

Granules India: Scaling up for Growth

ADD

June 16, 2026 | CMP: INR 749 | Target Price: 835

Sector View: Positive

Company Information

BB Code	GRAN IN EQUITY
ISIN	INE101D01020
Face Value (INR)	1.0
52 Week High (INR)	804
52 Week Low (INR)	433
Mkt Cap (INR Bn)	185.6
Mkt Cap (USD Bn)	2.0
Shares Outstanding (Mn)	247.8
Free Float (%)	58.4
FY28E EPS (INR)	38.3

Shareholding Pattern (%)

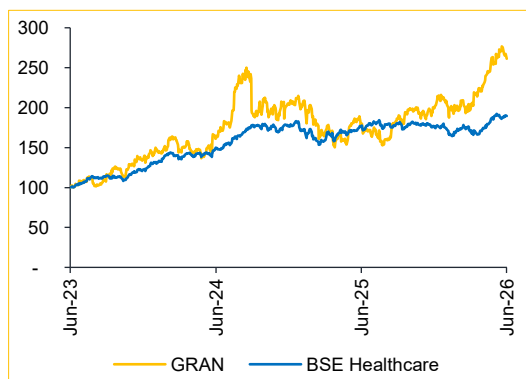
	Mar 2026	Dec 2025	Sep 2025
Promoters	38.02	38.81	38.81
Fills	15.31	13.55	14.09
DlIs	17.01	17.47	17.91
Public	29.67	30.15	29.17

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	44.8	53.7	63.5	75.2	89.0
YoY (%)	(0.5)	19.7	18.4	18.3	18.4
EBITDA	9.5	11.9	14.4	17.1	20.2
EBITDAM %	21.1	22.1	22.7	22.7	22.7
PAT	5.0	6.0	7.7	9.5	11.7
EPS (INR)	20.7	24.0	31.0	38.3	47.3
ROE %	13.5	11.7	13.1	13.9	14.7
ROCE %	14.4	13.8	15.4	16.7	17.9
PE(x)	36.2	31.2	24.2	19.6	15.8
EV/EBITDA	19.9	16.0	13.0	10.7	8.7

Rebased Performance (%)

YTD	3Y	2Y	1Y
BSE Healthcare	89.4	26.4	7.2
GRAN	161.1	62.2	47.0



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We visited Granules' Gagillapur and Genome Valley facilities and had a detailed interaction with **Mr. Krishna Prasad Chigurupati, Chairman, Ms. Priyanka Chigurupati, Executive Director, Mr. Mukesh Surana, CFO and Mr. Sanjay Kumar, CSO.** The visit provided valuable insights into the company's ongoing efforts to strengthen quality systems, accelerate digital transformation and enhance manufacturing efficiency through automation. The management highlighted that remediation activities at Gagillapur are largely complete, while Genome Valley continues to gain strategic importance as a key manufacturing and business continuity hub. We believe **the acquisition of Senn Chemicals positions GRAN favorably to capitalise on the growing peptides opportunity and will be a key driver of long-term growth**, while the company's expanding oncology pipeline further strengthens its future prospects. Over the medium term, growth is expected to be supported by continued momentum in the FD segment, scale-up of the Genome Valley facility, and normalisation of operations at Gagillapur following the completion of remediation measures. **We continue to expect to see a CAGR of 18.4%/19.5%/25.4% over FY26–29E and maintain our 'ADD' rating with an unchanged TP of INR 835.**

Key Observations:

- The management indicated that **more than 90% of remediation actions at Gagillapur have been completed** and the **facility has formally communicated its readiness for USFDA re-inspection.**
- The company continues to strengthen data integrity and quality systems through MES and LIMS implementation and is working towards paper less organisation.
- Genome Valley (GLS) provides meaningful contingency support, with 28 products transferred from Gagillapur and approvals progressing.
- Automation initiatives such as continuous coating and automated cleaning systems are improving productivity while reducing operator dependency.
- Over the medium term, **the management expects growth to be driven by integrated products, complex generics, controlled substances and peptide-related opportunities.**

Key Discussion Themes:

- **Regulatory Recovery on Track:** The management acknowledged that the September 2024 observations represented a significant event for the organisation, particularly given the facility's strong compliance track record. Since then, the focus has shifted from observation closure towards building sustainable systems and quality processes.
- **Manufacturing Becoming More Digital:** A recurring theme across discussions was the increasing use of digital systems to improve compliance, traceability and operational efficiency. The management believes paperless manufacturing and laboratory operations will significantly strengthen quality oversight going forward.
- **GLS Provides Strategic Flexibility:** The GLS facility not only serves as a contingency site but also provides capacity headroom for future growth and supports the company's broader complex products strategy.

[Click here to read details on Gagillapur Plant Visit](#)
[Click here to read details on Genome Valley Plant Visit](#)

Exhibit 1: Overview

Particulars	Details
Area	26 acres
Employees	~2,800
Annual Capacity	26 Bn tablets
Daily Production	~60 MT
Manufacturing Blocks	PFI, Finished Dosage, Warehouse, MUPS

Source: GRAN, CIE

Sr No.	Facility Location	Inspection end date	Inspection Outcome*
1	Parawada Mandal	12-Apr-24	NAI
2	Visakhapatnam	30-Jun-23	NAI
3	Secunderabad	23-Jun-23	NAI
4	Medchal-Malkhajgiri District	14-Feb-20	VAI
5	Parawada Mandal	16-Jan-20	VAI
6	Sangareddy District	26-Jul-19	VAI
7	Secunderabad	23-Mar-18	VAI
8	Medchal-Malkhajgiri District	23-Mar-18	NAI
9	Medchal-Malkhajgiri District	14-Oct-16	NAI
10	Secunderabad	18-Dec-15	VAI
11	Visakhapatnam	18-Dec-15	NAI
12	Medchal-Malkhajgiri District	13-Mar-15	NAI
13	Sangareddy District	13-Jun-14	NAI
14	Visakhapatnam	14-Jun-13	NAI
15	Secunderabad	08-May-13	VAI
16	Medchal-Malkhajgiri District	13-Sep-12	VAI
17	Sangareddy District	22-Nov-10	NAI
18	Medchal-Malkhajgiri District	12-Nov-09	NAI
19	Secunderabad	06-Mar-09	VAI

*NAI – No Action Indicated; VAI – Voluntary Action Indicated
Source: USFDA, CIE

Gagillapur Facility

- The Gagillapur facility remains the company's largest finished dosage manufacturing site and plays a critical role within Granules' integrated manufacturing network.
- The site encompasses granulation, compression, coating, inspection, packing and warehousing operations.
- A notable addition is the MUPS block, which integrates multiple manufacturing stages while reducing material handling requirements and improving process efficiency.

Remediation and Quality Enhancements

- The management discussed the extensive remediation work undertaken following the September 2024 USFDA inspection.
- According to the company, corrective actions have extended beyond observation closure and include broader systemic enhancements.
- The company engaged multiple external consultants across cleaning validation, cross-contamination control, quality systems and operational assessments.
- The management highlighted that recent reviews did not identify recurring critical observations.
- A key message from the management was that the organization is now focused on sustainability of improvements rather than simply addressing historical observations.

Technology and Automation

- The facility is undergoing a significant transformation towards digital manufacturing.
- MES implementation is expected to digitize manufacturing records and improve process traceability.
- In parallel, LIMS deployment is intended to ensure laboratory data is captured electronically and directly from instruments, reducing manual intervention and strengthening data integrity controls.
- Automation initiatives were visible across operations. Management highlighted the replacement of manual cleaning processes with automated jet-spray systems, which have materially reduced operator dependence and improved changeover efficiency.
- The facility has also adopted continuous coating technology, which management believes improves throughput and consistency relative to conventional batch processes.

Exhibit 4: Overview

Parameter	Details
Site area	30 acres
Expansion potential	Additional 20 acres
Capacity	10 Bn tablets p.a.
Potential capacity	15 Bn tablets p.a.
Product restrictions	No beta-lactams, cephalosporins, steroids, hormones or cytotoxics

Exhibit 5: Manufacturing Units

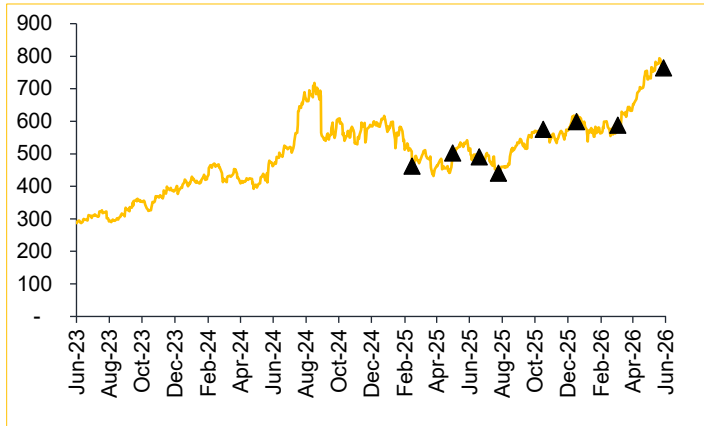
Unit	Capabilities
Manufacturing Unit I	Granulation (2), Blending (2), Compression (2), Capsulation (1), Coating (2), Packing (Bottle & Blister)
Manufacturing Unit II	Compression (2), Coating (2), Press Fit (8), Imprinting (5), Tablet Inspection (2)
Manufacturing Unit III	Granulation (5), Fluid Bed Equipment (500L–1800L), 16KL Octagonal Blenders, Continuous Coating, Packing

Year	Audit Type
CY24	Customer Audit
CY24	Social Audit
CY24	CDSCO Audit
CY24	MHRA Audit
CY25	USFDA Audit
CY25	Customer Audit
CY25	GMP/Regulatory Inspections

Genome Valley Facility

- GLS is Granules' **second large-scale finished dosage manufacturing site** and serves as an important pillar within the company's manufacturing network.
- The site has been designed as a diversified oral solid dosage facility with capabilities spanning granulation, blending, compression, coating, inspection and packaging.
- Manufacturing operations are distributed across three dedicated units (*Exhibit 5*), enabling operational flexibility and efficient capacity utilization across product categories.
- **Unit III represents the largest manufacturing block** and houses large-scale granulation lines, fluid-bed systems, octagonal blenders and continuous coating infrastructure.
- The management highlighted ongoing investments in MES and LIMS, which are expected to strengthen data integrity, traceability and overall compliance standards.
- **GLS has assumed increased strategic importance following the regulatory observations at Gagillapur**, with 28 products transferred to the site as part of the company's business continuity framework.
- Approvals for transferred products are progressing, providing Granules with additional flexibility to maintain uninterrupted supplies to regulated markets.
- **The facility has undergone multiple** customer, social and **regulatory audits** over the past two years (*Exhibit 6*), supporting the management's confidence in its compliance profile and operational readiness.
- Beyond its contingency role, **the management views GLS as a key growth platform** that will support future launches in integrated and complex products while providing sufficient capacity for long-term expansion.

Key Takeaway: Genome Valley is **increasingly emerging as a strategic manufacturing hub** for Granules, combining scale, modern infrastructure, regulatory readiness and expansion potential while **also serving as a critical risk-mitigation asset within the company's manufacturing network.**

Historical Price Chart: GRAN


Date	Rating	Target Price
January 27, 2025	HOLD	623
May 29, 2025	BUY	640
June 27, 2025	BUY	640
August 13, 2025	BUY	640
November 14, 2025	ADD	660
January 24, 2025	BUY	690
April 30, 2026	ADD	835
June 16, 2026	ADD	835

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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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