

Accumulate

Sector: Pharmaceuticals

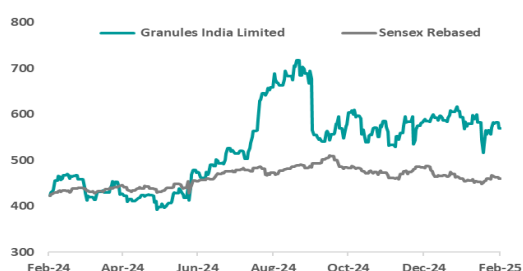
17th February 2025

Key Changes		Target		Rating		Earnings		Target	Rs.580
Stock Type	Bloomberg Code	Sensex		NSE Code		BSE Code	Time Frame	CMP	Rs.513
Small Cap	GRAN:IN	75,939		GRANULES		532482	12 Months	Return	13%

Data as of: 14-02-2025

Company Data			
Market Cap (Rs.cr)	12,462		
52 Week High — Low (Rs.)	725 - 382		
Enterprise Value (Rs. cr)	13,344		
Outstanding Shares (cr)	24.2		
Free Float (%)	61.0		
Dividend Yield (%)	0.3		
6m average volume (cr)	0.3		
Beta	0.9		
Face value (Rs.)	1.0		
Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	38.9	38.9	38.9
FII's	20.4	19.5	19.6
MFs/Institutions	9.2	14.9	15.9
Public	31.6	26.8	25.71
Total	100	100	100
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	1.9%	-11.5%	36.1%
Absolute Sensex	-1.6%	-1.8%	8.4%
Relative Return	3.5%	-9.7%	27.6%

* over or under performance to benchmark index



Y.E March (cr)	FY25E	FY26E	FY27E
Sales	4,402	5,062	5,746
<i>Growth (%)</i>	-2.3	15.0	13.5
EBITDA	1,012	1,113	1,292
<i>EBITDA Margin (%)</i>	23.0	22.0	22.5
Adj PAT	527	590	698
<i>Growth (%)</i>	30.0	11.9	18.3
Adjusted EPS	22	24	29
<i>Growth (%)</i>	30.0	11.9	18.3
P/E	24.4	21.8	18.4
P/B	3.5	3.0	2.6
EV/EBITDA	13.9	12.6	10.7
<i>ROE (%)</i>	15.2	14.8	15.2
D/E	0.2	0.1	0.1

Cautiously Optimistic Outlook

Granules India Ltd. (Inc.) is a vertically integrated, high growth pharmaceutical company headquartered in Hyderabad, India. The company manufactures Active Pharmaceutical Ingredients (API), Pharmaceutical Formulation Intermediates (PFI) and Finished Dosages (FD).

- Granules recorded revenue of Rs.1,138cr for Q3FY25 against Rs 1,156cr for the same period last year, reflecting a degrowth of 1.5%.
- EBITDA de-grew 8% YoY to Rs.230cr, and the EBITDA margin declined by 143 bps to 20.2%, due to the halt of production in the Gagilapur facility, PAT has also exhibited a degrowth of 6% on a YoY basis.
- The Gagilapur facility, was hit with an Official Action Indicated (OAI), by the US FDA, the company has undertaken remediation efforts, and has resumed operations after one month of stoppage from the plant. The OAI can escalate into a warning letter (which is far more prohibitive), if the FDA is not satisfied with the remediation efforts of the company.
- The company will benefit from the phase 2, Genome valley facility which is expected to be commissioned by Q4FY25. Also the company continues investing in research and development efforts, and is building a pipeline of high value molecules, with a focus on backward integration, especially in the oncology and CNS segment.
- During the quarter, GIL has received approvals for Bupropion SR Tabs and Lisdex-amphetamine Chew Tabs in GPI.

Outlook & Valuation

We remain positive about the company's long-term profitability and growth prospects owing to new product launches across geographies, focus on backward integration, and increased market share in existing geographies. The OAI classification can act as a major headwind to our rating if it escalates into more serious regulatory classifications. However, **we value Granules India at a PE of 20x FY27E EPS, arriving at a revised target price of Rs 580, thereby maintaining our accumulate rating.**

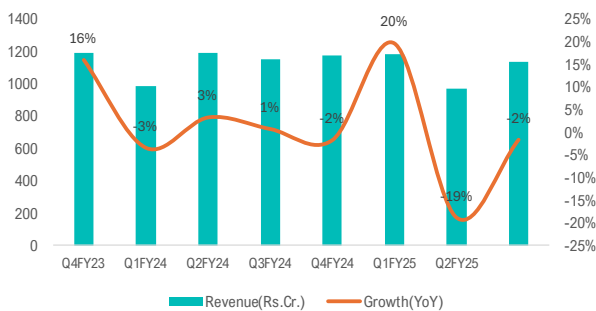
Quarterly Financials Consol.

Rs.cr	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Sales	1,138	1,156	-1.5	967	17.7	3,284	3,331	-1.4
EBITDA	230	250	-8.1	203	13.2	693	600	15.5
Margin (%)	20.2	21.7	-143 bps	21.0	-80 bps	21	18	309 bps
EBIT	174	198	-12.3	151	0.2	531	446	19.0
PBT	153	170	-10.2	128	0.2	463	372	24.5
Rep. PAT	118	126	-6.4	97	0.2	350	276	26.8
Adj PAT	118	126	-6.4	97	0.2	350	276	26.8
Adj. EPS (Rs)	4.9	5.2	-6.4	4.0	0.2	14.4	11.4	26.8

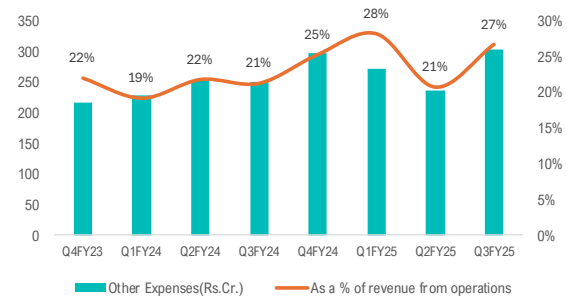
Key Concall Highlights

- The FDA has determined the classification of the inspection as “official action Indicated”. Granules has undertaken a comprehensive remediation plan to address observations raised by the US FDA.
- 90% of CAPAs have been completed, with the remaining ones on track for closure by March '25. Granules has engaged multiple third-party consultants and experts to assist in the remediation process.
- The company has maintained its guidance of 20% sales growth per annum in the long run.
- Granules new formulation facility at Genome Valley under Granules Life Sciences is progressing well. Phase I with the capacity of 2.5 billion doses has been commissioned, Phase II with an additional 7.5 billion dose capacity is expected to be commissioned by Q4 of FY '25, with validation activities slated to begin in Q1 FY '26.
- The company is focused on expanding its therapeutic & product portfolio especially in areas such as CNS, oncology and anti-diabetic segments while also pursuing market expansion for existing products.
- The company has been developing a very robust ADHD portfolio with 10 products in pipeline for development. GIL is also continuing with its expansion in oncology (7-8 products) and diabetes portfolio (8-9 products) for development.

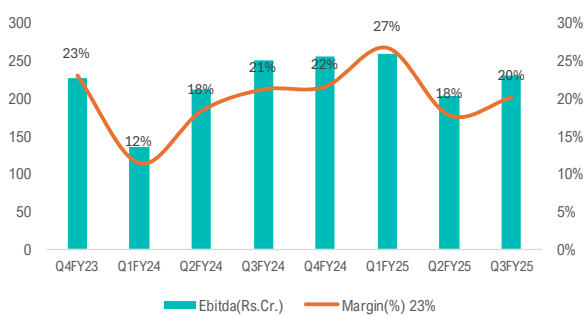
Revenue



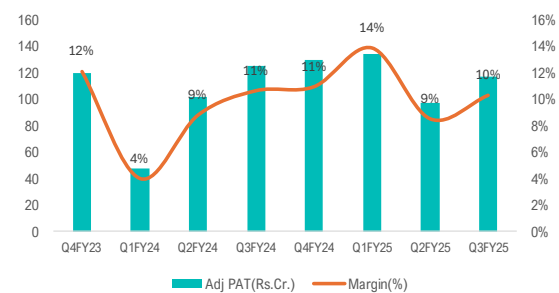
Other Expenses



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates			Change (%)	
Year / Rs cr	FY25E	FY26E	FY25E	FY26E	FY27E	FY25E	FY26E
Revenue	5,188	5,933	4,402	5,062	5,746	-15	-15
EBITDA	1,125	1,370	1,012	1,113	1,292	-10	-19
Margins (%)	22	23	23.0	22.0	22.5	100bps	-100bps
Adj. PAT	607	770	527	590	698	-13	-23
EPS	25	32	22	24	29	-12	-25



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Sales	4,512	4,506	4,402	5,062	5,746
% change	19.8	-0.1	-2.3	15.0	13.5
EBITDA	914	856	1,012	1,113	1,292
% change	26.7	-6.3	18.1	10.0	16.1
Depreciation	184	207	248	286	329
EBIT	729	649	764	827	963
Interest	56	106	83	66	67
Other Income	14	4	22	20	29
PBT	687	548	703	782	925
% change	23.3	-20.3	28.4	11.1	18.3
Tax	171	142	176	191	227
Tax Rate (%)	25%	26%	25%	25%	25%
Reported PAT	517	406	527	590	698
Adj.*	0	0	0	0	0
Adj. PAT	517	406	527	590	698
% change	25%	-21%	30.0%	11.9%	18.3%
No. of shares (cr)	24.2	24.2	24.2	24.2	24.2
Adj EPS (Rs.)	21	17	22	24	29
% change	28.5	-21.5	30.0	11.9	18.3
DPS (Rs.)	1.0	1.5	1.5	1.5	1.5

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	292	381	418	485	551
Accts. Receivable	949	986	1,025	1,248	1,495
Inventories	1,149	1,301	1,089	1,165	1,259
Other Cur. Assets	306	232	289	333	378
Investments	21	38	39	41	43
Gross Fixed As-sets	2,462	2,791	3,391	3,891	4,441
Net Fixed Assets	1,558	1,731	2,093	2,316	2,546
CWIP	228	260	250	250	250
Intangible Assets	291	252	229	221	212
Def. Tax -Net	-6	14	20	26	33
Other Assets	0	0	0	0	0
Total Assets	4,897	5,498	5,599	6,233	6,918
Current Liabilities	882	908	790	913	985
Provisions	44	50	49	57	79
Debt Funds	219	152	30	80	90
Other Liabilities	782	871	752	874	945
Equity Capital	24	24	24	24	24
Res. & Surplus	2,811	3,201	3,692	4,246	4,907
Shareholder Funds	2,835	3,226	3,717	4,270	4,931
Total Liabilities	4,897	5,498	5,599	6,233	6,918
BVPS	117	133	153	176	203

Cash Flow

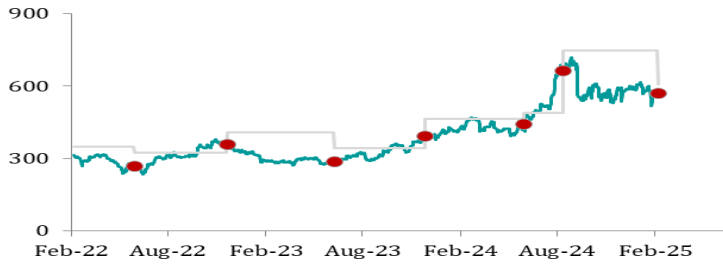
Y.E March (Rs. cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	872	755	951	1,067	1,254
Non-cash adj.	186	72	248	286	329
Changes in W.C	-10	-104	-3	-212	-292
C.F. Operation	739	439	773	664	735
Capital exp.	-410	-381	-590	-500	-550
Change in inv.	203	2	-1	-2	-2
Other invest.CF	0	18	0	0	0
C.F - Investment	-191	-360	-607	-504	-554
Issue of equity	-308	0	0	0	0
Issue/repay debt	-60	-83	-272	-50	-70
Dividends paid	-19	-36	-36	-36	-37
Other finance.CF	0	3	0	0	0
C.F - Finance	-440	8	-314	-93	-114
Chg. in cash	107	87	-148	67	66
Closing Cash	292	381	418	485	551

Ratios

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
Profitability. & Return					
EBITDA margin (%)	20.3	19.0	23.0	22.0	22.5
EBIT margin (%)	16.2	14.4	17.4	16.3	16.8
Net profit margin.(%)	11.5	9.0	12.0	11.7	12.1
ROE (%)	19.1	13.4	15.2	14.8	15.2
ROCE (%)	0.2	0.2	0.2	0.2	0.2
W.C & Liquidity					
Receivables (days)	76	78	83	82	87
Inventory (days)	86	99	99	81	77
Payables (days)	112	149	156	140	144
Current ratio (x)	1.6	1.6	1.8	1.8	1.9
Quick ratio (x)	1.0	0.9	1.1	1.2	1.3
Turnover & Leverage					
Gross asset T.O (x)	2.0	1.7	1.4	1.4	1.4
Total asset T.O (x)	1.0	0.9	0.8	0.9	0.9
Int. coverage. ratio (x)	13.0	6.1	9.3	12.5	14.4
Adj. debt/equity (x)	0.3	0.3	0.2	0.1	0.1
Valuation					
EV/Sales (x)	3.2	3.2	3.2	2.8	2.4
EV/EBITDA (x)	15.7	16.8	13.9	12.6	10.7
P/E (x)	24.9	31.7	24.4	21.8	18.4
P/BV (x)	4.5	4.0	3.5	3.0	2.6



Recommendation Summary (last 3 years)



Dates	Rating	Target
17.11.2021	Accumulate	349
03.06.2022	Accumulate	323
24.11.2022	Accumulate	408
13.06.2023	Buy	342
01.12.2023	Accumulate	464
03.06.2024	Accumulate	488
16.08.2024	Accumulate	748
17.02.2025	Accumulate	580

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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