

Company Overview

Granules India Limited is a vertically integrated, high-growth pharmaceutical company with a legacy spanning over four decades. Initially established as a paracetamol API manufacturer, the company has evolved into a global player with capabilities across the pharmaceutical value chain, including APIs, Pharmaceutical Formulation Intermediates (PFIs), and Finished Dosages (FDs). The API segment, which contributed around 14% to the company's FY25 revenue, includes the manufacturing of high-volume molecules like paracetamol, metformin, guaifenesin, and methocarbamol. The PFI segment, accounting for about 10% of revenue, highlights Granules' pioneering role in offering ready-to-compress blends that help customers improve cost-efficiency and reduce development timelines. The Finished Dosages segment is the largest and fastest-growing vertical, contributing ~77% of total revenue in FY25. The company offers a wide range of formulations, including tablets, capsules, oral liquids, powders, and multi-unit pellet systems, across immediate, extended, and delayed release formats. This segment is the cornerstone of Granules' transformation into a value-added pharmaceutical company, with a focus on complex generics, especially in CNS, ADHD, gastro, and metabolic therapies. Its products are primarily exported to North America, which accounts for the bulk of revenue, alongside growing markets in Europe, LATAM, and AMEA. With operations in over 80 countries and a strong manufacturing and R&D presence in India and the US, Granules serves more than 300 global customers. The company is strategically focused on complex generics, high-volume molecules, and specialty therapies such as CNS, oncology, and metabolic disorders. The company has operated a robust and vertically integrated manufacturing network comprising eight facilities strategically located in India and the United States, ensuring end-to-end control over the pharmaceutical value chain.

Investment Rationale

Focus on new opportunities in custom synthesis and generic products

Granules India has strategically transitioned from a high-volume, low-margin API manufacturer to a differentiated pharmaceutical company focused on complex, high-margin segments. This transition is reflected in the company's growing emphasis on finished dosages, which now contribute ~77% of its total revenue in FY25, up from 65% in FY24, indicating a clear move toward value-added formulations. These include advanced oral solid dosage forms such as immediate, extended, and delayed release tablets, capsules, multi-unit pellet systems (MUPS), and oral liquids, many of which address complex therapy areas like CNS, ADHD, gastrointestinal, pain, and metabolic disorders. To drive this transformation, Granules has significantly strengthened its R&D platform, filing 127 ANDAs (with 85 approvals) and pursuing early-to-market, first-to-file, and 505(b)(2) pathways that target high-barrier, sustainable opportunities. Furthermore, the acquisition of Senn Chemicals AG and the launch of Ascelis Peptides mark Granules' foray into peptide-based therapies, a high-growth, specialty segment that opens up biologics-adjacent revenue streams. Simultaneously, the company is expanding its presence in custom synthesis and CDMO opportunities, leveraging its proven chemistry capabilities and backwards integration to offer scalable and compliant solutions for global innovators, which will drive long-term growth visibility.

Building a pipeline of high-value molecules with a focus on backwards integration

Granules India is strategically building a robust pipeline of high-value, complex molecules, with a sharp focus on therapeutic areas like oncology and CNS, which offer high growth potential and sustainable margins. These segments are characterised by significant clinical and regulatory barriers, providing limited competition and long product life cycles. Recognising this, Granules is integrating its strengths in R&D, regulatory expertise, and manufacturing scalability to deliver differentiated

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	439
Target Price (INR)	514
NSE Symbol	GRANULES
BSE Code	532482
Bloomberg	GRAN IN
Reuters	GRAN.BO

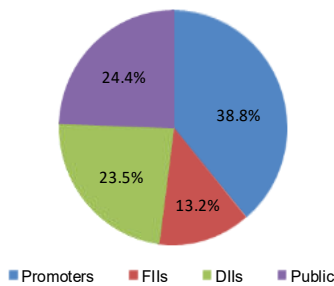
Key Data

Nifty	24,363
52WeekH/L(INR)	721 / 422
O/s Shares (Mn)	243
Market Cap (INR bn)	107
Face Value (INR)	1

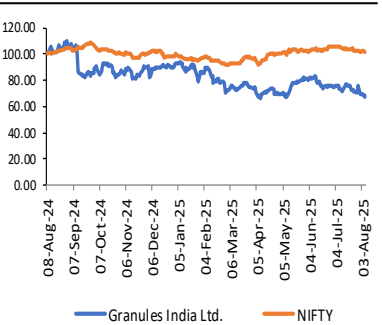
Average volume

3 months	1,068,100
6 months	1,161,660
1 year	2,229,450

Share Holding Pattern (%)



Relative Price Chart



Stock Idea Note - Granules India Ltd.

products that meet global quality standards. A key pillar of this strategy is backwards integration, allowing the company to control the entire value chain - from key starting materials to finished formulations - thus ensuring cost efficiency, consistent supply, and reduced external dependencies. This not only strengthens its competitive positioning in high-barrier markets but also enhances profitability by capturing value at each stage of the product lifecycle. The company's increased investment in green chemistry, bio-catalysis, and continuous manufacturing further supports the development of complex molecules cost-effectively and sustainably. This focused approach, backed by strong execution and infrastructure, enhances the company's long-term earnings visibility and positions it in the speciality generics and complex pharma space.

Valuation and Outlook

Granules India Ltd. is a vertically integrated, high-growth pharma company headquartered in Hyderabad, India. The company manufactures API, Pharmaceutical Formulation Intermediates (PFI) and Finished Dosages (FD). The company is now evolving into a differentiated, innovation-led pharmaceutical company with strong foundations in cost-efficient manufacturing, backward integration, and regulatory compliance. The company's strategic shift toward complex generics and high-value therapeutic segments such as CNS, Oncology, and Metabolic disorders is reflected in the growing contribution from Finished Dosages, now forming 77% of total revenue. Its robust R&D infrastructure, with 127 ANDAs filed and 85 approved, positions it well for future launches in regulated markets. We remain optimistic about Granules India's long-term profitability and growth trajectory, driven by a consistent pipeline of new product launches across key geographies, a strategic emphasis on backwards integration, and rising market share in existing regions. The company's entry into the high-growth GLP-1 segment through the acquisition of Senn Chemicals, along with its filings in the oncology space, which offer significantly higher margins, positions it well to enhance overall financial performance. The combination of financial prudence, R&D focus, vertical integration, and specialty portfolio expansion provides strong visibility for margin expansion and earnings growth. **On the valuation front, we value the company based on 20x FY26e earnings and arrive at a target price of Rs. 514 (17% upside from the current market price) with a 12-month investment horizon.**

Key Financials						
YE March (INR. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	37,650	45,120	45,060	44,820	47,580	51,420
Revenue Growth (Y-o-Y)	16.3%	19.8%	-0.1%	-0.5%	6.2%	8.1%
EBIDTA	7,270	9,150	8,580	9,480	11,050	12,560
EBIDTA Growth (Y-o-Y)	-15.1%	25.9%	-6.2%	10.5%	16.6%	13.7%
Net Profit	4,130	5,170	4,050	5,020	6,250	6,950
Net Profit Growth (Y-o-Y)	-24.8%	25.2%	-21.7%	24.0%	24.5%	11.2%
Diluted EPS	16.6	21.3	16.7	20.7	25.7	28.6
Diluted EPS Growth (Y-o-Y)	21.2%	10.1%	5.6%	10.8%	4.9%	9.4%
Key Ratios						
EBIDTA margin (%)	19.3%	20.3%	19.0%	21.2%	23.2%	24.4%
NPM (%)	11.0%	11.5%	9.0%	11.2%	13.1%	13.5%
RoE (%)	16.0%	18.2%	12.6%	13.5%	14.4%	13.8%
RoCE (%)	15.4%	18.4%	14.3%	14.0%	14.5%	14.8%
Valuation Ratios						
P/E (x)	26.4	20.6	26.3	21.2	17.1	15.3
EV/EBITDA	15.7	12.6	13.6	12.2	10.7	9.4
Net Debt/ EBITDA (x)	1.0	0.9	1.1	0.9	1.0	0.9



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