	4.8	3.7
Valuation (x)									
P/E	60.0	42.5	25.5	35.2	26.9	33.4	29.4	23.9	18.5
Cash P/E	43.4	31.5	20.4	25.7	19.9	22.4	20.0	16.6	13.6
P/BV	9.6	8.0	6.6	5.6	5.0	4.4	3.8	3.3	2.8
EV/Sales	7.6	6.6	5.3	4.6	3.9	3.9	3.9	3.5	3.0
EV/EBITDA	44.4	31.2	19.6	24.5	18.9	20.0	18.4	15.5	13.0
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Return Ratios (%)									
RoE	16.5	19.6	27.5	16.8	19.3	13.9	13.8	14.7	16.4
RoCE	8.6	12.8	20.6	12.6	14.8	11.7	11.5	12.5	14.0
RoIC	10.2	14.4	24.0	15.1	17.6	13.7	13.7	15.1	16.2
Working Capital Ratios									
Asset Turnover (x)	0.9	1.0	1.1	1.0	1.1	1.0	0.9	0.9	0.9
Inventory (Days)	53	58	69	86	86	99	108	102	98
Debtor (Days)	103	94	80	82	76	78	79	74	78
Creditor (Days)	56	61	69	71	72	77	76	72	72
Leverage Ratio (x)									
Current Ratio	2.9	2.9	2.7	3.2	2.9	3.2	3.1	3.0	3.4
Interest Cover Ratio	10	15	27	24	13	6	7	8	11
Debt/Equity	0.6	0.4	0.3	0.4	0.4	0.4	0.4	0.3	0.3

Consolidated - Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	2,848	4,256	7,044	5,580	6,952	5,472	6,294	7,671	9,886
Depreciation	1,055	1,370	1,515	1,586	1,845	2,073	2,255	2,603	2,772
Interest & Finance Charges	18	207	139	232	559	1,058	903	1,006	853
Direct Taxes Paid	-891	-1,191	-1,914	-1,450	-1,758	-1,903	-1,587	-1,780	-2,294
(Inc)/Dec in WC	-377	128	-2,749	-2,572	-103	-2,463	1,064	-2,515	-5,975
CF from Operations	2,652	4,769	4,034	3,376	7,495	4,238	8,930	6,985	5,243
Others	0	-7	291	-56	-27	156	0	0	0
CF from Operating incl EO	2,652	4,762	4,325	3,321	7,467	4,394	8,930	6,985	5,243
(inc)/dec in FA	-2,544	-1,843	-2,710	-3,967	-4,107	-3,788	-7,248	-6,656	-4,142
(Pur)/Sale of Investments	-539	0	-2	0	2,035	159	-43	0	0
Others	267	237	-59	166	158	28	129	126	147
CF from Investments	-2,816	-1,606	-2,771	-3,801	-1,914	-3,602	-7,163	-6,530	-3,995
Issue of Shares	195	0	41	37	-3,084	32	169	0	0
(Inc)/Dec in Debt	-252	-1,534	-719	2,530	-600	1,435	1,397	-796	-830
Interest Paid	-285	-266	-263	-242	-533	-1,027	-1,032	-1,132	-1,000
Dividend Paid	-306	-307	-247	-372	-186	-363	-284	-284	-284
CF from Fin. Activity	-102	-2,129	-2,993	1,900	-4,403	77	333	-2,212	-2,114
Inc/Dec of Cash	-266	1,027	-1,440	1,419	1,151	869	2,100	-1,757	-866
Opening Balance	1,156	890	2,839	2,711	4,095	3,128	3,863	5,964	4,207
FX	-30	921	1,312	-35	-2,118	-134	0	0	0
Closing Balance	891	2,839	2,711	4,095	3,128	3,863	5,964	4,207	3,342

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NOTES

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