

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	GRAN IN
Equity Shares (m)	243
M.Cap.(INRb)/(USDb)	110.4 / 1.3
52-Week Range (INR)	725 / 412
1, 6, 12 Rel. Per (%)	0/-22/-35
12M Avg Val (INR M)	1232

Financials & Valuations (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Sales	44.8	49.9	58.0
EBITDA	9.5	10.7	13.3
Adj. PAT	4.8	5.6	7.5
EBIT Margin (%)	16.1	16.1	18.2
Cons. Adj. EPS (INR)	19.7	23.0	30.7
EPS Gr. (%)	13.6	16.7	33.7
BV/Sh. (INR)	153.2	174.0	203.5
Ratios			
Net D:E	0.4	0.3	0.3
RoE (%)	13.8	14.1	16.3
RoCE (%)	11.5	11.9	13.9
Payout (%)	5.7	5.3	3.8
Valuations			
P/E (x)	23.1	19.8	14.8
EV/EBITDA (x)	18.4	16.5	13.2
Div. Yield (%)	0.2	0.2	0.2
FCF Yield (%)	1.0	-0.1	0.7
EV/Sales (x)	3.9	3.5	3.0

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	38.8	38.8	38.9
DII	23.5	22.4	14.1
FII	13.2	15.2	20.4
Others	24.4	23.6	26.6

FII includes depository receipts

CMP: INR455

TP: INR530 (+16%)

Buy

PFI drives growth, FDF sales stable

Work-in-progress to build niche portfolio/resolve regulatory issues

- Granules India (GRAN) delivered in-line revenue/PAT in 1QFY26, though there was a slight miss on EBITDA, largely due to higher operational costs and consolidation of Senn Chemicals during the quarter.
- North America remained the highest growth market for GRAN. It is adding differentiated products to its portfolio – large volume products in CNS/ADHD therapy, controlled substances, peptides, as well as MUPS-based products.
- It has added a healthy number of products to its EU portfolio to revive growth in this segment. Some part of the growth is reflected in 1QFY26 performance.
- We reduce our earnings estimates by 5%/2% for FY26/FY27, factoring in a) increased timeline for approvals from Gagilapur facility, and b) a reduction in sales to ROW markets due to PFI supply backlog. We value GRAN at 18x 12M forward earnings to arrive at a TP of INR530.
- While it is addressing the compliance aspect at Gagilapur site in a comprehensive manner, it is implementing efforts for adding differentiated products to its portfolio to improve growth prospects. The projects are under various stages from product development to adding/modifying commercial manufacturing capabilities/capacities. We expect 14%/19%/24% revenue/EBITDA/PAT CAGR during FY25-27. Maintain BUY.

Segmental mix more than offset by higher opex on YoY basis

- GRAN's 1QFY26 sales grew 2.6% YoY to INR12b (our est. of INR11.9b), led by increased sales in North America.
- FDF sales were steady YoY at INR9b (74% of sales). Intermediate (PFI) sales grew 20% YoY to INR1.2b (10% of sales). API sales declined 14% YoY to INR1.6b (14% of sales).
- Gross margin (GM) expanded 600bp YoY to 64.9% due to a change in the segmental mix and lower RM costs.
- However, EBITDA margin dipped 160bp YoY to 20.4% (our est. of 21.9%) due to higher employee costs/other expenses (up 290bp/460bp as % of sales) as a result of consolidation with Senn Chemicals AG.
- EBITDA declined 4.8% YoY to INR2.5b (our est. of INR2.6b) for the quarter.
- During the quarter, GRAN incurred a) a transaction cost related to the acquisition of Senn Chemicals AG (INR120m) and b) costs related to ongoing litigation.
- Adjusted PAT was flat YoY at INR1.3b (our estimate: INR1.33b).

Highlights from the management commentary

- GRAN expects FY27 to be a much better year for revenue growth vs. FY26.
- The company has acquired a business at EV of INR4.5b, with investment of INR1b in a Swiss facility and INR200-300m in R&D in FY26. FY27 capex will likely be for manufacturing capacity expansion.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- GRAN continues to gradually increase capacity in Europe, with more product approvals expected to improve the growth trajectory.
- Net debt as of 1QFY26 end was INR9.5b, up INR2.5b QoQ. The cash conversion cycle also inched up to 205 in 1QFY26 vs. 202 in 4QFY25.
- Senn Chemicals revenue for 1QFY26 was INR290m.
- GRAN is in early clinical trial stages for most CDMO molecules and is focusing on the execution of ongoing and new projects.

Quarterly Performance (INR m)												
Y/E March (Consolidated)	FY25				FY26E				FY25	FY26E	FY26E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	vs Est		
Net Sales	11,799	9,666	11,377	11,974	12,101	11,843	12,321	13,630	44,816	49,895	11,927	1.5
YoY Change (%)	19.7	-18.7	-1.5	1.8	2.6	22.5	8.3	13.8	-0.5	11.3	1.1	
Total Expenditure	9,206	7,633	9,074	9,451	9,634	9,273	9,685	10,631	35,364	39,222	9,315	
EBITDA	2,593	2,033	2,303	2,524	2,467	2,570	2,637	2,999	9,452	10,672	2,612	-5.5
YoY Change (%)	64.2	-4.5	-8.1	-1.3	-4.8	26.4	14.5	18.8	7.8	12.9	0.7	
Margins (%)	22.0	21.0	20.2	21.1	20.4	21.7	21.4	22.0	21.1	21.4	21.9	
Depreciation	529	525	566	635	688	618	643	711	2,255	2,660	622	
EBIT	2,064	1,508	1,737	1,889	1,779	1,952	1,994	2,288	7,197	8,012	1,990	-10.6
YoY Change (%)	90.0	-6.0	-12.3	-6.7	-13.8	29.4	14.8	21.1	7.5	11.3	-3.6	
Margins (%)	17.5	15.6	15.3	15.8	14.7	16.5	16.2	16.8	16.1	16.1	16.7	
Interest	270	257	266	240	238	283	283	283	1,032	1,087	283	
Other Income	21	32	57	19	163	30	31	34	129	258	30	
PBT before EO expense	1,814	1,284	1,528	1,668	1,704	1,699	1,742	2,039	6,294	7,183	1,736	-1.8
Extra-Ord expense	0	0	0	-308	259	0	0	0	-308	259	0	
PBT	1,814	1,284	1,528	1,976	1,445	1,699	1,742	2,039	6,601	6,924	1,736	-16.8
Tax	468	311	352	455	319	377	390	463	1,587	1,549	399	
Rate (%)	25.8	24.3	23.0	23.0	22.1	22.2	22.4	22.7	24.0	22.4	23.0	
(Profit)/Loss of JV/Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	1,346	972	1,176	1,520	1,126	1,322	1,352	1,576	5,015	5,375	1,337	-15.8
Adjusted PAT	1,346	972	1,176	1,284	1,328	1,322	1,352	1,576	4,778	5,577	1,337	-0.6
YoY Change (%)	112.7	-4.8	-6.4	-1.0	-1.4	35.9	14.9	22.8	13.6	16.7	-0.7	
Margins (%)	11.4	10.1	10.3	10.7	11.0	11.2	11.0	11.6	10.7	11.2	11.2	
EPS	6	4	5	5	5	5	6	7	20	23	6	-0.6

E: MOFSL Estimates

Key performance Indicators (Consolidated)

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	1QE
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE			
FD	8,912	7,490	8,674	9,259	8,989	9,213	9,541	10,648	34,335	38,391	9,268	
YoY Change (%)	64.4	1.6	13.7	7.1	0.9	23.0	10.0	15.0	18.0	11.8	4.0	
PFI	997	756	1,309	1,232	1,194	1,096	1,178	1,232	4,294	4,700	499	
YoY Change (%)	-32.6	-47.0	-24.5	-16.9	19.8	45.0	-10.0	0.0	-29.7	9.5	-50.0	
API	1,890	1,420	1,393	1,483	1,627	1,534	1,602	1,750	6,186	6,512	1,418	
YoY Change (%)	-36.1	-52.2	-36.6	-9.2	-13.9	8.0	15.0	18.0	-37.0	5.3	-25.0	
Cost Break-up												
RM Cost (% of Sales)	41.1	38.0	38.3	36.6	35.1	36.7	36.8	37.0	61.5	63.6	38.4	
Staff Cost (% of Sales)	13.9	16.5	14.7	14.1	16.8	14.6	14.8	14.0	14.7	15.0	15.4	
Other Cost (% of Sales)	23.1	24.5	26.7	28.2	27.7	27.0	27.0	27.0	25.7	27.2	23.7	
Gross Margins (%)	58.9	62.0	61.7	63.4	64.9	63.3	63.2	63.0	38.5	36.4	61.6	
EBITDA Margins (%)	22.0	21.0	20.2	21.1	20.4	21.7	21.4	22.0	21.1	21.4	22.5	
EBIT Margins (%)	17.5	15.6	15.3	15.8	14.7	16.5	16.2	16.8	16.1	16.1	17.7	

E: MOFSL Estimates

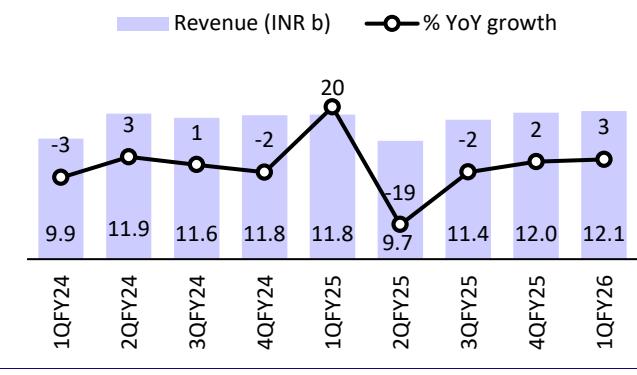


Conference call highlights

- GRAN has six product launches lined up for Europe in the coming quarters. Peptides R&D facility is positioned to be a cost-efficient alternative to China.
- GRAN's CDMO market opportunity is estimated at INR16-20b. API growth is modest and not a core focus.
- The company spent INR800m on remediation and INR510m on infrastructure and improvement capex related to facility upgrades.
- Its manpower cost rose due to Senn Chem AG acquisition; expected to stabilize. ROCE dipped to 16% due to the acquisition and a long gestation period.
- GRAN targets full peptide ramp-up by 1QFY27 and is also setting up R&D facilities in India for cosmetic industry applications.

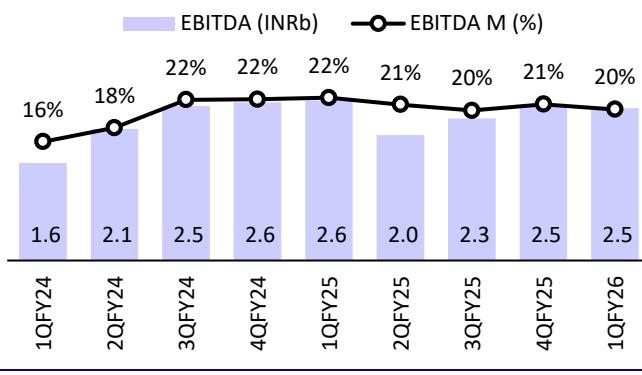
Key exhibits

Exhibit 1: Revenue grew 3% YoY in 1QFY26



Source: MOFSL, Company

Exhibit 2: EBITDA margin contracted 160bp YoY in 1QFY26



Source: MOFSL, Company

Broader portfolio, peptide expansion, and strong compliance initiatives to drive revival

Boost the non-legacy mix and scale up development work on peptides

- GRAN has implemented efforts to diversify its offerings, with non-legacy portfolio share increasing to ~38% in the past 12 months from 16% in FY23.
- Specifically, the FDF share in 1QFY26 revenue was 74%, driven by the addition of large-volume products in CNS/ADHD therapies and expanding OTC presence.
- GRAN has also expanded its work on controlled substances and MUPS-based products to further reduce the concentration of legacy products.
- GRAN is also working on new technology-based products. Specifically, GRAN's team developed a product using in-house enzyme, which has been successfully scaled up and validated.
- Notably, it has fast-tracked its business scope in the peptide space through the acquisition of Senn Chemicals. Its six-decade legacy in solid-phase and liquid phase peptide synthesis and its relationship with innovators should scale up GRAN's prospects in peptide space.
- With expanding offerings and enhancing manufacturing capacity, we expect 15% sales CAGR in FDF segment over FY25-27.

Compliance progress and global pipeline to aid growth revival

- After filing 85 products for the US market till FY25, GRAN's cumulative filing remained stable in 1QFY26.
- While GRAN has implemented comprehensive compliance measures at Gagillapur site to resolve a warning letter, the product development work continues to build a potential pipeline.
- In addition, it has a GPI facility in US with products filed and awaiting approvals. These products are in CNS/ADHD therapies. Notably, the GPI R&D (US) supports GRAN on complex finished dosage development.
- The pace of filing has increased in Europe with cumulative 18 filings to date. While EU sales witnessed significant deceleration in FY25, GRAN is reviving sales of this segment through new launches as partly reflected in 1QFY26 performance.

Reiterate BUY

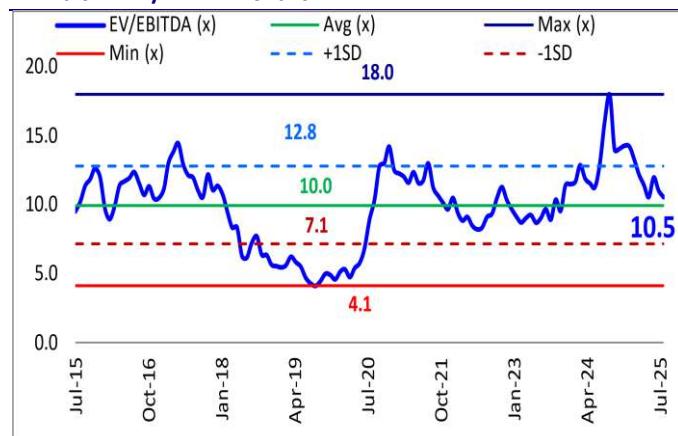
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- While it is addressing the compliance aspect at Gagilapur site in a comprehensive manner, it is implementing efforts for adding differentiated products to its portfolio to improve growth prospects. The projects are under various stages, from product development to adding/modifying commercial manufacturing capabilities/capacities. We expect a CAGR of 14%/19%/24% in revenue/EBITDA/PAT during FY25-27. Maintain BUY.

Exhibit 3: P/E chart



Source: MOFSL, Company, Bloomberg

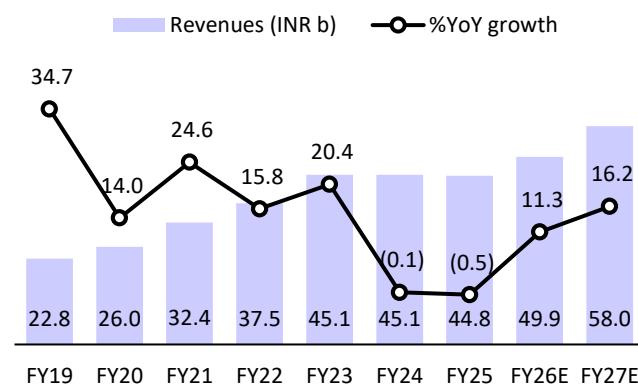
Exhibit 4: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

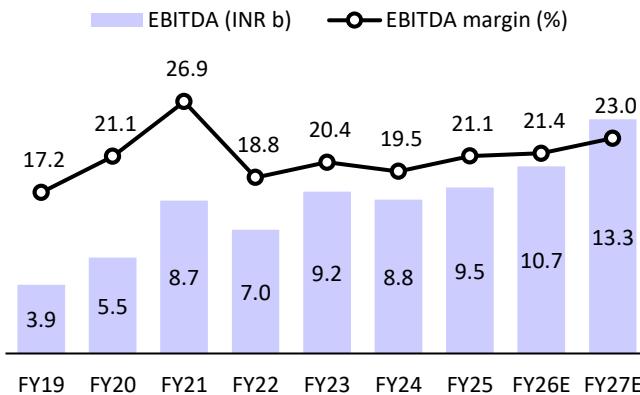
Story in charts

Exhibit 5: Expect a revenue CAGR of ~14% over FY25-27



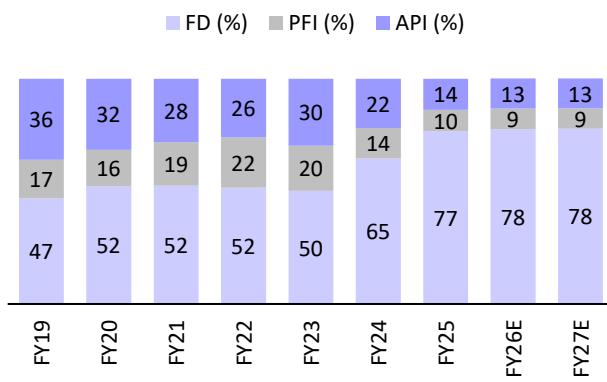
Source: MOFSL, Company

Exhibit 6: EBITDA margin to expand 190bp over FY25-27



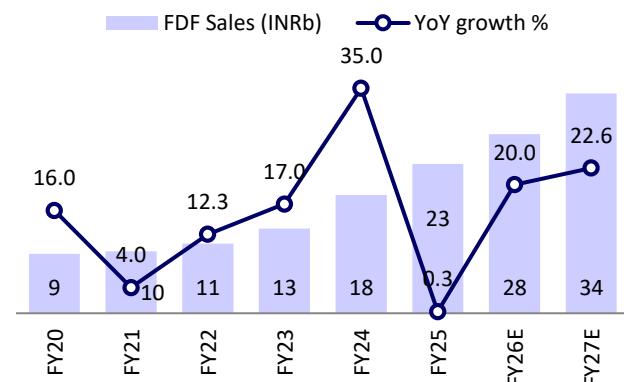
Source: MOFSL, Company

Exhibit 7: Expect FD to further increase to 78% in FY26E



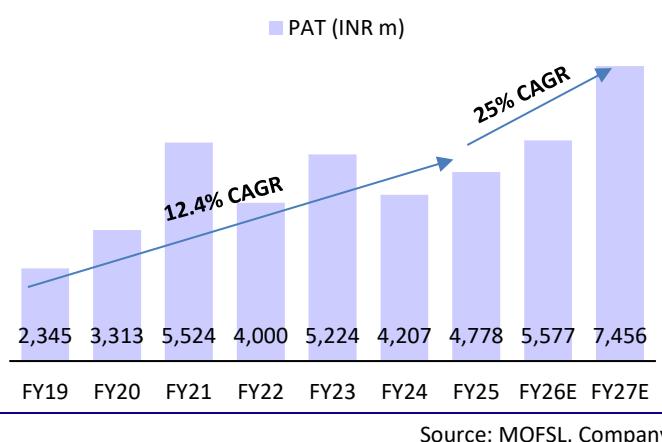
Source: MOFSL, Company

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



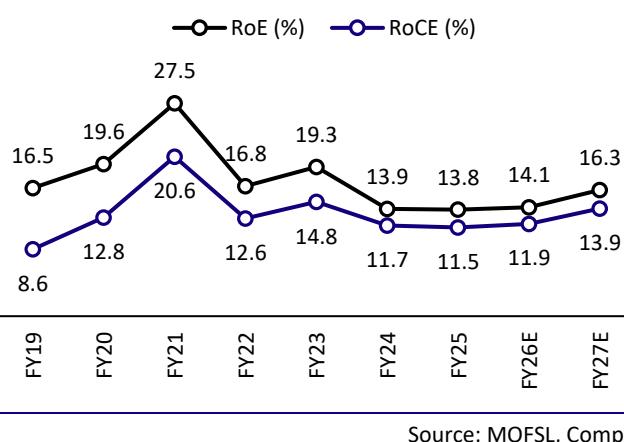
Source: MOFSL, Company

Exhibit 9: PAT to exhibit a 25% CAGR over FY25-27



Source: MOFSL, Company

Exhibit 10: Return ratios in an uptrend over FY25-27



Source: MOFSL, Company

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	49,895	57,983
Change (%)	34.7	14.0	24.6	15.8	20.4	-0.1	-0.5	11.3	16.2
Total Expenditure	18,872	20,513	23,665	30,427	35,901	36,293	35,364	39,222	44,647
% of Sales	82.8	78.9	73.1	81.2	79.6	80.5	78.9	78.6	77.0
EBITDA	3,920	5,473	8,710	7,050	9,218	8,770	9,452	10,672	13,336
Margin (%)	17.2	21.1	26.9	18.8	20.4	19.5	21.1	21.4	23.0
Depreciation	1,055	1,370	1,515	1,586	1,845	2,073	2,255	2,660	2,772
EBIT	2,866	4,104	7,195	5,464	7,373	6,697	7,197	8,012	10,564
Int. and Finance Charges	285	270	263	232	559	1,058	1,032	1,087	1,000
Other Income	267	366	152	176	138	44	129	258	145
PBT bef. EO Exp.	2,848	4,199	7,085	5,407	6,952	5,683	6,294	7,183	9,709
EO Items	-80	57	-40	173	-80	-211	308	-259	0
PBT after EO Exp.	2,768	4,257	7,045	5,580	6,872	5,472	6,601	6,924	9,709
Current Tax	891	1,257	1,954	1,382	1,772	1,652	1,828	1,606	2,252
Deferred Tax	72	-100	-405	70	-66	-233	-242	-62	0
Tax Rate (%)	34.8	27.2	22.0	26.0	24.8	25.9	24.0	22.3	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	5,380	7,456
Adjusted PAT	2,345	3,313	5,524	4,000	5,224	4,207	4,778	5,577	7,456
Change (%)	76.8	41.3	66.8	-27.6	30.6	-19.5	13.6	16.7	33.7
Margin (%)	10.2	12.6	17.0	10.6	11.5	9.3	10.6	11.1	12.8

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	41,947	49,120
Net Worth	15,295	18,437	21,733	25,865	28,349	32,255	37,156	42,190	49,363
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	56,255	62,598
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	18,776	21,548
Net Fixed Assets	11,167	14,600	13,863	15,412	19,109	20,956	24,265	27,605	29,333
Capital WIP	3,235	1,481	1,848	3,562	2,394	2,717	4,402	4,989	4,639
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	34,127	39,209
Inventory	3,842	4,384	7,822	9,786	11,494	13,005	13,428	14,722	16,513
Account Receivables	6,735	6,620	7,654	9,250	9,485	9,858	9,422	11,073	13,821
Cash and Bank Balance	890	2,839	2,710	4,095	3,128	3,864	5,964	3,945	3,077
Loans and Advances	1,811	2,113	3,040	2,815	3,060	4,056	3,941	4,388	5,798
Curr. Liability & Prov.	4,548	5,432	7,887	8,191	9,258	9,573	10,509	11,570	11,687
Account Payables	3,235	3,569	5,410	6,386	7,821	7,495	7,261	8,274	9,541
Other Current Liabilities	1,144	1,589	2,160	1,294	998	1,580	2,614	2,910	1,739
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	22,557	27,523
Appl. of Funds	25,279	26,852	29,248	36,938	39,788	45,637	52,017	56,255	62,598

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	23.0	30.7
Cash EPS	13.4	18.4	28.4	22.5	29.2	25.9	29.0	34.0	42.2
BV/Share	60.2	72.5	87.7	104.3	117.1	133.1	153.2	174.0	203.5
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	5.3	3.8
Valuation (x)									
P/E	47.1	33.3	20.0	27.6	21.1	26.2	23.1	19.8	14.8
Cash P/E	34.0	24.7	16.0	20.2	15.6	17.6	15.7	13.4	10.8
P/BV	7.6	6.3	5.2	4.4	3.9	3.4	3.0	2.6	2.2
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	16.5	13.2
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	14.1	16.3
RoCE	8.6	12.8	20.6	12.6	14.8	11.7	11.5	11.9	13.9
RoIC	10.2	14.4	24.0	15.1	17.6	13.7	13.7	14.1	16.0
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	103	98
Debtor (Days)	103	94	80	82	76	78	79	75	78
Creditor (Days)	56	61	69	71	72	77	76	72	73
Leverage Ratio (x)									
Current Ratio	2.9	2.9	2.7	3.2	2.9	3.2	3.1	2.9	3.4
Interest Cover Ratio	10	15	27	24	13	6	7	7	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	INRm FY27E
OP/(Loss) before Tax	2,848	4,256	7,044	5,580	6,952	5,472	6,294	7,183	9,709
Depreciation	1,055	1,370	1,515	1,586	1,845	2,073	2,255	2,660	2,772
Interest & Finance Charges	18	207	139	232	559	1,058	903	829	855
Direct Taxes Paid	-891	-1,191	-1,914	-1,450	-1,758	-1,903	-1,587	-1,606	-2,252
(Inc)/Dec in WC	-377	128	-2,749	-2,572	-103	-2,463	1,064	-2,329	-5,833
CF from Operations	2,652	4,769	4,034	3,376	7,495	4,238	8,930	6,737	5,251
Others	0	-7	291	-56	-27	156	0	-259	0
CF from Operating incl EO	2,652	4,762	4,325	3,321	7,467	4,394	8,930	6,477	5,251
(inc)/dec in FA	-2,544	-1,843	-2,710	-3,967	-4,107	-3,788	-7,248	-6,588	-4,149
(Pur)/Sale of Investments	-539	0	-2	0	2,035	159	-43	0	0
Others	267	237	-59	166	158	28	129	258	145
CF from Investments	-2,816	-1,606	-2,771	-3,801	-1,914	-3,602	-7,163	-6,330	-4,004
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	-1,087	-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	-2,166	-2,114
Inc/Dec of Cash	-266	1,027	-1,440	1,419	1,151	869	2,100	-2,019	-868
Opening Balance	1,156	890	2,839	2,711	4,095	3,128	3,863	5,964	3,945
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	3,945	3,077

E: MOFSL Estimates

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UNDER REVIEW	Rating may undergo a change
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