

Accumulate

Sector: Pharmaceuticals

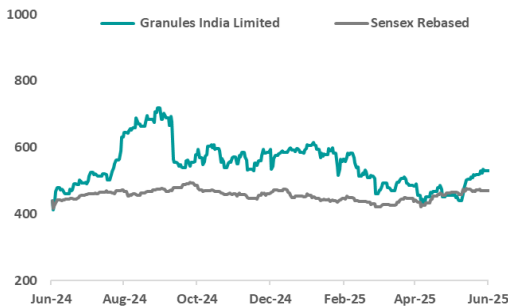
06th June 2025

Key Changes:	Target ▲	Rating ●	Earnings ▼	Target	Rs.599		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.534
Small Cap	GRAN:IN	81,442	GRANULES	532482	12 Months	Return	+12%

Data as of: 05-06-2025

Company Data			
Market Cap (Rs.cr)	12,925		
52 Week High — Low (Rs.)	725 - 412		
Enterprise Value (Rs. cr)	14,359		
Outstanding Shares (cr)	24.3		
Free Float (%)	59.6		
Dividend Yield (%)	0.3		
6m average volume (cr)	0.3		
Beta	0.8		
Face value (Rs.)	1.0		
Shareholding (%)	Q2FY25	Q3Y25	Q4FY25
Promoters	38.9	38.9	38.8
FII's	19.5	19.5	22.5
MFs/Institutions	14.9	14.9	15.1
Public	26.8	26.8	23.6
Total	100	100	100
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	12%	-1%	20%
Absolute Sensex	11%	1%	6%
Relative Return	1%	-2%	14%

over or under performance to benchmark index



Consolidated (cr)	FY25A	FY26E	FY27E
Sales	4,482	4,970	5,592
Grow th (%)	-0.5	10.9	12.5
EBITDA	945	1,043	1,313
EBITDA Margin(%)	21.1	21.0	23.5
PAT Adj.	532	517	692
Grow th (%)	31.2	-2.9	33.9
Adj.EPS	21.9	21.3	28.5
Grow th (%)	30.9	-2.9	33.9
P/E	24.0	24.7	18.5
P/B	3.4	3.0	2.6
EV/EBITDA	15.1	13.6	10.8
ROE (%)	15.3	13.1	15.3
D/E	0.3	0.2	0.2

Acquisition diversifies business

Granules India Ltd. (Inc.) is a vertically integrated, high growth pharmaceutical company headquartered in Hyderabad, India. The company manufactures Active Pharmaceutical Ingredients (API), Pharmaceutical Formulation Intermediates (PFI) and Finished Dosages (FD).

- Granules recorded revenue of Rs.1,197cr for Q4FY25 against Rs.1,176cr in Q4FY24 exhibiting a 2% YoY growth, but has de-grown by 1% for the full year primarily due to manufacturing disruptions stemming from the warning letter.
- EBITDA de-grew by 1.3% YoY to Rs.252cr for this quarter due to reduced sales because of the warning letter and substantial remediation cost, which adversely affected margins.
- The company has acquired Senn Chemicals, a Swiss-based CDMO, marking the company's foray into the GLP-1 space. Granules will initially be targeting innovators in the developed market.
- Validation activities have begun in Phase 2, Genome Valley, in this quarter. Also, the company continues to invest in research and development efforts aimed at building a pipeline of high-value molecules, with a focus on backward integration, especially in the oncology and CNS segment. The company has filed its first oncology molecule in this quarter.

Outlook & Valuation

We remain positive about the company's long-term profitability and growth prospects owing to new product launches across geographies, a focus on backward integration, and increased market share in existing geographies. The entry into the high-growth GLP-1 segment through the Senn acquisition and the oncology filings, which have much more attractive margins, can enhance Granules' financials. **The remediation costs are expected to gradually decline from hereon. Henceforth, we maintain our accumulate rating, with a target price of Rs.599 based on 21x FY27E EPS.**

Quarterly Financials (Consolidated)

Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3Y25	QoQ (%)	FY25	FY24	YoY (%)
Sales	1,197	1,176	1.8	1,138	5.3	4,482	4,506	-0.5
EBITDA	252	256	-1.3	230	9.6	945	856	10.4
Margin (bps)	21.07	21.75	-67bps	20.24	83bps	21.1	19.0	209bps
EBIT	189	203	-6.7	174	8.7	720	649	10.9
PBT	198	176	12.5	153	29.3	660	548	20.5
Rep. PAT	152	130	17.3	118	29.3	502	406	23.6
Adj PAT	183	130	41.0	118	55.4	532	406	31.2
EPS (Rs)	8	5	40.7	5	55.4	21.95	16.77	30.9



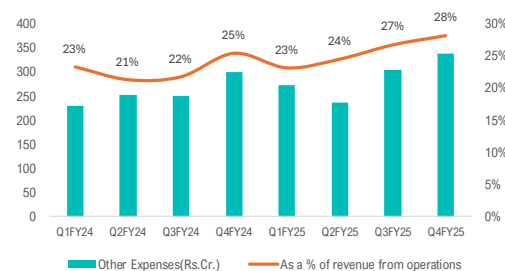
Key Highlights

- The company received a warning letter from the FDA on their Gagilapur plant. The management commented that the warning letter will have no impact on the sale of commercially approved products but could slow down product approvals, which have been filed from this plant. The company has incurred Rs.60cr on remediation expenses till now but expects the spending to come down by Q2FY26.
- The remediation process is going on under the supervision of consultants but has slowed down operations, with the company pausing production for a month in FY25.
- Granules is actively working to diversify its growth trajectory by focusing on new filings from the GPI facility, the greenfield facility in Genome Valley and the oncology pipeline.
- The company is focused on expanding its therapeutic & product portfolio with a strategic emphasis in areas such as CNS, oncology and antidiabetic segments while also pursuing market expansion for its existing products. The company is planning to set up a peptide facility in Hyderabad to support its long-term ambitions.
- The company is developing a very robust ADHD portfolio with 10 products currently in the pipeline. It is also continuing to expand its oncology (10 products) and diabetes portfolio (8-9 products) in the pipeline.

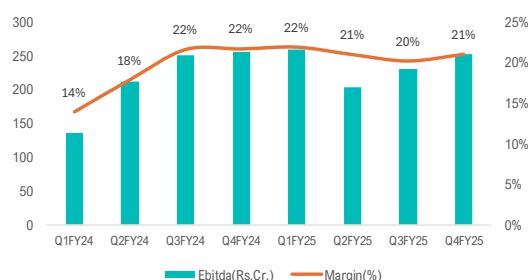
Revenue



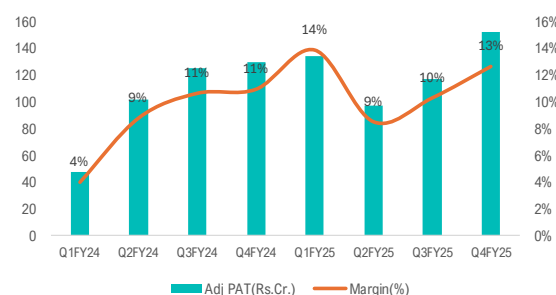
Other Expenses



EBITDA



Adj. PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	5,062	5,746	4970	5592	-1.8	-2.7
EBITDA	1,113	1,292	1,043	1,313	-6.3	1.7
Margins (%)	22.0	22.5	21.0	23.5	-101bps	99bps
Adj. PAT	590	698	517	692	-12.4	-0.9
EPS	24	29	21	29	-11.2	-1.7



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	4512	4506	4482	4970	5592
% change	19.8	-0.1	-0.5	10.9	12.5
EBITDA	914	856	945	1043	1313
% change	26.7	-6.3	10.4	10.3	25.9
Depreciation	184	207	226	286	329
EBIT	729	649	720	757	984
Interest	56	106	103	93	96
Other Income	14	4	13	20	28
PBT	687	548	660	684	916
% change	23.3	-20.3	20.5	3.7	33.9
Tax	171	142	159	168	224
Tax Rate (%)	24.8	25.9	24.0	24.5	24.5
Reported PAT	517	406	502	517	692
Adj.*	-	-	30.75	-	-
Adj. PAT	517	406	532	517	692
% change	25.4	-21.5	31.2	-2.9	33.9
No. of shares (cr)	24	24	24	24	24
Adj EPS (Rs.)	21	17	22	21	29
% change	28.5	-21.5	30.9	-2.9	33.9
DPS (Rs.)	1.0	1.5	1.5	1.5	1.5

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	292	381	466	445	450
Accts. Receivable	949	986	942	1,225	1,455
Inventories	1149	1301	1343	1315	1471
Other Cur. Assets	306	232	234	327	368
Investments	21	38	43	45	47
Gross Fixed Assets	2,462	2,791	3,391	3,891	4,441
Net Fixed Assets	1558	1731	2022	2339	2568
CWIP	228	260	437	250	250
Intangible Assets	291	252	212	221	212
Def. Tax - Net	9	14	36	47	58
Total Assets	4912	5498	6221	6556	7224
Current Liabilities	897	908	987	900	962
Provisions	44	50	63	56	77
Debt Funds	219	152	471	521	531
Other Liabilities	782	871	947	858	919
Equity Capital	24	24	24	24	24
Res. & Surplus	2811	3201	3691	4171	4826
Shareholder Funds	2,835	3,226	3,716	4,195	4,850
Total Liabilities	4912	5498	6221	6556	7224
BVPS	117	133	153	173	200

Cash Flow

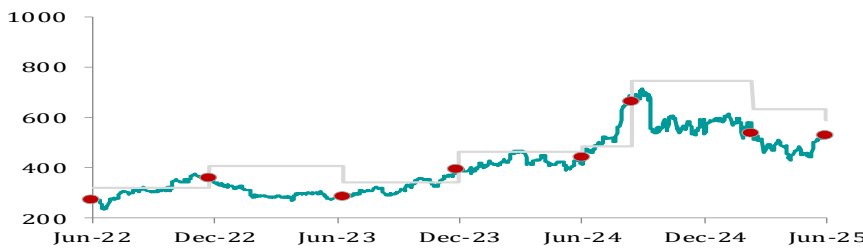
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	872	755	886	970	1246
Non-cash adj.	-128	-227	-31	-168	-224
Changes in W.C	-10	-104	6	-444	-343
C.F. Operation	739	439	867	408	678
Capital exp.	-410	-381	-572	-313	-550
Change in inv.	203	2	2	-2	-2
Other invest.CF	-	18	-123	-	-
C.F - Investment	-191	-360	-691	-332	-554
Issue of equity	-308	-	-	-	-
Issue/repay debt	-60	155	60	-50	-70
Dividends paid	-19	-36	-36	-36	-37
Other finance.CF	-19	-136	-135	-47	-49
C.F - Finance	-440	8	-93	-97	-119
Chg. in cash	107	87	83	-21	6
Closing Cash	292	381	466	445	450

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitability. & Return					
EBITDA margin (%)	20.3	19.0	21.1	21.0	23.5
EBIT margin (%)	16.2	14.4	16.1	15.2	17.6
Net profit margin.(%)	11.5	9.0	11.9	10.4	12.4
ROE (%)	19.1	13.4	15.3	13.1	15.3
ROCE (%)	18.8	15.1	14.7	13.9	16.5
W.C & Liquidity					
Receivables (days)	76	78	79	80	87
Inventory (days)	86	99	108	98	91
Payables (days)	112	149	192	158	145
Current ratio (x)	1.6	1.6	1.6	2.0	2.1
Quick ratio (x)	0.9	0.9	0.9	1.2	1.3
Turnover & Leverage					
Gross asset T.O (x)	2.0	1.7	1.4	1.4	1.3
Total asset T.O (x)	1.0	0.9	0.8	0.8	0.8
Int. covge. ratio (x)	13.0	6.1	7.0	8.1	10.3
Adj. debt/equity (x)	0.3	0.3	0.3	0.2	0.2
Valuation					
EV/Sales (x)	3.1	3.2	3.2	2.9	2.5
EV/EBITDA (x)	15.5	16.7	15.1	13.6	10.8
P/E (x)	24.7	31.4	24.0	24.7	18.5
P/BV (x)	4.5	4.0	3.4	3.0	2.6



Recommendation Summary (last 3 years)



Dates	Rating	Target
03.06.2022	Accumulate	323
24.11.2022	Accumulate	408
13.06.2023	Buy	342
01.12.2023	Accumulate	464
03.06.2024	Accumulate	488
16.08.2024	Accumulate	748
17.02.2025	Accumulate	580
06.06.2025	Accumulate	599

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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