

Granules India

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR706 TP: INR820 (+16%) Buy

FDF/API/CDMO drive earnings

Scaling CDMO/complex generics to better business prospects

- Granules India (GRAN) delivered in-line revenue and higher-than-expected EBITDA/PAT (6% beat) for the quarter. Higher formulation (FDF) and API sales led to improvement in overall momentum for the quarter.
- Effectively, GRAN ended FY26 on a strong note after muted performance over FY23-25. This was on the back of increased formulation (FD) sales and product diversification to the complex generics segment.
- Geographically, Europe's scale-up (+49% YoY Ex-Senn chemicals in 4Q) was due to the launch of complex generics and expanding dossiers.
- The complex generics revenue share has increased considerably from 39% YoY to 46% for 4QFY26. Accordingly, the integrated generics' share reduced from 57% of sales to 50% of sales in 4QFY26.
- GRAN is enhancing prospects in the CDMO segment by integrating R&D at the Zurich and India sites and scaling up manufacturing. Notably, it has achieved EBITDA break-even in the acquired Senn Chemicals business in 4QFY26.
- We raise our earnings estimate by 3%/6% for FY26/FY27, factoring in: 1) the scale-up, driving EBITDA margin expansion of the CDMO peptide business, 2) scale-up of the ADHD portfolio/controlled substances in the US, and 3) the rollout of complex generics and speciality products. We value GRAN at 21x 12M forward earnings to arrive at our TP of INR820. Reiterate BUY.

Product mix/operating leverage drive margins

- GRAN's 4QFY26 sales grew 22.8% YoY to INR14.7b (our est. of INR14.5b), steady momentum in FDF sales/strong growth in API.
- Gross margin (GM) expanded 230bp to 65.7% due to better product mix.
- EBITDA margin expanded 290bp YoY to 24% (our est. of 23%) due to higher gross profit. Higher employee cost (+220bp YoY as % of sales) was offset by lower other expenses (down 275bp as % of sales).
- EBITDA grew by 39.5% YoY to INR3.5b (our est. of INR3.3b) for the quarter.
- Exceptional item in 4QFY26 pertains to gains related to the disposal of investment.
- Adjusted PAT grew by 47.5% YoY to INR1.9b (our estimate: INR1.8b).
- For FY26, Revenue/EBITDA/PAT grew 19.7%/25.4%/26.2% to INR53.6b/INR11.8b/INR6b.

FDF leads momentum/API surges, while CDMO witnesses a sharp QoQ spike

- FDF sales grew 15.5% YoY to INR10.7b (76% of sales).
- Intermediate (PFI) sales grew 8.8% YoY to INR1.3b (10% of sales).
- API sales grew 33.2% YoY to INR2b (14% of sales).
- CDMO sales grew 114% QoQ to INR699m (5% of sales).

Bloomberg	GRAN IN
Equity Shares (m)	243
M.Cap.(INRb)/(USD\$)	174.6 / 1.8
52-Week Range (INR)	731 / 431
1, 6, 12 Rel. Per (%)	7/31/55
12M Avg Val (INR M)	658

Financials & Valuations (INRb)

Y/E MARCH	FY26	FY27E	FY28E
Sales	53.7	62.7	73.0
EBITDA	11.9	14.4	16.9
Adj. PAT	6.0	7.8	9.7
EBIT Margin (%)	16.6	17.6	18.3
Cons. Adj. EPS (INR)	24.3	31.5	39.0
EPS Gr. (%)	26.2	29.6	23.7
BV/Sh. (INR)	205.2	235.6	273.5

Ratios

Net D:E	0.3	0.2	0.2
RoE (%)	13.7	14.3	15.3
RoCE (%)	11.7	12.5	13.6
Payout (%)	4.9	3.7	3.0

Valuations

P/E (x)	29.0	22.4	18.1
EV/EBITDA (x)	14.5	12.0	10.1
Div. Yield (%)	0.1	0.1	0.1
FCF Yield (%)	2.4	-0.2	2.6
EV/Sales (x)	3.2	2.8	2.3

Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	38.0	38.8	38.8
DII	17.0	17.5	22.4
FII	15.3	13.6	15.2
Others	29.7	30.2	23.6

FII includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

Highlights from the management commentary

- The GPI facility in Virginia reached optimal utilization, with ongoing capacity expansion/new distribution center strengthening future growth visibility in the US market.
- GRAN has submitted all action points with respect to remediation measures at the Gagillapur site. The corrective actions were largely completed by Mar'26, and the company awaits USFDA re-inspection.
- The CDMO business, through Senn Chemicals, garnered revenue of INR1.6b in FY26 and achieved EBITDA breakeven in 4QFY26.
- Infrastructure ramp-up is underway across geographies for the CDMO business, including the Zurich site upgrade. Notably, Hyderabad R&D center has become fully operational to support Zurich business activities. This would be further supported by the API manufacturing unit at Zurich and intermediates manufacturing in India.
- Nine ANDA approvals are pending from the Gagillapur site, supporting potential US product launches.

Quarterly Earning Model

Y/E March	FY25				FY26				FY25	FY26	FY26E	Var.
INRm	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	vs Est
Net Sales	11,799	9,666	11,377	11,974	12,101	12,970	13,879	14,706	44,816	53,656	14,469	1.6
YoY Change (%)	19.7	-18.7	-1.5	1.8	2.6	34.2	22.0	22.8	-0.5	19.7	20.8	
Total Expenditure	9,206	7,633	9,074	9,451	9,634	10,188	10,799	11,185	35,364	41,805	11,155	
EBITDA	2,593	2,033	2,303	2,524	2,467	2,782	3,081	3,521	9,452	11,851	3,313	6.3
YoY Change (%)	64.2	-4.5	-8.1	-1.3	-4.8	36.8	33.8	39.5	7.8	25.4	31.3	
Margins (%)	22.0	21.0	20.2	21.1	20.4	21.5	22.2	23.9	21.1	22.1	22.9	
Depreciation	529	525	566	635	688	720	735	817	2,255	2,961	740	
EBIT	2,064	1,508	1,737	1,889	1,779	2,062	2,346	2,704	7,197	8,890	2,573	
YoY Change (%)	90.0	-6.0	-12.3	-6.7	-13.8	36.7	35.1	43.2	7.5	23.5	36.2	
Margins (%)	17.5	15.6	15.3	15.8	14.7	15.9	16.9	18.4	16.1	16.6	17.8	
Interest	270	257	266	240	238	292	287	327	1,032	1,144	283	
Other Income	21	32	57	19	163	-11	-36	88	129	203	36	
PBT before EO expense	1,814	1,284	1,528	1,668	1,704	1,759	2,022	2,464	6,294	7,950	2,326	
Extra-Ord expense	0	0	0	-308	259	0	0	-159	-308	100	0	
PBT	1,814	1,284	1,528	1,976	1,445	1,759	2,022	2,624	6,601	7,850	2,326	
Tax	468	311	352	455	319	453	520	608	1,587	1,900	547	
Rate (%)	25.8	24.3	23.0	23.0	22.1	25.7	25.7	23.2	24.0	24.2	23.5	
(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	1,306	1,502	2,016	5,015	5,950	1,780	
Adjusted PAT	1,346	972	1,176	1,284	1,328	1,306	1,502	1,893	4,778	6,030	1,780	6.4
YoY Change (%)	112.7	-4.8	-6.4	-1.0	-1.4	34.3	27.7	47.5	13.6	26.2	38.6	
Margins (%)	11.4	10.1	10.3	10.7	11.0	10.1	10.8	12.9	10.7	11.2	12.3	

E: MOFSL Estimates

**Key performance Indicators
(Consolidated)**

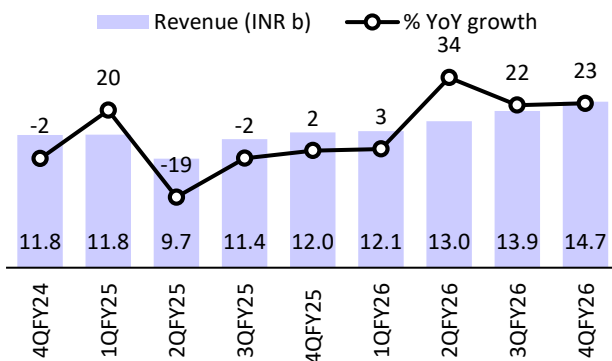
Y/E March	FY25				FY26				FY25	FY26	FY26E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
FD	8,912	7,490	8,674	9,259	8,989	9,657	10,548	10,691	34,335	39,893	10,926
YoY Change (%)	64.4	1.6	13.7	7.1	0.9	28.9	21.6	15.5	18.0	16.2	18.0
PFI	997	756	1,309	1,232	1,194	1,331	1,481	1,341	4,294	5,347	1,441
YoY Change (%)	-32.6	-47.0	-24.5	-16.9	19.8	76.1	13.1	8.8	-29.7	24.5	17.0
API	1,890	1,420	1,393	1,483	1,627	1,705	1,515	1,975	6,186	6,822	1,602
YoY Change (%)	-36.1	-52.2	-36.6	-9.2	-13.9	20.1	8.8	33.2	-37.0	10.3	8.0
Cost Break-up											
RM Cost (% of Sales)	41.1	38.0	38.3	36.6	35.1	34.3	36.1	34.3	61.5	65.0	35.8
Staff Cost (% of Sales)	13.9	16.5	14.7	14.1	16.8	16.9	16.3	16.4	14.7	16.6	15.5
Other Cost (% of Sales)	23.1	24.5	26.7	28.2	27.7	27.3	25.4	25.4	25.7	26.4	25.8
Gross Margins(%)	58.9	62.0	61.7	63.4	64.9	65.7	63.9	65.7	38.5	35.0	64.2
EBITDA Margins(%)	22.0	21.0	20.2	21.1	20.4	21.5	22.2	23.9	21.1	22.1	22.9
EBIT Margins(%)	17.5	15.6	15.3	15.8	14.7	15.9	16.9	18.4	16.1	16.6	17.8


Key highlights from the management commentary

- API segment growth for the quarter was led by new product launches/backward integration into formulations.
- There has been no meaningful pricing tailwinds in key molecules like paracetamol/metformin currently. GRAN continues to monitor rising raw material prices, inventory available, and the scope of passing the increase in RM prices to customers.
- Gross margin expanded ~355bp YoY to ~65% in FY26, supported by an improved mix toward complex generics and value-added formulations.
- DCDA production is largely stabilized. GRAN is optimizing cost of production, considering the reduction of prices by Chinese competitors.
- FY27 capex would be ~INR6b, broadly allocated across API capacity/US project/IT investments. The company continues focus on building front-end and supply chain capabilities.
- Remediation expenses are expected to taper meaningfully from FY27 onward.
- Net debt is likely to remain stable in FY27.
- Overall, GRAN has filed 6 ANDAs with USFDA, 3 filings with EU health regulatory authority, and 1 filing with the Canadian regulatory authority.
- The cash conversion cycle was moderated due to capital build-up for new launches.
- Net debt stood at INR4b, and Net Debt to EBITDA at 0.34x.
- R&D for 4QFY26 stood at INR781m, 5.3% of sales.

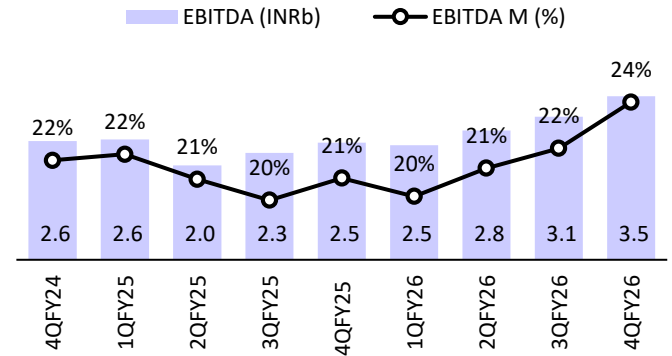
Key exhibits

Exhibit 1: Revenue grew 23% YoY in 4QFY26



Source: MOFSL, Company

Exhibit 2: EBITDA margin expanded 290bp YoY in 4QFY26



Source: MOFSL, Company

Enhancing offerings and increasing market presence to improve growth prospects

Peptide push/rising complex generics mix to drive the next phase of growth

- GRAN delivered FDF sales of 16% YoY/15% YoY in FY26/4QFY26.
- Notably, the FDF share in FY26 revenue was 74%, driven by the scale-up of the ADHD portfolio.
- The complex generics segment's share has significantly scaled up to 46% in 4QFY26 vs 39% in 4QFY25. Notably, GRAN's focus has shifted to high-value/complex therapies over the medium-to-long term.
- The peptide CDMO emerged as a revenue pillar, delivering EBITDA breakeven in 4QFY26.
- Notably, the emerging peptide CDMO platform adds a new growth lever, while the core integrated generics business continued to provide stability.
- GRAN plans to add 1-2-products in the controlled substance category as part of its complex generics portfolio annually over the next 2-3 years.
- We expect a 15% sales CAGR in the FDF segment over FY26-28 to reach INR52.8b.

Gagillapur re-inspection outcome awaited /Genome Valley scale up to fuel growth

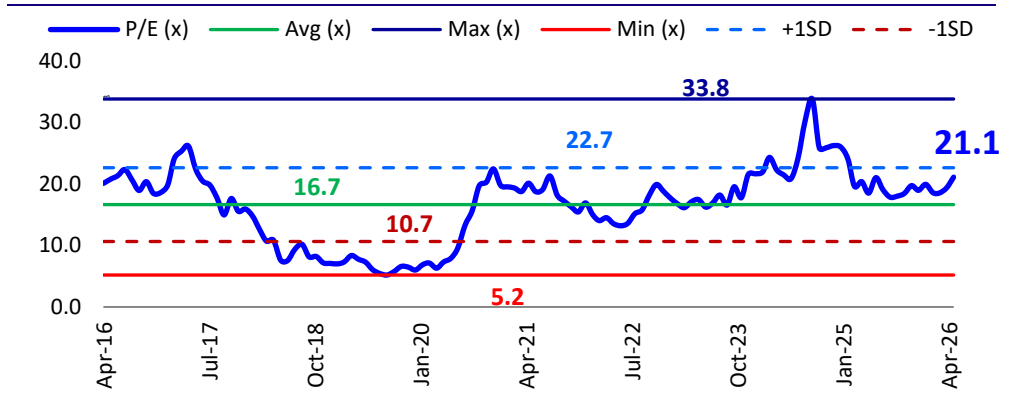
- During FY26, regulatory inspections across key sites indicated a clear improvement in compliance standards.
- Gagillapur post warning letter remediation remains on track, with USFDA meeting concluded in Jan'26 and responses submitted in Feb'26. Approvals for nine ANDAs from the site are contingent on this outcome.
- The Genome Valley (GLS facility) received a VAI, suggesting observations were manageable with no major regulatory concerns.
- The Chantilly facility underwent routine inspection by USFDA between Mar and Apr'26, resulting in 4 Form 483 observations, without any data integrity issues. Responses were submitted within stipulated timelines.
- Importantly, the Virginia facility completed its inspection with zero observations, underscoring strong compliance execution.

- Collectively, these developments reflect material progress in strengthening regulatory compliance and transitioning towards a more stable and audit-ready operating environment.

Reiterate BUY

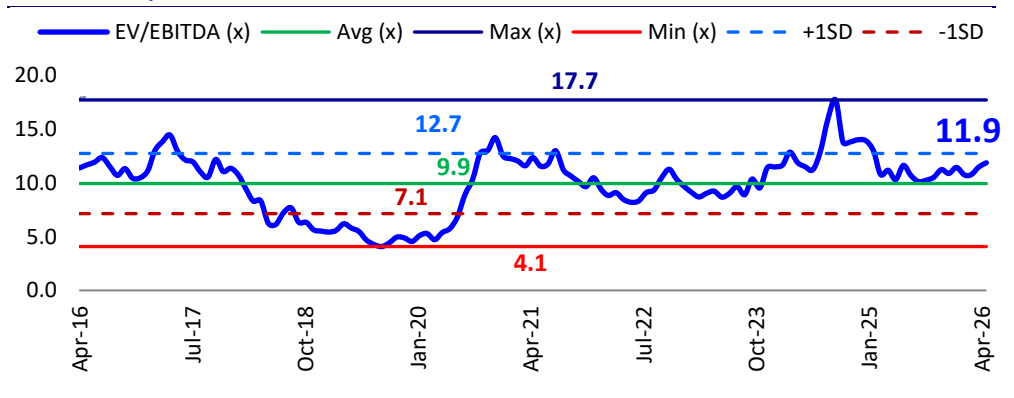
- We raise our earnings estimate by 3%/6% for FY26/FY27, factoring in: 1) the scale-up, driving EBITDA margin expansion of the CDMO peptide business, 2) scale-up of the ADHD portfolio/controlled substances in the US, and 3) the rollout of complex generics and speciality products.
- We value GRAN at 21x 12M forward earnings to arrive at our TP of INR820. Reiterate BUY.

Exhibit 3: P/E chart



Source: MOFSL, Company, Bloomberg

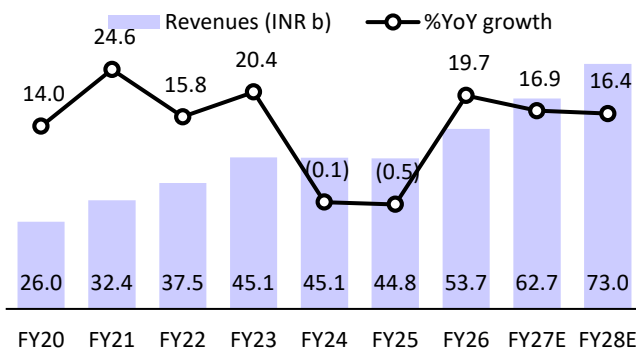
Exhibit 4: EV/EBITDA chart



Source: MOFSL, Company, Bloomberg

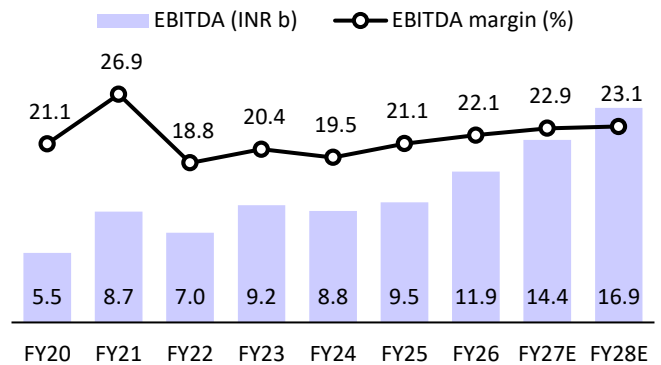
Story in charts

Exhibit 5: Expect a revenue CAGR of ~17% over FY26-28



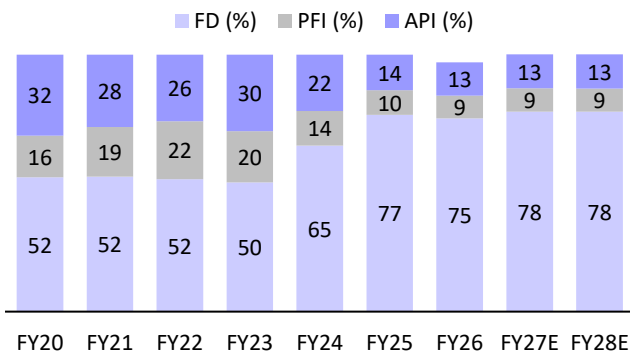
Source: MOFSL, Company

Exhibit 6: EBITDA margin to expand 100bp over FY26-28



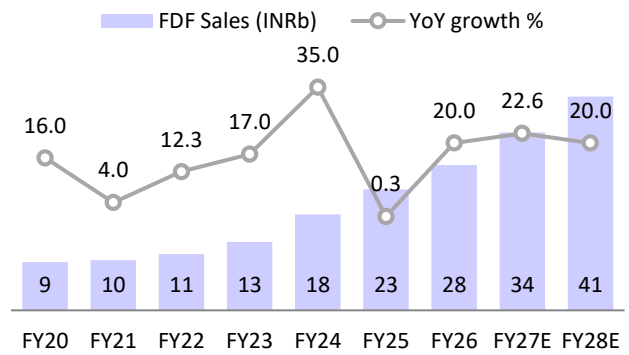
Source: MOFSL, Company

Exhibit 7: Expect FD to increase to 78% in FY28



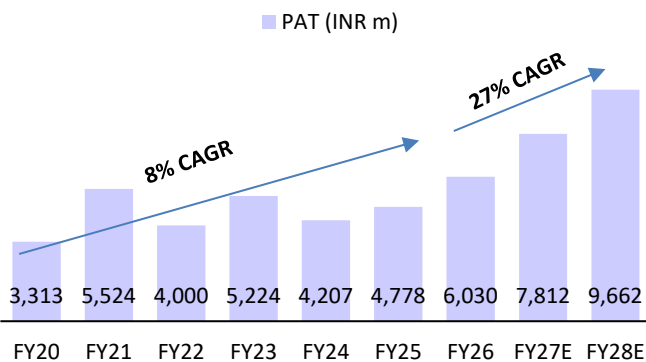
Source: MOFSL, Company

Exhibit 8: FDF sales to clock a 21% CAGR over FY26-28



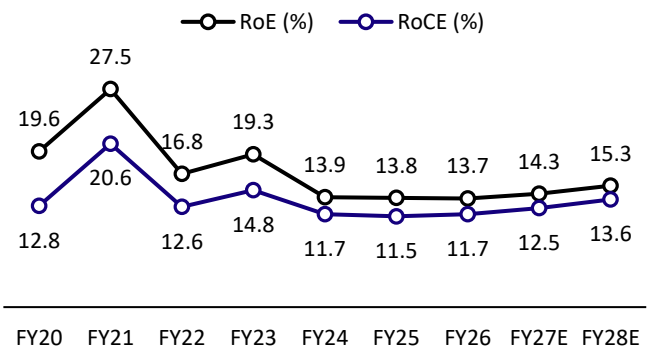
Source: MOFSL, Company

Exhibit 9: PAT to exhibit a 27% CAGR over FY26-28



Source: MOFSL, Company

Exhibit 10: Return ratios in an uptrend over FY26-28



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

	INRm						
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	37,477	45,119	45,063	44,816	53,656	62,723	72,989
Change (%)	15.8	20.4	-0.1	-0.5	19.7	16.9	16.4
Total Expenditure	30,427	35,901	36,293	35,364	41,805	48,360	56,128
% of Sales	81.2	79.6	80.5	78.9	77.9	77.1	76.9
EBITDA	7,050	9,218	8,770	9,452	11,851	14,364	16,860
Margin (%)	18.8	20.4	19.5	21.1	22.1	22.9	23.1
Depreciation	1,586	1,845	2,073	2,255	2,961	3,327	3,482
EBIT	5,464	7,373	6,697	7,197	8,890	11,037	13,378
Int. and Finance Charges	232	559	1,058	1,032	1,144	1,103	1,041
Other Income	176	138	44	129	203	238	277
PBT bef. EO Exp.	5,407	6,952	5,683	6,294	7,950	10,172	12,614
EO Items	173	-80	-211	308	-100	0	0
PBT after EO Exp.	5,580	6,872	5,472	6,601	7,850	10,172	12,614
Current Tax	1,382	1,772	1,652	1,828	1,961	2,360	2,952
Deferred Tax	70	-66	-233	-242	-62	0	0
Tax Rate (%)	26.0	24.8	25.9	24.0	24.2	23.2	23.4
Add: Associate income	0	0	0	0	0	0	0
Reported PAT	4,128	5,166	4,052	5,015	5,950	7,812	9,662
Adjusted PAT	4,000	5,224	4,207	4,778	6,030	7,812	9,662
Change (%)	-27.6	30.6	-19.5	13.6	26.2	29.6	23.7
Margin (%)	10.6	11.5	9.3	10.6	11.2	12.4	13.2

Consolidated - Balance Sheet

	INRm						
Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	248	242	242	243	248	248	248
Total Reserves	25,617	28,107	32,013	36,913	50,602	58,124	67,522
Net Worth	25,865	28,349	32,255	37,156	50,850	58,372	67,770
Minority Interest	6	0	0	0	0	0	0
Deferred Liabilities	139	77	231	314	370	370	370
Total Loans	10,928	11,362	13,151	14,548	15,120	14,290	13,460
Capital Employed	36,938	39,788	45,637	52,017	66,341	73,033	81,601
Gross Block	25,355	30,897	34,817	40,381	51,462	55,846	60,229
Less: Accum. Deprn.	9,943	11,788	13,861	16,116	19,078	22,404	25,886
Net Fixed Assets	15,412	19,109	20,956	24,265	32,384	33,441	34,343
Capital WIP	3,562	2,394	2,717	4,402	4,095	5,018	5,839
Total Investments	197	361	382	426	228	228	228
Curr. Assets, Loans&Adv.	25,945	27,168	30,783	32,755	39,737	46,219	55,057
Inventory	9,786	11,494	13,005	13,428	16,730	17,886	20,760
Account Receivables	9,250	9,485	9,858	9,422	9,094	14,951	17,397
Cash and Bank Balance	4,095	3,128	3,864	5,964	9,491	7,110	9,601
Loans and Advances	2,815	3,060	4,056	3,941	4,422	6,272	7,299
Curr. Liability & Prov.	8,191	9,258	9,573	10,509	10,859	12,629	14,621
Account Payables	6,386	7,821	7,495	7,261	6,728	10,334	11,995
Other Current Liabilities	1,294	998	1,580	2,614	3,107	1,882	2,190
Provisions	511	439	497	634	1,023	412	437
Net Current Assets	17,753	17,910	21,211	22,247	28,878	33,591	40,436
Appl. of Funds	36,938	39,788	45,637	52,017	66,340	73,033	81,600

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
EPS	16.1	21.1	17.0	19.3	24.3	31.5	39.0
Cash EPS	22.5	29.2	25.9	29.0	36.3	44.9	53.0
BV/Share	104.3	117.1	133.1	153.2	205.2	235.6	273.5
DPS	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Payout (%)	7.0	5.5	7.0	5.7	4.9	3.7	3.0
Valuation (x)							
P/E	43.7	33.5	41.6	36.6	29.0	22.4	18.1
Cash P/E	31.3	24.2	27.2	24.3	19.5	15.7	13.3
P/BV	6.8	6.0	5.3	4.6	3.4	3.0	2.6
EV/Sales	4.6	3.9	3.9	3.9	3.2	2.8	2.3
EV/EBITDA	24.5	18.9	20.0	18.4	14.5	12.0	10.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Return Ratios (%)							
RoE	16.8	19.3	13.9	13.8	13.7	14.3	15.3
RoCE	12.6	14.8	11.7	11.5	11.7	12.5	13.6
RoIC	15.1	17.6	13.7	13.7	14.4	15.0	16.2
Working Capital Ratios							
Asset Turnover (x)	1.0	1.1	1.0	0.9	0.8	0.9	0.9
Inventory (Days)	86	86	99	108	103	101	97
Debtor (Days)	82	76	78	79	63	70	81
Creditor (Days)	71	72	77	76	61	64	73
Leverage Ratio (x)							
Current Ratio	3.2	2.9	3.2	3.1	3.7	3.7	3.8
Interest Cover Ratio	24	13	6	7	8	10	13
Debt/Equity	0.4	0.4	0.4	0.4	0.3	0.2	0.2

Consolidated - Cash Flow Statement

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	5,580	6,952	5,472	4,272	5,358	10,172	12,614
Depreciation	1,586	1,845	2,073	1,462	1,645	3,327	3,482
Interest & Finance Charges	232	559	1,058	628	614	865	764
Direct Taxes Paid	-1,450	-1,758	-1,903	-908	-1,520	-2,360	-2,926
(Inc)/Dec in WC	-2,572	-103	-2,463	2,570	322	-7,093	-4,354
CF from Operations	3,376	7,495	4,238	8,024	6,420	4,910	9,580
Others	-56	-27	156	203	13	0	0
CF from Operating incl EO	3,321	7,467	4,394	8,227	6,433	4,910	9,580
(inc)/dec in FA	-3,967	-4,107	-3,788	-2,109	-2,521	-5,306	-5,205
(Pur)/Sale of Investments	0	2,035	159	0	0	0	0
Others	166	158	28	-3,416	-7,811	238	277
CF from Investments	-3,801	-1,914	-3,602	-5,524	-10,332	-5,068	-4,928
Issue of Shares	37	-3,084	32	50	3,019	0	0
(Inc)/Dec in Debt	2,530	-600	1,435	-2,422	-1,207	-830	-830
Interest Paid	-242	-533	-1,027	-571	-539	-1,103	-1,041
Dividend Paid	-372	-186	-363	-364	-364	-290	-290
CF from Fin. Activity	1,900	-4,403	77	-3,399	4,444	-2,223	-2,161
Inc/Dec of Cash	1,419	1,151	869	-696	545	-2,381	2,491
Opening Balance	2,711	4,095	3,128	3,863	5,964	9,491	7,110
FX	-35	-2,118	-134	2,796	2,982	0	0
Closing Balance	4,095	3,128	3,863	5,964	9,491	7,110	9,601

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