

Granules India: Scaling up for Growth

January 25, 2026 | CMP: INR 565 | Target Price: INR 690

Expected Share Price Return: 22.0% | Dividend Yield: 0.0% | Potential Upside: 22.0%

BUY

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

Company Info	
BB Code	GRAN IN EQUITY
Face Value (INR)	1
52 W High/Low (INR)	627 / 412
Mkt Cap (Bn)	INR 137 / USD 1.5
Shares o/s (Mn)	242.7
3M Avg. Daily Volume	10,38,018

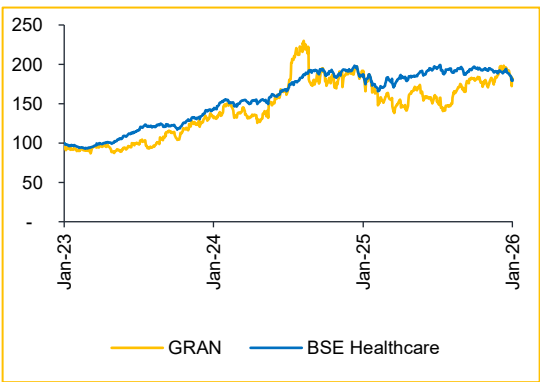
Change in CIE Estimates						
	FY26E			FY27E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	54.2	52.4	3.5	63.9	61.4	4.1
EBITDA	11.8	11.3	4.4	13.9	13.3	4.1
EBITDAM %	21.8	21.6	20 bps	21.7	21.7	(0) bps
PAT	6.1	5.9	2.7	7.4	7.2	3.5
EPS (INR)	25.1	24.4	2.7	30.6	29.6	3.5

Actual vs CIE Estimates			
INR Bn	Q3FY26A	CIE Est.	Dev. %
Revenue	13.9	12.8	8.4
EBITDA	3.1	2.8	9.3
EBITDAM %	22.2	22.0	20 bps
PAT	1.5	1.5	2.3

Key Financials					
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	45.1	44.8	54.2	63.9	75.6
YoY (%)	(0.1)	(0.5)	21.0	17.9	18.3
EBITDA	8.6	9.5	11.8	13.9	16.6
EBITDAM %	19.0	21.1	21.8	21.7	21.9
Adj PAT	4.1	5.0	6.1	7.4	9.3
EPS (INR)	16.7	20.7	25.1	30.6	38.3
ROE %	12.6	13.5	14.0	14.6	15.5
ROCE %	14.6	14.4	16.0	16.8	18.1
PE(x)	33.7	27.3	22.5	18.4	14.8
EV/EBITDA	16.9	15.2	12.1	10.2	8.3

Shareholding Pattern (%)			
	Dec 2025	Sep 2025	Jun 2025
Promoters	38.81	38.81	38.82
FIIIs	13.55	14.09	13.24
DIIIs	17.47	17.91	23.52
Public	30.15	29.17	24.41

Relative Performance (%)			
YTD	3Y	2Y	1Y
BSE Healthcare	79.4	25.2	(4.2)
GRAN	81.0	37.3	(5.7)



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Operational Ramp-Up and CDMO Scale-up to Drive Growth

We remain positive on GRAN, supported by the company’s ability to scale up new launches, its strategic shift towards complex generics and differentiated APIs, the ramp-up of the Peptides segment and recovery at Gagillapur. At this facility, the FDA meeting was completed in early January this year with no concerns raised and the company is expected to submit additional documentation shortly. We expect a healthy ~100 bps YoY EBITDA margin expansion in FY26.

Reflecting the faster-than-expected recovery in revenue growth, we have revised estimate upwards by 2.7%/3.5% for FY26E/FY27E. We continue to value the stock at 20x average FY27–28E EPS, resulting in a revised TP of INR 690 (from INR 660) and upgrade our rating to BUY. A further upside is possible upon FDA clearance and scale-up of new launches.

Healthy Earnings Beat Driven across Metrics

- Revenue grew 22.0% YoY / 7.0% QoQ to INR 13,879 Mn (vs. CIE estimate: INR 12,807 Mn).
- EBITDA grew 33.8% YoY / 10.7% QoQ to INR 3,081 Mn; margin expanded 196 bps YoY / 75 bps QoQ to 22.2% (vs. CIE estimate: 22.0%).
- PAT increased 27.7% YoY / 15.0% QoQ to INR 1,502 Mn (vs. CIE estimate: INR 1,468 Mn).

Post-Gagillapur Recovery, Complex Generics and CDMO Drive 19% CAGR

Following a setback in Q2FY25 related to the Gagillapur facility, the company has delivered strong growth over the past few quarters, a trend we expect to sustain across segments:

- API: Primarily used for backward integration, the segment has seen demand normalisation with the easing of Paracetamol inventory overhang, alongside volume-led growth. The company is also shifting towards more differentiated APIs, which should support margin over time.
- PFI and FD: Growth is being driven by a structural shift towards complex generics, now contributing ~49% of revenue versus 27% last year. We expect strong double-digit growth, supported by new launches, the restart of Gagillapur, and the ramp-up of Genome Valley.
- Peptides and CDMO: The company has seen heavy execution in Q2 and Q3 and expects the segment to be EBITDA-breakeven by Q4. With multiple RFQs received, the management sees good revenue visibility from FY27 onwards.

Overall, we believe the company is well-positioned for both, revenue growth and margin expansion. We expect consolidated revenue to grow at a 19.1% CAGR over FY25–28E, with EBITDA margin expanding by ~100 bps YoY in FY26E, and further upside in FY27 driven by Gagillapur resolution and launch scale-up.

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue	13,879	11,377	22.0	12,970	7.0
Cost of Goods Sold	5,016	4,357	15.1	4,450	12.7
Gross Margin (%)	63.9	61.7	216 bps	65.7	(183) bps
Operating Expenses	5,783	4,717	50.6	5,738	2.4
EBITDA	3,081	2,303	33.8	2,782	10.7
EBITDA Margin (%)	22.2	20.2	196 bps	21.5	75 bps
Depreciation	735	566	29.9	720	2.1
Interest	287	266	8.0	292	(1.7)
PBT	2,022	1,528	32.4	1,759	15.0
Tax	520	352	47.8	453	14.9
PAT	1,502	1,176	27.7	1,306	15.0
EPS (INR)	6.2	4.9	27.6	5.4	15.0

Segmental Performance (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
API	1,515	1,393	8.8	1,705	(11.1)
PFI	1,481	1,309	13.1	1,331	11.3
FD	10,557	8,674	21.7	9,657	9.3
CDMO	327	0	NA	276	NA

Source: GRAN, Choice Institutional Equities

## Management Call – Highlights

### Capacity Expansion & Product Launches

- **Gagillapur remediation is in the final stages**, with FDA meeting held in early January 2026; no concerns raised on adequacy or pace of corrective actions, and additional documentation to be submitted shortly.
- Select products are being de-risked via filings and site transfers to GLS and US facilities so as to ensure uninterrupted supply.
- Overlapping product capabilities across Gagillapur and GLS provide multi-site manufacturing flexibility, supporting faster ramp-ups and supply security.

### Peptide & CDMO Growth

- Peptide CDMO business saw a weak Q3 due to planned maintenance and execution-heavy project phase; however, Q4 FY26 is expected to turn EBITDA-breakeven to positive.
- Strong execution pipeline with ongoing project deliveries in Q4, translating prior-quarter development work into revenues.
- **The Management expects annual EBITDA positivity from FY27**, while acknowledging quarter-to-quarter volatility inherent to the CDMO model.
- Active RFQs, feasibility studies and sample seeding underway across peptides, amino acid derivatives and complex fragments, building FY27+ conversion visibility.

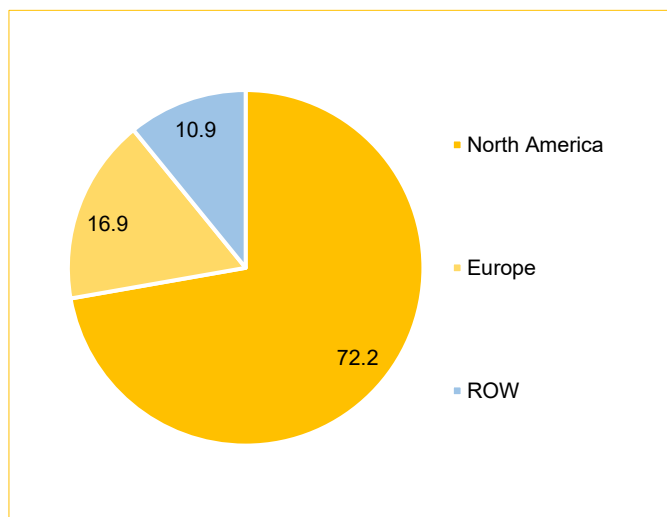
### Outlook

- Management reiterated confidence in sequential improvement in revenues and margins, driven by normalisation at Gagillapur, Genome Valley ramp-up and rising contribution from complex generics.
- Controlled substances and CNS portfolio continue to scale, with 3–4 launches expected over the next 12–18 months, supporting margin expansion.
- Peptide CDMO expected to transition from investment phase in FY26 to profitability-led growth in FY27.
- Overall strategy remains focused on quality-led growth, mix improvement toward complex generics, and disciplined capital deployment post preferential issue.

*Gagillapur remediation is in the final stages, with FDA meeting held in early Jan 2026*

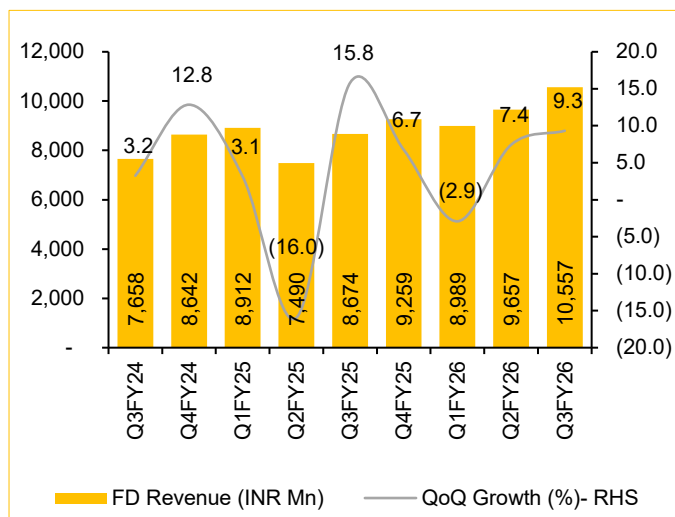
*Management reiterated confidence in sequential improvement in revenues and margins, driven by normalisation at Gagillapur, Genome Valley ramp-up and rising contribution from complex generics.*

## Q3FY26 Segment Revenue Split (INR 13.8 Bn)



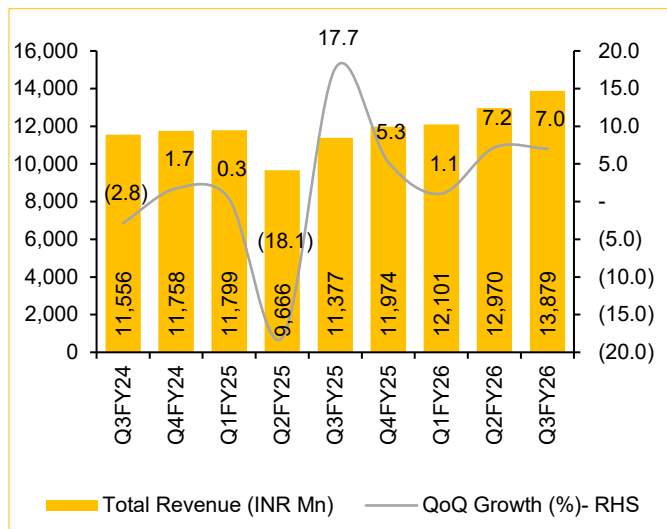
Source: GRAN, Choice Institutional Equities

## FD Segment Grows QoQ and YoY



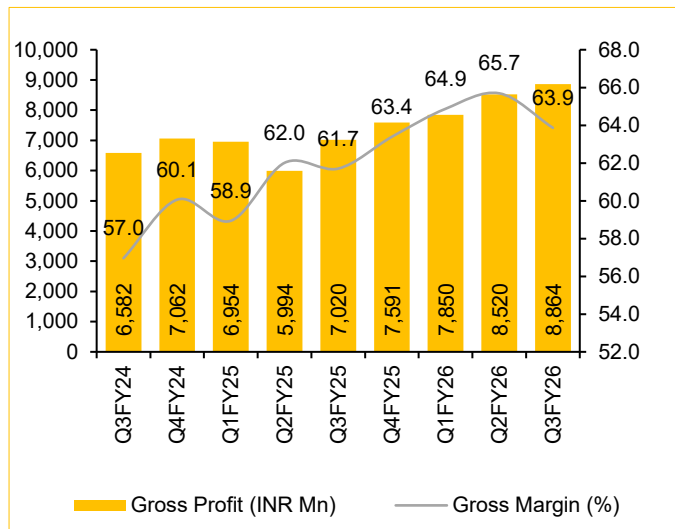
Source: GRAN, Choice Institutional Equities

## Revenue Above Estimates



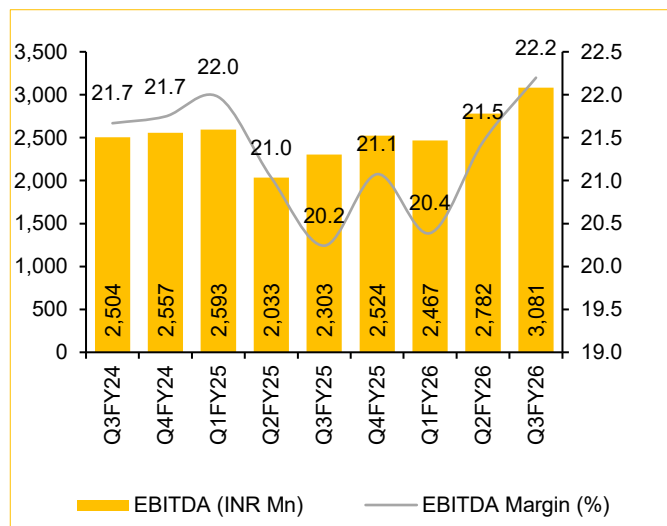
Source: GRAN, Choice Institutional Equities

## Gross Margin Improves on Product Mix



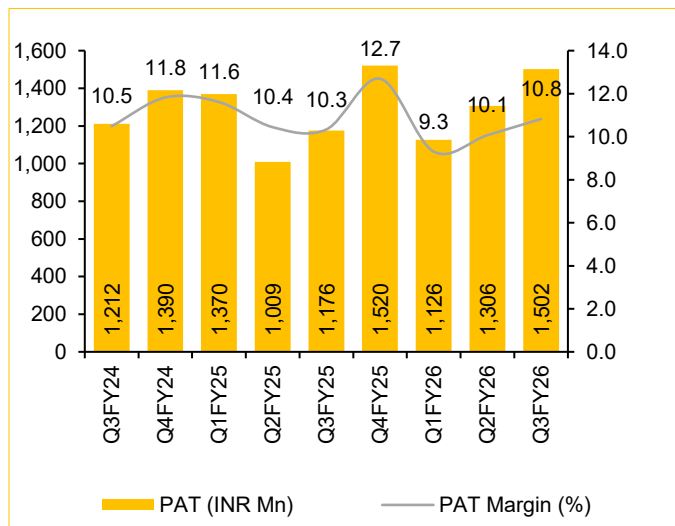
Source: GRAN, Choice Institutional Equities

## EBITDA Margin Largely in-line with Estimates



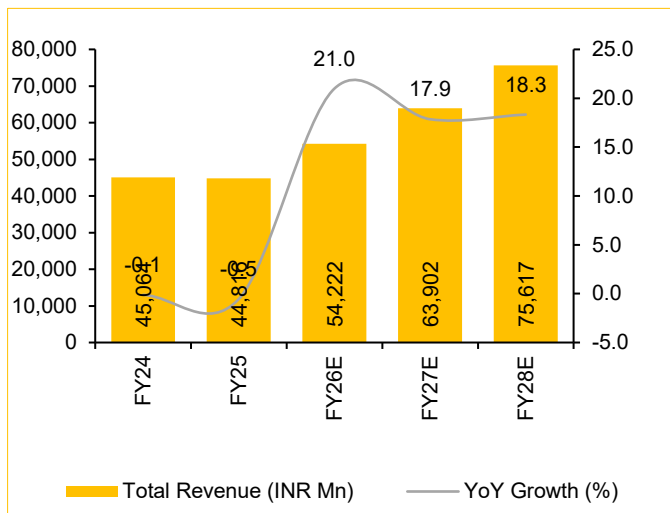
Source: GRAN, Choice Institutional Equities

## PAT Grows in-line with EBITDA



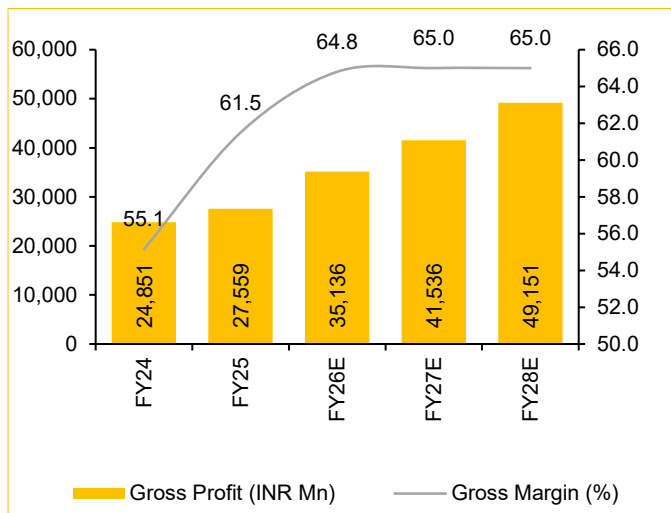
Source: GRAN, Choice Institutional Equities

## Revenue to Expand at 19.1% over CAGR FY25–28E



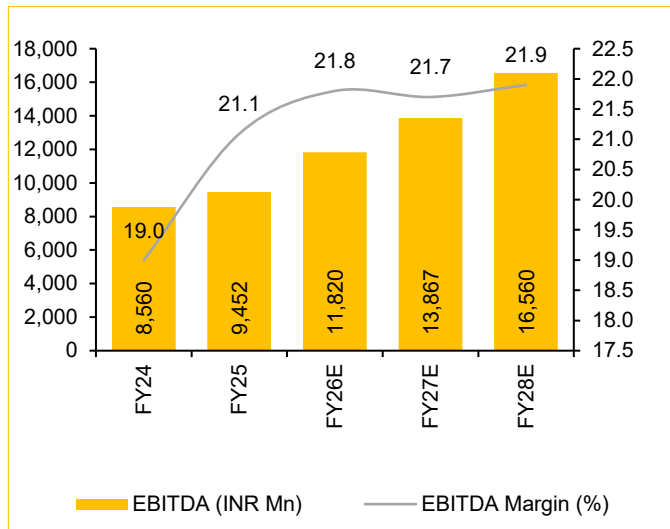
Source: GRAN, Choice Institutional Equities

## Gross Margin to Expand on Better Mix



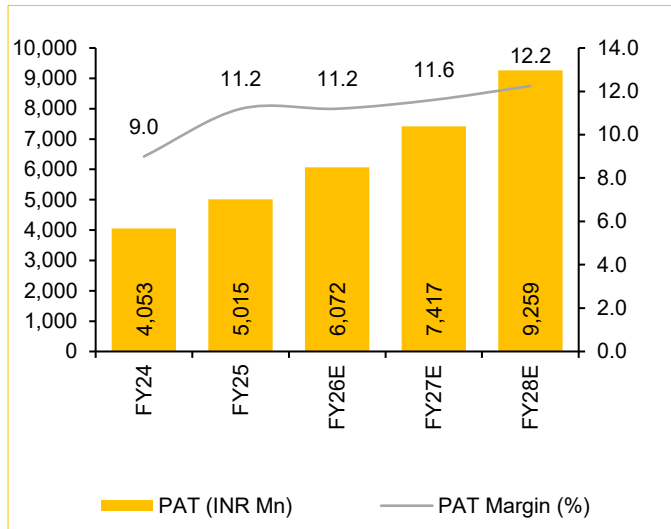
Source: GRAN, Choice Institutional Equities

## Margin Expansion on Lower Remediation Costs



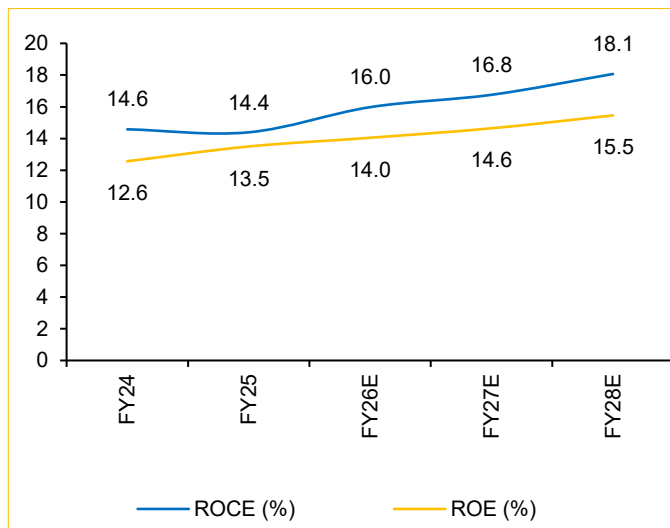
Source: GRAN, Choice Institutional Equities

## Improving EBITDA to Drive PAT Growth



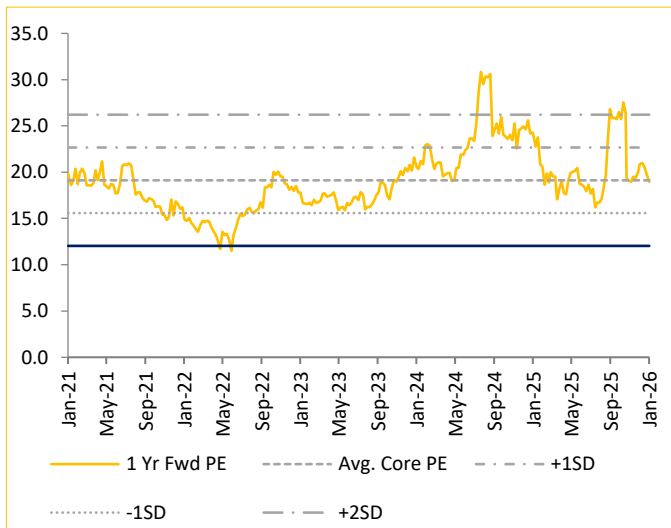
Source: GRAN, Choice Institutional Equities

## ROCE and ROE



Source: GRAN, Choice Institutional Equities

## 1-year Forward PE Band



Source: GRAN, Choice Institutional Equities

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	45,064	44,816	54,222	63,902	75,617
Gross Profit	24,851	27,559	35,136	41,536	49,151
EBITDA	8,560	9,452	11,820	13,867	16,560
Depreciation	2,073	2,255	2,859	3,309	3,684
EBIT	6,486	7,197	8,961	10,558	12,876
Other Income	44	129	163	320	378
Interest Expense	1,058	1,032	1,029	989	909
PBT	5,472	6,602	8,095	9,889	12,346
PAT	4,053	5,015	6,072	7,417	9,259
EPS (INR)	16.7	20.7	25.1	30.6	38.3

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenue	(0.1)	(0.5)	21.0	17.9	18.3
Gross Profit	12.7	10.9	27.5	18.2	18.3
EBITDA	(6.3)	10.4	25.1	17.3	19.4
PAT	(21.5)	23.7	21.1	22.2	24.8
Margins (%)					
Gross Profit Margin	55.1	61.5	64.8	65.0	65.0
EBITDA Margin	19.0	21.1	21.8	21.7	21.9
PBT Margin	12.1	14.7	14.9	15.5	16.3
Tax Rate	25.9	24.0	25.0	25.0	25.0
PAT Margin	9.0	11.2	11.2	11.6	12.2
Profitability (%)					
ROE	12.6	13.5	14.0	14.6	15.5
ROIC	17.8	16.9	19.6	19.5	20.1
ROCE	14.6	14.4	16.0	16.8	18.1
Financial Leverage					
OCF/EBITDA (x)	0.7	1.1	0.8	0.8	0.8
OCF/Net Profit (x)	1.1	1.7	1.3	1.2	1.1
Debt to Equity	0.4	0.3	0.3	0.2	0.2
Interest Coverage	6.1	7.0	8.7	10.7	14.2
Working Capital					
Inventory Days	235	284	284	284	284
Debtor Days	80	77	75	75	75
Payable Days	135	154	154	154	154
Cash Conversion Cycle	179	207	205	205	205
Valuation Metrics					
No of Shares (Mn)	242	242	242	242	242
EPS (INR)	16.7	20.7	25.1	30.6	38.3
BVPS (INR)	133.3	153.3	178.6	209.3	247.5
Market Cap (INR Bn)	136.7	136.7	136.9	136.7	136.7
PE	33.7	27.3	22.5	18.4	14.8
P/BV	4.2	3.7	3.2	2.7	2.3
EV/EBITDA	16.9	15.2	12.1	10.2	8.3
EV/Sales	3.2	3.2	2.6	2.2	1.8

Source: GRAN, Choice Institutional Equities

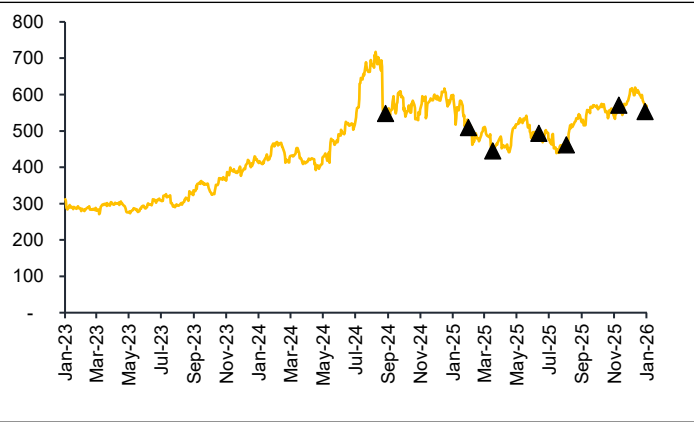
Balance Sheet (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	32,255	37,156	43,227	50,644	59,903
Borrowings	12,232	12,858	12,858	12,358	11,358
Trade Payables	7,495	7,261	8,053	9,437	11,166
Other Non-Current Liabilities	1,442	2,223	2,173	2,123	2,073
Other Current Liabilities	1,785	3,028	3,028	3,028	3,028
Total Net Worth & Liabilities	55,210	62,526	69,339	77,590	87,529
Net Block	17,311	20,221	23,362	26,053	27,369
Capital WIP	2,595	4,369	4,396	4,407	4,770
Goodwill & Intangible Assets	2,395	2,090	2,090	2,090	2,090
Investments	215	220	220	220	220
Trade Receivables	9,858	9,422	11,141	13,131	15,538
Cash & Cash Equivalents	3,864	5,964	6,468	7,475	10,138
Other Non-Current Assets	3,643	4,470	4,470	4,470	4,470
Other Current Assets	15,328	15,769	17,191	19,744	22,934
Total Assets	55,210	62,526	69,339	77,590	87,529

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	4,394	8,666	7,610	8,557	9,984
Cash Flows from Investing	(3,601)	(6,913)	(6,000)	(6,000)	(5,000)
Cash Flows from Financing	77	(925)	(1,442)	(1,902)	(2,322)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax Burden (%)	74.1	76.0	75.0	75.0	75.0
Interest Burden (%)	84.4	91.7	90.3	93.7	95.9
EBIT Margin (%)	14.4	16.1	16.5	16.5	17.0
Asset Turnover (x)	0.8	0.7	0.8	0.8	0.9
Equity Multiplier (x)	1.7	1.7	1.6	1.5	1.5
ROE (%)	12.6	13.5	14.0	14.6	15.5

Historical Price Chart: GRAN



Date	Rating	Target Price
September 16, 2024	OUTPEFROM	723
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

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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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