Granules India (GRANUL)

CMP: ₹875 | Target ₹ 1045 (19%) | Target Period: 12 months | BUY

July 22, 2026

Result Update

ICICI Securities – Retail Equity Research

Pursuit for complex products continues...

About the stock: Granules is a large-scale vertically integrated company that manufactures API, intermediates and finished dosages. It owns eight manufacturing facilities catering mainly for export markets (~94% of sales). In April 2025, it acquired Senn Chemicals AG, a Swiss CDMO specializing in peptide development and manufacturing (FY25 revenue ~CHF 20 million).

- ANDA and Dossiers filed and approved- US- 93, Europe- 23, Canada- 8, UK- 2, Others – 27.
- Revenue mix Q1FY27: Formulations (FD) - 74%, API - 13%, PFI - 9%, Peptide/CDMO – 4%
- In formulations complex generics (new focus area – ADHD, Controlled substances) accounted for 50% of the pie whereas integrated generics (legacy generics) comprise of 46%.

Result Performance & Investment Rationale:

- **Q1FY27 – Performance continues to improve**: Revenues grew ~21% YoY to ₹ 1467 crore driven by North America (72% of the business); RoW and Europe on sequential basis. On segmental front, Formulations grew ~22% YoY to ₹ 1093 crore (74% of the business), and APIs (APIs + PFIs), grew by ~15% YoY to ~₹ 324 crore. Gross Profit margins stood at 65.4% with a growth of 52 bps YoY. EBITDA grew ~33% YoY to ₹ 329 crore The EBITDA margins stood at 22.4% (206 bps YoY growth). PAT grew ~60% YoY to ~₹ 180 crore.

- Tilt towards complex generics to drive next leg of growth: Post the Gagillapur USFDA warning letter, the company has focused on developing other facilities besides focusing on incremental filings across markets and via other facilities. Besides CNS and ADHD, it is also focusing on Oncology as a segment with dedicated API and formulations block at Vizag. The management expects full revival of Gagillapur facility with a likely clearance soon and subsequent filings (Management meeting post warning letter with USFDA has concluded with no adverse implications). On the margins front, the numbers continued to impress with firm GPMs the as pie of complex generics increased to 50%, up 1100 bps YoY. Note that the contribution from integrated products (legacy) has come down from 55% to 46% YoY. Going forward we believe the company will also leverage its new capacity which was recently commissioned at Genome Valley, Hyderabad which will boost the growth in US and EU geographies. Recent foray into CDMO, by the acquisition of Senn Chemicals AG that specialises in the peptide development has open-up new revenues stream for Granules. The management expects ~US$ 50 million revenues with ~30% EBITDA margins in the next 3-4 years. We believe the focus of management continues to remain on profitability and FCF generation. Recent fund raising via preferential issue (₹ 665 crore + ₹ 1100 crore expected in future) is expected to strengthen the capital commitments for high growth areas.

Rating and Target Price:

We estimate revenue/EBITDA CAGR of 14.7%/21.3% over FY26E-28E with EBITDA margin improving to 24.3% by FY28E. We value Granules at 28x FY28E EPS of ₹37.3 crore with a Target Price of ₹1045 per share.

Particulars

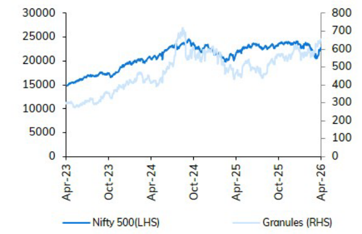
Particular	
Market Capitalisation	₹ 17732 crore
Debt (FY26)	₹ 1512 crore
Cash (FY26)	₹ 880 crore
EV	₹ 18364 crore
52-week H/L	910/433
Equity capital*	₹ 27.3 crore
Face value	₹ 1

*Assuming Dilution

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoters	38.8	38.8	38.0	38.0
FII	14.1	13.6	15.3	17.5
DIIs	17.9	17.5	17.0	16.1
Others	29.2	30.2	29.7	28.4

Price Chart



Key risks

(i) Higher US exposure exposes the company to regulatory recuring issues

(ii) Pricing pressure in the regulated markets especially in the US.

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Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	FY26	CAGR (FY23-26)	FY27E	FY28E	CAGR (FY26-28E)
Revenues	4511.4	4506.4	4481.5	5342.5	5.8	6174.5	7028.4	14.7
EBITDA	913.3	856.0	945.1	1161.9	8.4	1459.1	1710.0	21.3
EBITDA Margins (%)	20.2	19.0	21.1	21.7		23.6	24.3	
Net Profit	516.1	405.3	470.6	612.1	5.9	827.7	1017.8	28.9
EPS (Adjusted)	18.9	14.9	18.4	20.9		30.3	37.3	
PE (x)	34.4	43.7	35.4	30.2		28.8	23.5	
EV to EBITDA (x)	20.3	21.8	19.8	15.8		15.2	12.7	
RoCE (%)	18.5	14.3	14.2	13.6		14.6	15.3	
RoE (%)	18.2	12.6	13.5	11.2		10.8	11.8	

Source: Company, ICICI Direct Research

Exhibit 1: Quarterly Summary

(₹ crore)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	YoY (%)	QoQ (%)
Net Sales	1155.6	1175.7	1179.9	966.6	1137.6	1197.4	1210.1	1296.9	1378.0	1457.4	1467.2	21.2	0.7
Raw Material Expenses	497.3	469.6	484.4	367.2	435.7	438.4	425.1	445.0	501.6	504.1	507.8	19.5	0.7
% of Revenue	43.0	39.9	41.1	38.0	38.3	36.6	35.1	34.3	36.4	34.6	34.6	-52 bps	2 bps
Gross Profit	658.3	706.1	695.5	599.4	701.9	759.0	785.0	851.9	876.5	953.3	959.4	22.2	0.6
Gross Profit Margin (%)	57.0	60.1	58.9	62.0	61.7	63.4	64.9	65.7	63.6	65.4	65.4	52 bps	-2 bps
Employee Expenses	157.0	151.7	163.6	159.4	167.6	169.1	202.8	219.2	226.0	240.4	254.6	25.6	5.9
% of Revenue	13.6	12.9	13.9	16.5	14.7	14.1	16.8	16.9	16.4	16.5	17.3	59 bps	85 bps
Other Expenditure	250.8	298.8	272.5	236.7	304.1	337.6	335.6	354.6	352.3	374.0	375.5	11.9	0.4
% of Revenue	21.7	25.4	23.1	24.5	26.7	28.2	27.7	27.3	25.6	25.7	25.6	-214 bps	-7 bps
Total Expenditure	905.1	920.1	920.6	763.3	907.4	945.1	963.4	1018.8	1079.8	1118.5	1137.9	18.1	1.7
% of Revenue	78.3	78.3	78.0	79.0	79.8	78.9	79.6	78.6	78.4	76.7	77.6	-206 bps	80 bps
EBITDA	250.5	255.6	259.3	203.3	230.2	252.3	246.7	278.1	298.2	338.9	329.4	33.5	-2.8
EBITDA Margin (%)	21.7	21.7	22.0	21.0	20.2	21.1	20.4	21.4	21.6	23.3	22.4	206 bps	-80 bps
Depreciation	52.4	53.2	52.9	52.5	56.6	63.5	68.8	72.0	73.5	81.7	79.6	15.7	-2.6
Interest	28.6	28.8	27.0	25.7	26.6	24.0	23.8	29.2	28.7	32.7	21.1	-11.2	-35.4
Other Income	0.7	1.9	2.1	3.3	5.7	1.9	16.3	-1.1	6.3	13.2	11.8	-27.8	-10.4
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-15.9	0.0		
PBT	170.1	175.6	181.5	128.4	152.7	166.8	170.4	175.9	202.2	253.5	240.4	41.1	-5.2
Total Tax	44.4	46.0	46.8	31.1	35.2	45.5	31.9	45.3	52.0	60.8	60.4	89.5	-0.6
Tax rate (%)	26.1	26.2	25.8	24.3	23.0	27.3	18.7	25.7	25.7	24.0	25.1	643 bps	117 bps
PAT before MI	125.7	129.6	134.7	97.2	117.5	121.3	138.5	130.6	150.2	192.8	180.0	29.9	-6.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Adjusted PAT	125.7	129.6	134.6	97.2	117.5	152.0	112.6	130.6	150.2	176.8	180.0	59.8	1.8
PAT Margin (%)	10.9	11.0	11.4	10.1	10.3	12.7	9.3	10.1	10.9	12.1	12.3	296 bps	13 bps
EPS (Rs)	4.6	4.8	4.9	3.6	4.3	5.6	4.1	4.8	5.5	6.5	6.6		

Source: Company, ICICI Direct Research

Q4FY26 Earnings call highlights

US

- Granules improved its ranking to 27th among US generic companies, from 74th five years ago.
- Granules is now the 4th largest player in the controlled substances segment in the US

Gagillapur facility

- Remediation at the Gagillapur facility is essentially complete. Management stated all responses have been submitted to the USFDA and the agency has not raised concerns regarding corrective actions.
- Over the last two years, the company completed 330+ customer and regulatory audits without any critical observations.
- Nine product approvals are awaiting Gagillapur clearance and are planned for launch after FDA clearance.
- Existing production at Gagillapur has continued, with only new approvals being impacted by the warning letter.
- Company has transferred selected products to GLS and GPI as part of risk mitigation while continuing new filings.

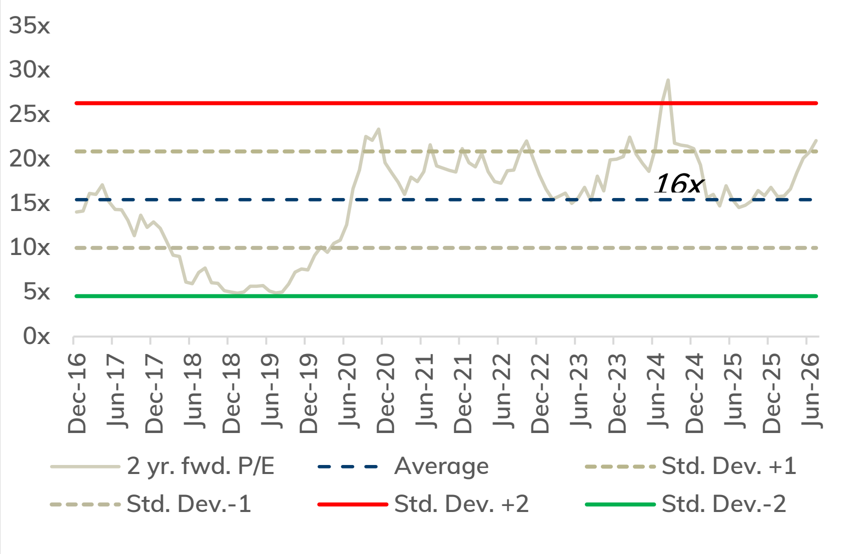
Peptide CDMO

- Q1FY27 revenue stood at CHF 5 million and going ahead management expects H2 to be stronger than H1.
- The management expects Senn Chemicals to report positive PAT in FY27.
- Management iterated a long-term target of 5x revenue in five years, identifying US$50 million revenue with 30%+ EBITDA margins as a key milestone around the midpoint of the journey.

Other Aspects

- Management expects 1-2 launches of controlled substance products over the next 1.5-2 years.
- Around 5 additional IP-based controlled substance products remain in the pipeline.
- First self-developed, backward-integrated oncology product is expected to launch in FY28/FY29.
- The company has 9-13 oncology products under various stages of development.

Exhibit 2: 2 year forward P/E Band



Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total Operating Income	**4,481.5**	**5,342.5**	**6,174.5**	**7,028.4**
Growth (%)	-0.6	19.2	15.6	13.8
Raw Material Expenses	1,725.7	1,875.7	2,202.4	2,507.0
Gross Profit	2,755.8	3,466.8	3,972.1	4,521.4
Gross Profit Margins (%)	61.5	64.9	64.3	64.3
Employee Expenses	659.8	888.4	960.7	1,054.3
Other Expenditure	1,150.9	1,416.5	1,552.3	1,757.1
Total Operating Expenditure	3,536.4	4,180.5	4,715.4	5,318.4
EBITDA	**945.1**	**1,161.9**	**1,459.1**	**1,710.0**
Growth (%)	10.4	22.9	25.6	17.2
Interest	103.2	114.4	84.5	41.0
Depreciation	225.5	296.1	318.6	347.2
Other Income	12.9	34.7	49.7	35.1
PBT before Exceptional Items	629.3	786.2	1,105.7	1,357.0
Less: Exceptional Items	0.0	-15.9	0.0	0.0
PBT after Exceptional Items	629.3	802.1	1,105.7	1,357.0
Total Tax	158.7	190.0	278.0	339.3
PAT before MI	470.6	612.1	827.7	1,017.8
PAT	**470.6**	**612.1**	**827.7**	**1,017.8**
Growth (%)	16.1	30.1	35.2	23.0
EPS (Adjusted)	18.4	20.9	30.3	37.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit/(Loss) after taxation	516.4	544.8	827.7	1,017.8
Add: Depreciation & Amortization	225.5	296.1	318.6	347.2
Net Increase in Current Assets	2.3	24.0	52.8	-355.2
Net Increase in Current Liabilities	3.7	-165.7	118.9	115.9
Others	118.6	94.0	84.5	41.0
CF from Operating activities	**866.6**	**793.3**	**1,402.5**	**1,166.6**
(Purchase)/Sale of Fixed Assets	-570.0	-554.7	-650.0	-650.0
Investments	-124.9	102.9	0.0	0.0
Others	3.6	-321.4	-4.1	-4.2
CF from Investing activities	**-691.3**	**-773.2**	**-654.1**	**-654.2**
(inc)/Dec in Loan	-117.6	-77.0	-654.1	-654.2
Dividend & Dividend tax	-36.4	-36.4	-40.9	-40.9
Other	61.4	492.7	1,331.6	613.3
CF from Financing activities	**-92.5**	**379.3**	**636.6**	**-81.9**
Net Cash Flow	**82.8**	**399.3**	**1,384.9**	**430.5**
Cash and Cash Equivalent	381.1	466.1	880.2	2,265.2
Cash	463.9	865.5	2,265.2	2,695.7
Free Cash Flow	**296.6**	**238.6**	**752.5**	**516.6**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	24.3	24.8	27.3	27.3
Reserve and Surplus	3,691.3	5,060.2	7,606.5	8,583.3
Total Shareholders funds	3,715.6	5,085.0	7,633.8	8,610.6
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	1,454.8	1,512.0	512.0	512.0
Net Deferred Tax Liability	-36.5	-26.8	-27.3	-27.9
Long-Term Provisions	0.0	0.0	0.0	0.0
Other Non Current Liabilities	31.8	47.8	48.7	49.7
Source of Funds	**5,165.6**	**6,618.0**	**8,167.2**	**9,144.5**
Gross Block - Fixed Assets	3,964.4	5,072.5	5,572.5	6,072.5
Accumulated Depreciation	1,537.9	1,834.1	2,152.7	2,499.8
Net Block	2,426.5	3,238.5	3,419.9	3,572.7
Capital WIP	440.2	409.5	559.5	709.5
Fixed Assets	2,866.7	3,648.0	3,979.4	4,282.2
Investments	22.0	0.8	0.8	0.8
Other non-Current Assets	185.8	233.2	232.5	237.2
Inventory	1,342.8	1,673.0	1,508.5	1,717.1
Debtors	942.2	909.4	1,015.0	1,155.4
Other Current Assets	359.1	311.4	322.7	328.9
Cash	466.1	880.2	2,265.2	2,695.7
Total Current Assets	3,110.3	3,774.0	5,111.4	5,897.2
Creditors	726.1	672.8	784.4	892.9
Provisions	31.7	54.6	55.7	56.8
Other Current Liabilities	261.4	310.7	316.9	323.3
Total Current Liabilities	1,019.1	1,038.1	1,157.0	1,273.0
Net Current Assets	2,091.2	2,736.0	3,954.4	4,624.2
Application of Funds	**5,165.6**	**6,618.0**	**8,167.2**	**9,144.4**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
Reported EPS	18.4	21.5	30.3	37.3
Cash EPS	25.1	30.3	40.5	48.5
BV per share	136.2	186.4	279.8	315.6
Cash per Share	17.1	32.3	83.0	98.8
Dividend per share	1.5	1.5	1.5	1.5
Operating Ratios (%)				
Gross Profit Margins	61.5	64.9	64.3	64.3
EBITDA margins	21.1	21.7	23.6	24.3
PAT Margins	11.2	10.7	13.4	14.5
Cash Conversion Cycle	207	257	180	180
Asset Turnover	1.1	1.053	1.108	1.157
EBITDA conversion Rate	91.7	68.3	96.1	68.2
Return Ratios (%)				
RoE	13.5	11.2	10.8	11.8
RoCE	14.2	13.6	14.6	15.3
RoIC	16.9	16.2	21.3	23.7
Valuation Ratios (x)				
P/E	47.6	40.7	28.8	23.5
EV / EBITDA	26.3	21.1	15.2	12.7
EV / Net Sales	5.5	4.6	3.6	3.1
Market Cap / Sales	5.3	4.5	3.9	3.4
Price to Book Value	6.4	4.7	3.1	2.8
Solvency Ratios				
Debt / EBITDA	1.5	1.3	0.4	0.3
Debt / Equity	0.4	0.3	0.1	0.1
Current Ratio	2.6	2.8	2.4	2.5
Quick Ratio	1.3	1.2	1.1	1.2
Inventory days	284	326	250	250
Debtor days	77	62	60	60
Creditor days	154	131	130	130
Long term debt/Equity	0.0	0.1	0.1	0.0

Source: Company, ICICI Direct Research

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Sell: <-15%

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