

November 17, 2025

Gagillapur remediation ongoing; CDMO foray to expand offerings...

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- 88, Europe- 18, Canada- 7, UK- 2, Others – 15.
- Top five products (Paracetamol, Ibuprofen, Metformin, Methocarbamol, Guaifenesin) contributed 62% to FY25 revenues (across segments).
- Revenue mix Q2FY26: Formulations (FD) - 74%, API - 13%, PFI - 10%.

Result Performance & Investment Rationale

- **Q2FY26 – Performance continues to improve** - Revenues grew ~7% QoQ to ₹ 1297 crore mainly driven by North America (76% of the business) and RoW which was pulled by Europe on sequential basis. On segmental front, Formulations grew 7% QoQ to ₹ 966 crore (74% of the business), and APIs (APIs + PFIs), grew by ~8% QoQ to ₹ 304 crore. Gross Profit showed a strong growth of 9% QoQ to ₹ 852 crore (margins stood at 65.7%, up 82 bps QoQ due to favorable product mix). EBITDA grew ~12.7% QoQ to ₹ 278 crore (despite EBITDA loss of ₹ 20 crore from Ascelis Peptide primarily due to sales growth) and margin expansion. The EBITDA margins stood at 21.4% (106 bps QoQ improvement on). PAT grew 16% QoQ to ₹ 131 crore.
- The YoY numbers for the quarter are not comparable due to low base of FY25. Post the Gagillapur USFDA warning letter, the company has focused on developing other facilities and also focused on incremental flings across markets. 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 post clearance from the USFDA (Management meeting with USFDA scheduled in Jan 26) by filing new products. On the margins front, the numbers continued to impress with the best ever GPM performance on the back of higher Formulations sales with the advantage of vertically integrated model. Going forward we believe the company will also leverage its new capacity coming at Genome Valley 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 which management aspires to grow multi fold and turn profitable in FY27. We believe the focus of management continue to remains on profitability and FCF generation.

Rating and Target price

- We value granules at ₹ 660 based on 23x FY27E EPS of 28.6

Key Financial Summary

Key Financials (₹ Crore)	FY21	FY22	FY23	FY24	3 year CAGR (FY21-24)	FY25	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	3237.5	3764.9	4511.4	4506.4	11.7	4481.5	5201.9	5862.6	14.4
EBITDA	853.6	722.2	913.3	856.0	0.1	945.1	1144.7	1320.1	18.2
EBITDA Margins (%)	26.4	19.2	20.2	19.0		21.1	22.0	22.5	
Net Profit	549.5	412.8	516.1	405.3	-9.6	470.6	577.5	692.9	21.3
EPS (Adjusted)	22.7	17.1	21.3	16.7		20.7	22.8	28.6	
PE (x)	24.2	32.2	25.8	32.8		26.5	24.1	19.2	
EV to EBITDA (x)	16.3	19.7	15.5	16.6		15.1	13.0	10.9	
RoCE (%)	24.0	15.6	18.5	14.3		14.2	15.0	17.0	
RoE (%)	25.3	16.0	18.2	12.6		13.5	13.8	14.9	

Source: Company, ICICI Direct Research



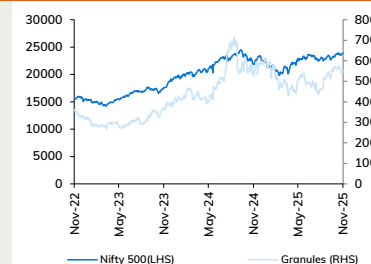
Particulars

Particular	Amount
Market Capitalisation	₹ 13310 crore
Debt (FY25)	₹ 1455 crore
Cash (FY25)	₹ 466 crore
EV	₹ 14299 crore
52 week H/L	628/422
Equity capital	₹ 24.2 crore
Face value	₹ 1

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	38.9	38.8	38.8	38.8
FII	15.9	15.1	13.2	14.1
DII	19.6	22.5	23.5	17.9
Others	25.7	23.6	24.4	29.2

Price Chart



Key risks

- (i) Higher than expected remediation cost
- (ii) Pricing pressure in the regulated markets especially the US

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Exhibit 1: Quarterly Summary

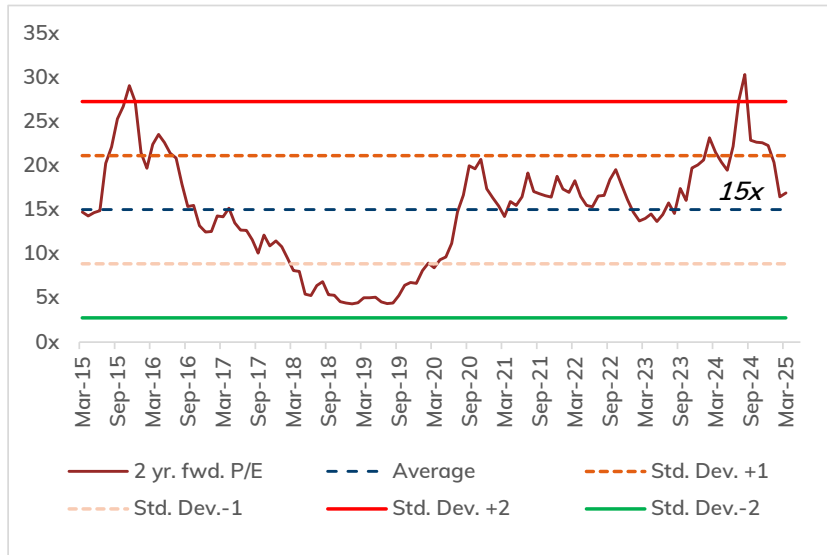
(₹ crore)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ (%)
Net Sales	1150.7	1145.6	1195.5	985.5	1189.5	1155.6	1175.7	1179.9	966.6	1137.6	1197.4	1210.1	1296.9	34.2	7.2
Raw Material Expenses	578.5	591.8	623.5	479.2	575.1	497.3	469.6	484.4	367.2	435.7	438.4	425.1	445.0	21.2	4.7
% of Revenue	50.3	51.7	52.2	48.6	48.3	43.0	39.9	41.1	38.0	38.3	36.6	35.1	34.3	-368 bps	-82 bps
Gross Profit	572.2	553.9	572.0	506.3	614.4	658.3	706.1	695.5	599.4	701.9	759.0	785.0	851.9	42.1	8.5
Gross Profit Margin (%)	49.7	48.3	47.8	51.4	51.7	57.0	60.1	58.9	62.0	61.7	63.4	64.9	65.7	368 bps	82 bps
Employee Expenses	117.7	119.2	126.7	140.3	148.8	157.0	151.7	163.6	159.4	167.6	169.1	202.8	219.2	37.5	8.1
% of Revenue	10.2	10.4	10.6	14.2	12.5	13.6	12.9	13.9	16.5	14.7	14.1	16.8	16.9	41 bps	15 bps
Other Expenditure	211.6	203.9	217.3	229.2	252.6	250.8	298.8	272.5	236.7	304.1	337.6	335.6	354.6	49.8	5.7
% of Revenue	18.4	17.8	18.2	23.3	21.2	21.7	25.4	23.1	24.5	26.7	28.2	27.7	27.3	286 bps	-39 bps
Total Expenditure	907.8	914.8	967.4	848.7	976.5	905.1	920.1	920.6	763.3	907.4	945.1	963.4	1018.8	33.5	5.7
% of Revenue	78.9	79.9	80.9	86.1	82.1	78.3	78.3	78.0	79.0	79.8	78.9	79.6	78.6	-41 bps	-106 bps
EBITDA	242.9	230.8	228.1	136.8	213.0	250.5	255.6	259.3	203.3	230.2	252.3	246.7	278.1	36.8	12.7
EBITDA Margin (%)	21.1	20.1	19.1	13.9	17.9	21.7	21.7	22.0	21.0	20.2	21.1	20.4	21.4	41 bps	106 bps
Depreciation	44.1	48.4	48.7	49.2	52.5	52.4	53.2	52.9	52.5	56.6	63.5	68.8	72.0	37.1	4.6
Interest	13.2	17.0	18.8	22.5	26.0	28.6	28.8	27.0	25.7	26.6	24.0	23.8	29.2	13.7	22.8
Other Income	4.8	0.9	3.4	0.3	1.5	0.7	1.9	2.1	3.3	5.7	1.9	16.3	-1.1	-132.5	-106.5
Less: Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PBT	190.4	166.4	164.0	65.5	136.0	170.1	175.6	181.5	128.4	152.7	166.8	170.4	175.9	37.0	3.2
Total Tax	45.3	42.6	44.4	17.6	33.9	44.4	46.0	46.8	31.1	35.2	45.5	31.9	45.3	45.3	41.9
Tax rate (%)	23.8	25.6	27.1	26.9	24.9	26.1	26.2	25.8	24.3	23.0	27.3	18.7	25.7	147 bps	702 bps
PAT before MI	145.1	123.8	119.6	47.9	102.1	125.7	129.6	134.7	97.2	117.5	121.3	138.5	130.6	34.3	-5.7
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Adjusted PAT	145.1	123.8	119.6	47.9	102.1	125.7	129.6	134.6	97.2	117.5	121.3	138.5	130.6	34.3	16.0
PAT Margin (%)	12.6	10.8	10.0	4.9	8.6	10.9	11.0	11.4	10.1	10.3	12.7	9.3	10.1	1 bps	76 bps
EPS (Rs)	5.9	5.0	4.9	2.0	4.2	5.2	5.4	5.6	4.0	4.9	6.3	4.7	5.4		

Q2FY26 Results / Conference call highlights

- Company is in final stages of remediation of Gagillapur facility (warning letter by USFDA).
- Granules have received meeting with USFDA in Jan 26 and post which the inspection schedule will be decided for Gagillapur.
- Gagillapur site had received a GMP certificate from the German authorities and had also completed eight customer audits with no critical observations.
- During the quarter GLS facility in Genome valley has received USFDA approval for a product following the PAI.
- In coming quarters for GLS genome Valley facility is scheduled for inspection by European authority.
- USFDA inspection for a greenfield formulation facility at Genome Valley unlocks an additional 10 billion doses of formulation capacity, a 40% increase over the existing 26 billion dose capacity and also establishes a second source supply of finished dosage and PFIs to the US from India.
- Supplies of monograph products to the US have already commenced and ramp-up of prescription product supplies will follow USFDA approval.
- Company expects new product approval from Gagillapur post inspection.
- The clearance of Gagillapur facility will free Granules from delivery constraints for both the US and EU.
- Management expects future growth from GPL facility in US and Europe from CNS and ADHD and Oncology segment.
- In medium to long term the company expects the momentum to be driven by high-value segments such as peptides from Senn Chemicals along with oncology and new dosage form.
- R&D expenses to be around the same as current level (~5.5% of sales).
- Management expects Senn Chemicals to turn profitable in FY27 (at PAT level).
- Management expects to retain its growth momentum back which was lost due to operational constraints.
- Company anticipates decent growth from the EU (incorporation of subsidiary) going forward.
- With GLS facility approval by USFDA company will be able to manufacture more Rx products.
- Granules had USFDA consultancy charges of ~ US\$ 4 million (US\$2 million each quarter) in Q1 and Q2.

- Company expects 1-2 approval in controlled substance formulations within 2-3 years and some tentative approvals to come in next quarter itself.
- In control substance company expects significant growth as it has products filled till 2035.
- Company is witnessing increase in market share for the products which it launched 2-3 years back.
- Granules is filed some of its Gagillapur products to different facilities and few more filings will be done in coming quarters.

2-year forward PE band



Source: Company, ICICI Direct Research

Financial Tables

Exhibit 1: Profit and loss statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Total Operating Income	4,506.4	4,481.5	5,201.9	5,862.6	
Growth (%)	-0.1	-0.6	16.1	12.7	
Raw Material Expenses	2,021.3	1,725.7	1,867.1	2,197.5	
Gross Profit	2,485.1	2,755.8	3,334.8	3,665.1	
Gross Profit Margins (%)	55.1	61.5	64.1	62.5	
Employee Expenses	597.9	659.8	826.2	879.4	
Other Expenditure	1,031.3	1,150.9	1,363.9	1,465.7	
Total Operating Expenditure	3,650.4	3,536.4	4,057.2	4,542.6	
EBITDA	856.0	945.1	1,144.7	1,320.1	
Growth (%)	-6.3	10.4	21.1	15.3	
Interest	105.8	103.2	111.4	120.6	
Depreciation	207.3	225.5	284.9	305.0	
Other Income	4.4	12.9	13.1	29.3	
PBT before Exceptional Item:	547.2	629.3	761.5	923.9	
Less: Exceptional Items	0.0	0.0	0.0	0.0	
PBT after Exceptional Items	547.2	629.3	761.5	923.9	
Total Tax	141.9	158.7	184.0	231.0	
PAT before MI	405.3	470.6	577.5	692.9	
PAT	405.3	470.6	577.5	692.9	
Growth (%)	-21.5	16.1	22.7	20.0	
EPS (Adjusted)	16.7	20.7	22.8	28.6	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Profit/(Loss) after taxation	356.9	516.4	551.6	692.9	
Add: Depreciation & Amortization	207.3	225.5	284.9	305.0	
Net Increase in Current Assets	-242.5	2.3	171.1	-84.2	
Net Increase in Current Liabilities	-3.9	3.7	67.9	34.2	
Others	121.5	118.6	111.4	120.6	
CF from Operating activities	439.4	866.6	1,186.8	1,068.4	
(Purchase)/Sale of Fixed Assets	-378.8	-570.0	-1,274.1	-500.0	
Investments	15.9	-124.9	21.2	0.0	
Others	2.8	3.6	-86.2	-5.4	
CF from Investing activities	-360.2	-691.3	-1,339.1	-505.4	
(inc)/Dec in Loan	-113.0	-117.6	352.2	-505.4	
Dividend & Dividend tax	-36.3	-36.4	-36.3	-36.3	
Other	157.0	61.4	-111.3	84.9	
CF from Financing activities	7.7	-92.5	204.5	-456.9	
Net Cash Flow	89.5	82.8	-207.5	106.1	
Cash and Cash Equivalent	291.6	381.1	466.1	258.6	
Cash	381.1	463.9	258.6	364.8	
Free Cash Flow	60.6	296.6	-87.2	568.4	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E	
Equity Capital	24.2	24.3	24.3	24.3	
Reserve and Surplus	3,201.3	3,691.3	3,958.5	4,615.1	
Total Shareholders funds	3,225.5	3,715.6	3,982.8	4,639.4	
Minority Interest	0.0	0.0	0.0	0.0	
Total Debt	1,315.1	1,454.8	1,806.9	1,506.9	
Net Deferred Tax Liability	-14.0	-36.5	-40.7	-41.5	
Long-Term Provisions	0.0	0.0	0.0	0.0	
Other Non Current Liabilities	37.9	31.8	52.9	54.0	
Source of Funds	4,564.5	5,165.6	5,801.9	6,158.8	
Gross Block - Fixed Assets	3,408.0	3,964.4	4,973.6	5,323.6	
Accumulated Depreciation	1,312.4	1,537.9	1,822.8	2,127.8	
Net Block	2,095.6	2,426.5	3,150.8	3,195.8	
Capital WIP	271.7	440.2	705.0	855.0	
Fixed Assets	2,367.3	2,866.7	3,855.8	4,050.8	
Investments	21.5	22.0	0.8	0.8	
Other non-Current Assets	195.1	185.8	288.9	289.4	
Inventory	1,300.5	1,342.8	1,488.3	1,204.1	
Debtors	985.8	942.2	760.5	1,124.3	
Other Current Assets	232.5	359.1	224.2	234.0	
Cash	381.1	466.1	258.6	364.8	
Total Current Assets	2,899.9	3,110.3	2,731.7	2,927.2	
Creditors	749.5	726.1	755.1	782.7	
Provisions	11.8	31.7	36.5	37.3	
Other Current Liabilities	158.0	261.4	295.4	301.3	
Total Current Liabilities	919.4	1,019.1	1,087.0	1,121.2	
Net Current Assets	1,980.6	2,091.2	1,644.7	1,806.0	
Application of Funds	4,564.5	5,165.6	5,790.3	6,147.1	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	
Per share data (₹)					
Reported EPS	16.7	20.7	22.8	28.6	
Cash EPS	23.8	28.5	33.1	39.7	
BV per share	133.3	153.5	164.6	191.7	
Cash per Share	15.7	19.3	10.7	15.1	
Dividend per share	1.5	1.5	1.5	1.5	
Operating Ratios (%)					
Gross Profit Margins	55.1	61.5	64.1	62.5	
EBITDA margins	19.0	21.1	22.0	22.5	
PAT Margins	9.0	11.2	10.6	11.8	
Cash Conversion Cycle	179	207	197	140	
Asset Turnover	1.3	1.1	1.0	1.1	
EBITDA conversion Rate	51.3	91.7	103.7	80.9	
Return Ratios (%)					
RoE	12.6	13.5	13.8	14.9	
RoCE	14.3	14.2	15.0	17.0	
RoIC	16.6	16.9	17.8	20.6	
Valuation Ratios (x)					
P/E	32.8	26.5	24.1	19.2	
EV / EBITDA	16.6	15.1	13.0	10.9	
EV / Net Sales	3.2	3.2	2.9	2.5	
Market Cap / Sales	3.0	3.0	2.6	2.3	
Price to Book Value	4.1	3.6	3.3	2.9	
Solvency Ratios					
Debt / EBITDA	1.5	1.5	1.6	1.1	
Debt / Equity	0.4	0.4	0.5	0.3	
Current Ratio	2.7	2.6	2.3	2.3	
Quick Ratio	1.3	1.3	0.9	1.2	
Inventory days	235	284	291	200	
Debtor days	80	77	53	70	
Creditor days	135	154	148	130	

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

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