

GRAN India Ltd.

January 27, 2025

HOLD

CMP: INR 582 | Target Price: INR 623 | Potential Upside: 7.1%

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info	
BB Code	GRAN IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	725/382
Mkt Cap (Bn)	INR 141 / \$1.6
Shares o/s (Mn)	242.4
3M Avg. Daily Volume	24,48,502

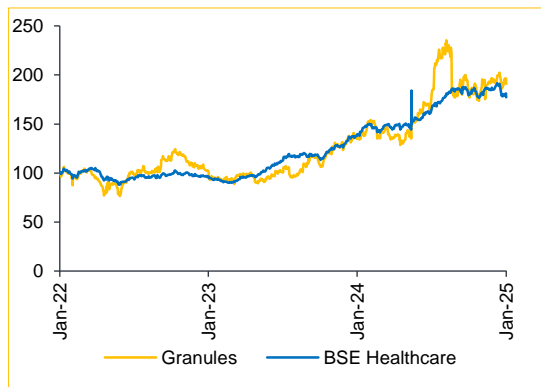
Change in Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	50.5	50.3	0.4	59.2	59.2	0.1
EBITDA	10.9	11.2	-2.7	13.2	13.5	-2.5
EBITDAM %	21.5	22.2	-70bps	22.3	22.9	-60bps
PAT	5.4	5.5	-0.7	6.9	6.9	-0.6
EPS	22.4	22.6	-0.7	28.3	28.5	-0.6

Actual vs Consensus			
INR Bn	Q3FY25A	BB Est.	Dev. %
Revenue	11.4	11.0	3.4
EBITDA	2.3	2.0	15.1
EBITDAM %	20.2	19.6	64bps
PAT	1.2	1.0	17.6

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
FIs	15.87	19.49	20.39
DIs	19.57	14.85	14.11
Public	25.71	26.80	26.61

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	77.1	85.1	26.8
GRAN	91.0	89.0	39.6



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Sequential revenue recovery led by Gagillapur facility; EBITDA and PAT beat estimates significantly

- Revenue declined 1.5% YoY but rose 17.7% QoQ to INR 11.4 Bn (vs. consensus estimate of INR 11.0 Bn), driven by the staggered resumption of production at the Gagillapur facility.
- EBITDA de-grew 8.0% YoY but increased 13.3% QoQ to INR 2.3 Bn, with margins contracting 143 bps YoY but expanding QoQ to 20.2% (vs. consensus estimate of 19.6%).
- PAT declined 3.0% YoY but surged 16.5% QoQ to INR 1.2 Bn, (vs. consensus at INR 1.0 Bn beating estimates by 17.6%).

Gagillapur Facility Resumes Operations; OAI Status May Delay New Product Approvals

The Gagillapur facility has resumed phased operations since October 2024. While the USFDA's OAI (Official Action Indicated) status does not impact existing product sales, it may delay approvals for new products from the site. To address the issue, the company has engaged third-party consultants and submits monthly updates to the FDA for transparency. Management anticipates resolution by March 2025, with the Finished Dosages (FD) segment expected to operate normally in the meantime.

Genome Valley Expansion to Fuel Revenue Growth from FY26

The Genome Valley Greenfield facility has completed Phase 1, adding 2.5 Bn FD doses, with commercial dispatches of U.S. OTC monograph products already underway. Phase 2, with an additional 7.5 Bn doses, is set to commence by Q4FY25, with validation activities starting in Q1FY26. Prescription product commercialization for the European market is targeted by March/April 2025. This facility is expected to boost revenue growth from FY26, leveraging full capacity utilization for monograph and prescription products. Additionally, it will diversify revenue streams and reduce reliance on other sites, including Gagillapur.

View and Valuation: We have revised our FY26/FY27 EPS estimates downward by 0.7%/0.6% and changed our rating to 'HOLD' with a target price of INR 623 (PE of 22.0x), which is lower than peers due to the uncertainty surrounding the resolution of the Gagillapur facility's OAI status. The FD segment is expected to show stable growth, bolstered by the resumption of existing drug production at Gagillapur and new product approvals at the Genome Valley facility, although these factors are not reflected in our estimates, leaving room for potential upside. We will continue monitoring updates from the company. API normalization is expected from FY26 onwards.

Particulars	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenue	11,377	11,556	-1.5	9,666	17.7
Cost of Goods Sold	4,357	4,974	-12.4	3,672	18.6
Gross Profit	7,020	6,582	6.7	5,994	17.1
Gross Margin (%)	61.7	57.0	475bps	62.0	-31bps
Employee & Other Expenses	4,717	4,078	15.7	3,961	19.1
EBITDA	2,303	2,504	-8.0	2,033	13.3
EBITDA Margin (%)	20.2	21.7	-143bps	21.0	-79bps
Depreciation	566	524	8.0	525	7.8
EBIT	1,737	1,980	-12.3	1,508	15.2
Interest	266	286	-7.1	257	3.5
PBT	1,528	1,701	-10.2	1,284	19.0
Tax	352	444	-20.7	311	13.0
PAT	1,176	1,212	-3.0	1,009	16.5
PAT Margin (%)	10.3	10.5	-15bps	10.4	-11bps
EPS	4.9	5.0	-3.1	4.2	16.5

Segment Revenue	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
API	1,393	2,212	-37.0	1,420	-1.9
PFI	1,309	1,686	-22.4	756	73.1
FD	8,674	7,658	13.3	7,490	15.8

Management Call - Highlights

Gagillapur Inspection and Facility Updates

- The USFDA has classified the Gagillapur facility as OAI, though this does not affect the manufacturing, distribution, or sale of existing products. It may impact the review of pending submissions for new product approvals until the issue is resolved.
- The company has maintained full transparency with the FDA and resumed operations and dispatches from October.
- 90% of corrective and preventive actions have been completed, with the remaining to be closed by March 2025.
- Third-party consultants and experts are working closely to resolve the issues.

Genome Valley Facility Update

- Phase 1 (capacity of 2.5 Bn doses) has been commissioned, and commercial dispatches have begun.
- Phase 2 (additional 7.5 Bn doses) is expected to be commissioned by Q4FY25, with validation activities starting in Q1FY26.
- This facility focuses on monograph products for the U.S. and Europe, with European regulatory inspection expected by late March/early April 2025.

New Product Launches

- ADHD: The U.S. FDA has approved Lisdexamphetamine chewable tablets. The company is developing a robust ADHD portfolio of 10 products.
- Oncology: 7–8 oncology products are in development, targeting high-barrier market entry.
- Diabetes: The company is advancing a pipeline of 8–9 diabetic medications, catering to growing demand.
- Four to five product launches are expected from the GPI (GRAN Pharmaceuticals Inc.) facility in Q4FY25, with some products already approved, while others await final clearance.

Growth Strategy and Market Potential

- Future growth will be driven by new product launches from the GPI facility, especially in the CNS ADHD segment, growth from large-volume products in the US and Europe, capacity addition, commercialization of the Genome Valley facility, and expanding the NCO pipeline in Vizag.
- Paracetamol prices have stabilized, but customer inventory levels remain high.
- The ADHD market is projected to grow from USD 15.8 Bn (2023) to USD 24.6 Bn (2032), presenting significant opportunities for GRAN.
- GRAN is exploring new areas such as new APIs, GLP-1 analogs, and alternative dosage forms.

Margin and Financial Outlook

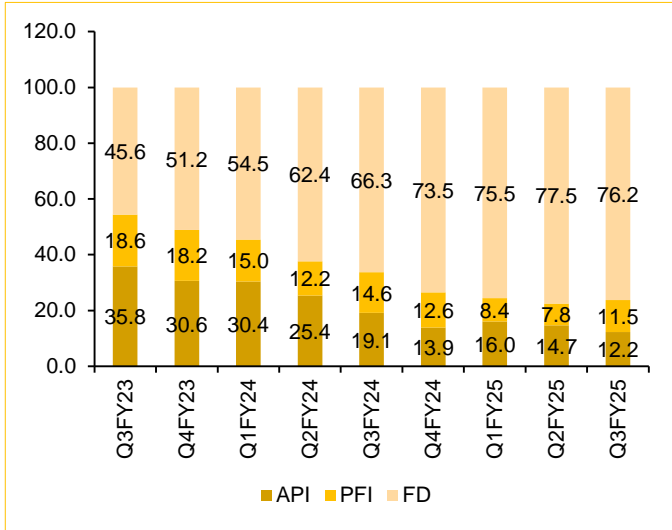
- The decline in revenue was largely due to FDA-related production disruptions.
- Gross margin increased by 475bps YoY, driven by profitable sales of finished doses.
- EBITDA margin was impacted by remediation-related and non-recurring costs.
- EBITDA margins are anticipated to be 20–22%, supported by improving gross margins and the normalization of one-off expenses.

- The Gagillapur facility is currently classified as OAI by the FDA, with efforts underway to resolve the issue.

- The Genome Valley facility has completed Phase 1, with Phase 2 commissioning expected by Q4FY25.

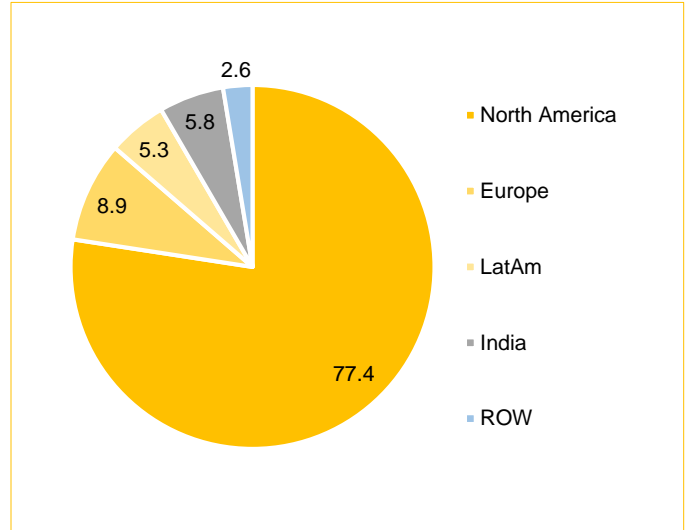
- EBITDA margins are projected to be between 20-22% from FY25 onwards.

FD Share As % of Revenue Grows Consistently



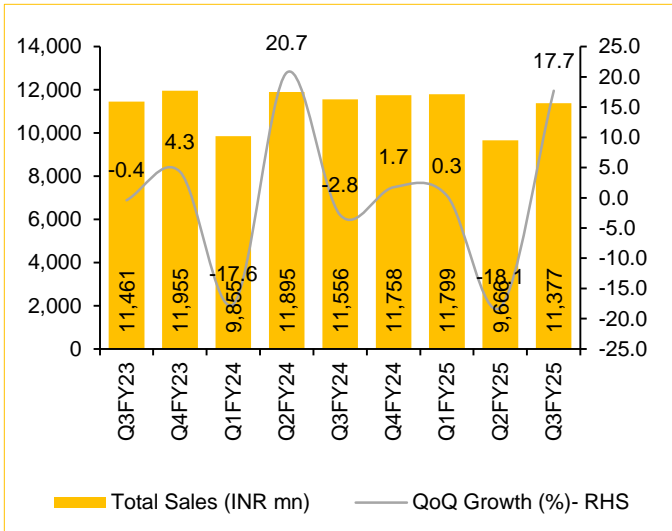
Source: Company, CEBPL

USA Remains The Key Driver Of Revenue In Q3FY25



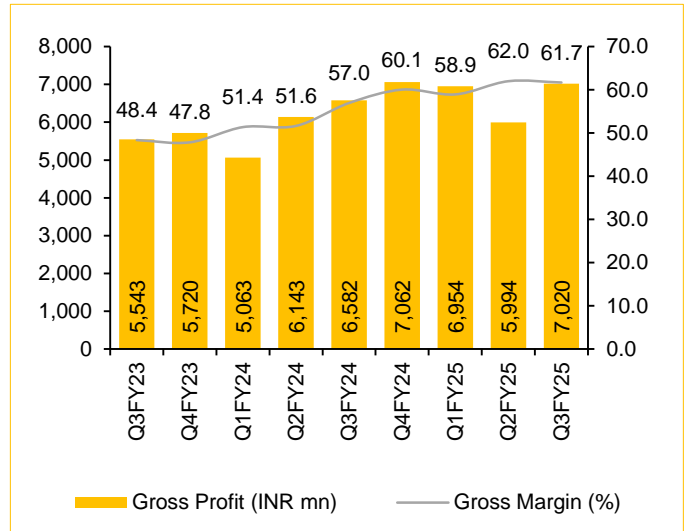
Source: Company, CEBPL

Growth In Sales Exceeds Street Expectations



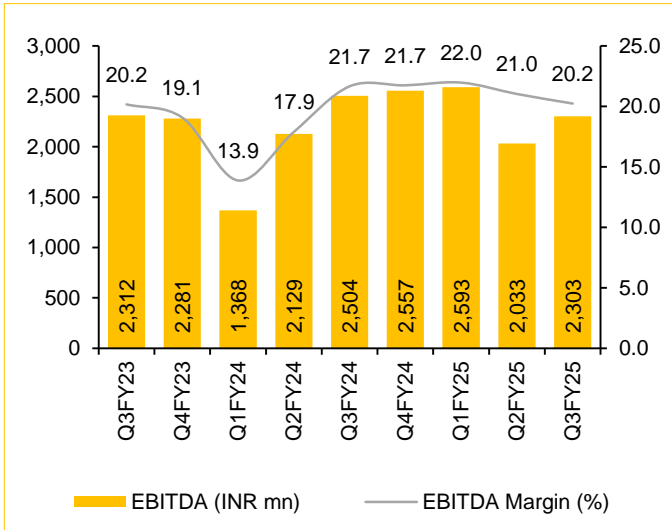
Source: Company, CEBPL

Gross Profit Strengthens With Consistent Margins



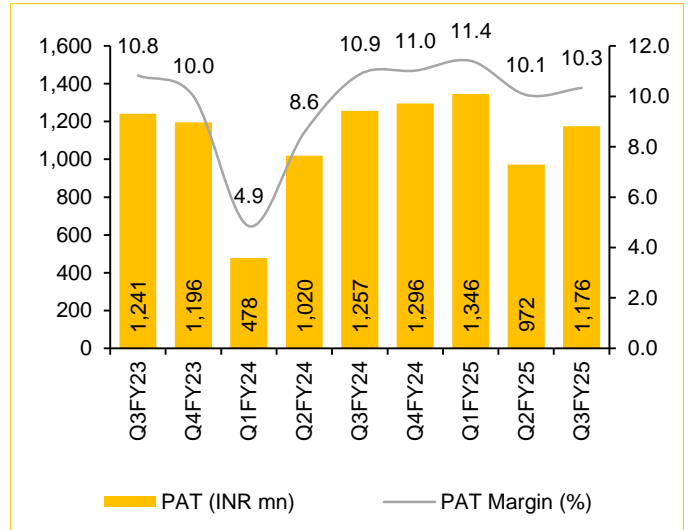
Source: Company, CEBPL

EBITDA And EBITDA Margin Surpass Projections Significantly



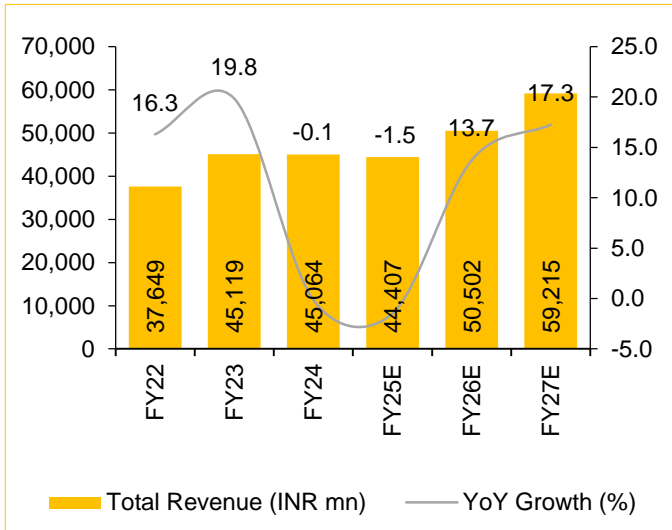
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PAT Shows Recovery With Stable Margins



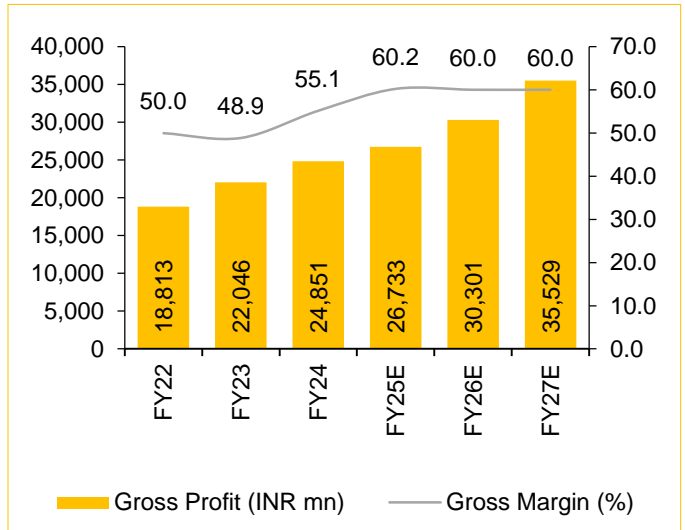
Source: Company, CEBPL

Gradual Revenue Growth Ahead As Gagillapur Issues Resolve



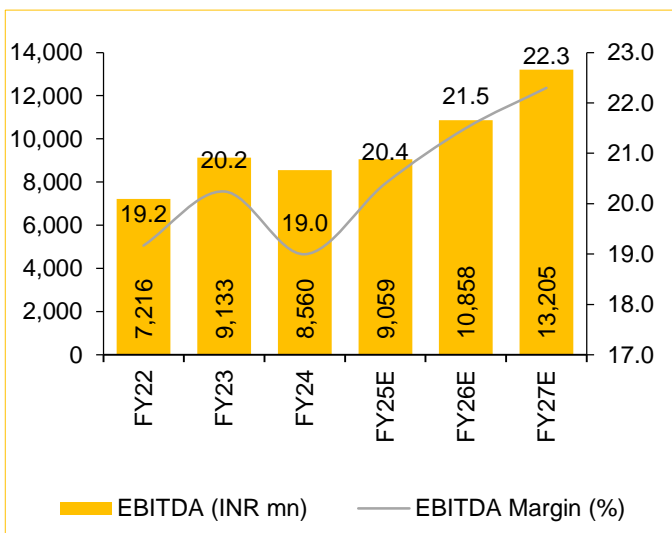
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Gross Profit Set To Rise With Stable Margins



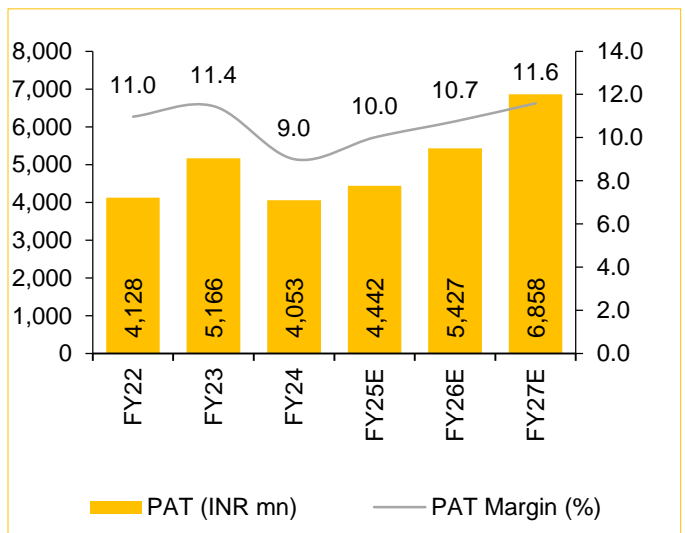
Source: Company, CEBPL

EBITDA Set To Grow With Margins Improving Steadily



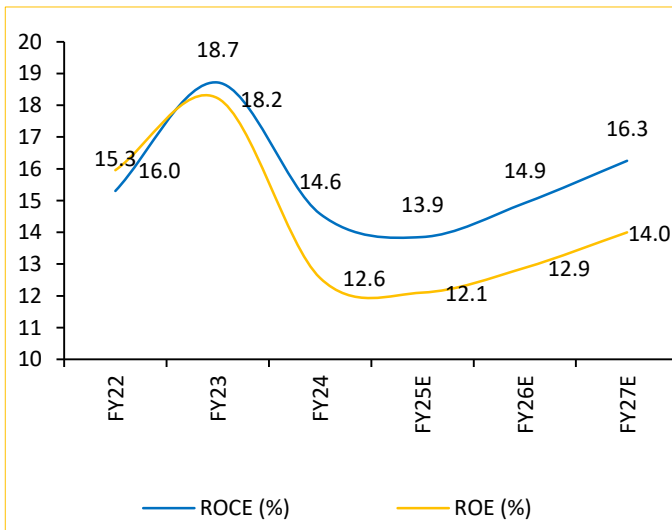
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PAT Expected To Grow In Line With Ebitda



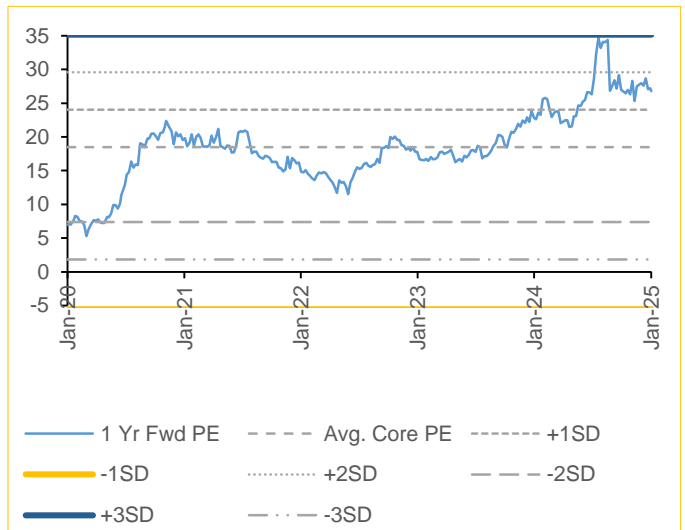
Source: Company, CEBPL

RoE and RoCE



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

Income statement (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	45,119	45,064	44,407	50,502	59,215
Gross profit	22,046	24,851	26,733	30,301	35,529
EBITDA	9,133	8,560	9,059	10,858	13,205
Depreciation	1,845	2,073	2,212	2,598	3,012
EBIT	7,288	6,486	6,847	8,260	10,193
Other income	143	44	178	101	118
Interest expense	559	1,058	1,101	1,125	1,167
PBT	6,872	5,472	5,923	7,236	9,144
Reported PAT	5,166	4,053	4,442	5,427	6,858
EPS	21.3	16.7	18.3	22.4	28.3

Source: Company, CEBPL

Balance sheet (Consolidated in INR Mn)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Net worth	28,349	32,255	36,698	42,125	48,983
Borrowings	10,586	12,232	12,732	13,232	13,732
Trade Payables	7,821	7,495	7,300	8,302	9,734
Other non-current liabilities	1,075	1,442	1,392	1,342	1,292
Other current liabilities	1,214	1,785	2,087	2,462	3,158
Total Net Worth & liabilities	49,046	55,210	60,208	67,463	76,898
Net Block	15,581	17,311	20,205	22,658	25,567
Capital WIP	2,280	2,595	2,554	2,581	2,592
Goodwill & intangible assets	2,796	2,395	2,395	2,395	2,395
Investments	212	215	265	315	365
Trade Receivables	9,485	9,858	9,733	11,069	13,790
Cash & Cash equivalents	3,128	3,864	6,161	7,135	7,376
Other non-current assets	2,435	3,643	3,677	4,004	4,403
Other current assets	13,128	15,328	15,217	17,306	20,410
Total Assets	49,046	55,210	60,208	67,463	76,898

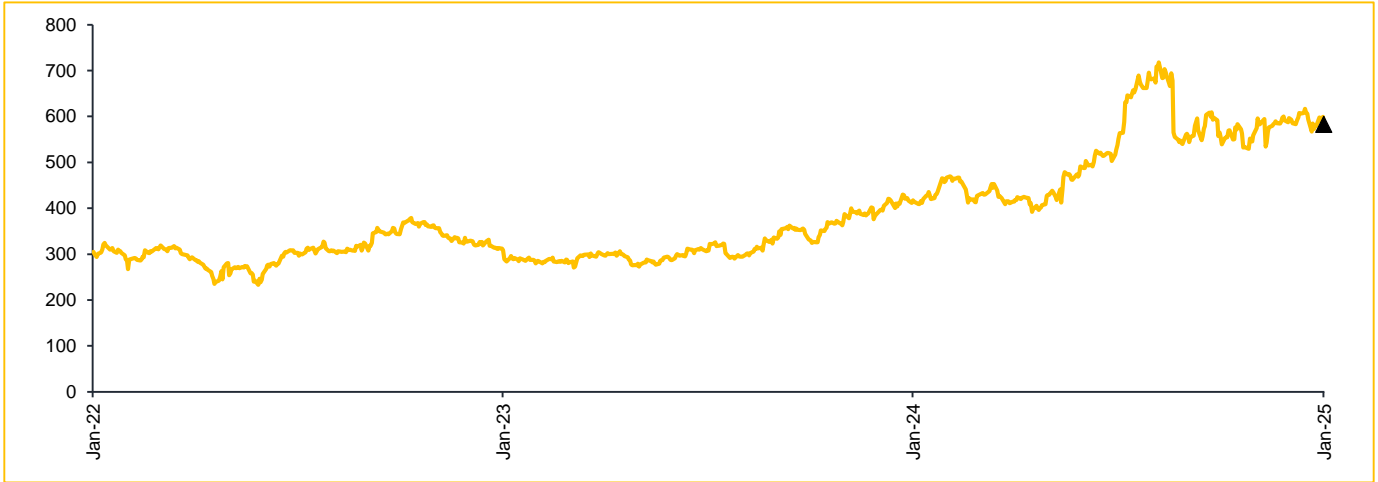
Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash Flows From Operations	7,387	4,394	7,917	7,062	7,242
Cash Flows From Investing	-1,913	-3,601	-5,107	-5,050	-5,922
Cash Flows From Financing	-4,403	77	-1,015	-1,038	-1,080

Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios					
Revenues	19.8	-0.1	-1.5	13.7	17.3
Gross Profit	17.2	12.7	7.6	13.3	17.3
EBITDA	26.6	-6.3	5.8	19.9	21.6
EBIT	29.5	-11.0	5.6	20.6	23.4
PBT	23.1	-20.4	8.2	22.2	26.4
PAT	25.2	-21.5	9.6	22.2	26.4
Margins					
Gross Profit Margin	48.9	55.1	60.2	60.0	60.0
EBITDA Margin	20.2	19.0	20.4	21.5	22.3
EBIT Margin	16.2	14.4	15.4	16.4	17.2
PBT Margin	15.2	12.1	13.3	14.3	15.4
Tax rate	24.8	25.9	25.0	25.0	25.0
PAT Margin	11.4	9.0	10.0	10.7	11.6
Profitability					
Return On Equity (ROE)	18.2	12.6	12.1	12.9	14.0
Return On Invested Capital (ROIC)	28.0	20.2	18.3	20.7	22.2
Return On Capital Employed (ROCE)	18.7	14.6	13.9	14.9	16.3
Financial leverage					
Pre-tax OCF/EBITDA (x)	1.0	0.7	1.0	0.8	0.7
OCF / Net profit (x)	0.9	2.0	1.6	1.3	-
EV/EBITDA (x)	16.2	17.4	16.3	13.5	11.2
Earnings					
EPS	21.3	16.7	18.3	22.4	28.3
Shares Outstanding	242.0	242.0	242.4	242.0	242.0
Working Capital					
Inventory Days (x)	93.0	105.3	105.0	105.0	105.0
Receivable Days (x)	76.7	79.8	80.0	80.0	85.0
Creditor Days (x)	63.3	60.7	60.0	60.0	60.0
Working Capital Days	106.4	124.5	125.0	125.0	130.0

Source: Company, CEBPL

Historical share price chart: GRAN India Limited



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