



Granules India Ltd

Q4FY25



Granules India Ltd

Complex generics and capacity expansion to underpin future growth

CMP INR 527	Target INR 612	Potential Upside 16.2%	Market Cap (INR Mn) INR 148,149	Recommendation BUY	Sector Pharmaceuticals
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Result Highlights for Q4FY25:

- Granules' revenue came in at INR 11,974 Mn., up 1.8% YoY (+5.3% QoQ), below our estimates (-9.6%) impacted by weaker growth traction in API and PFI segments. EBITDA stood at INR 2,524 Mn., down 1.3% YoY (+9.6% QoQ), sharply below our estimates (-12.0%), led by higher operating expenses. Adjusted Net profit stood at INR 1,213 Mn., down 6.5% YoY (+3.1% QoQ), sharply below our estimates (-25.1%), led by subdued growth, poor operational performance, higher depreciation expense and lower other income.
- We have revised our FY26E/FY27E EPS estimates by -6.0%/-12.4%, respectively, as we bake in weaker H1FY26 led by regulatory risk from the FDA, more gradual ramp up of margins led by weak operating leverage and lower other income. We believe that long-term growth will be driven by scaling up complex generic's portfolio, and its Genome Valley facility. We value Granules at 20.5x FY27E EPS, implying a target price of INR 612. We maintain our "BUY" rating on the stock.

MARKET DATA

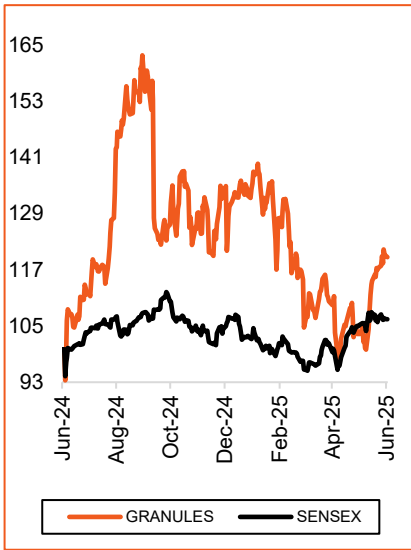
Shares outs (Mn)	242
Mkt Cap (INR Mn)	148,149
52 Wk H/L (INR)	721/401
Volume Avg (3m K)	1,304
Face Value (INR)	1
Bloomberg Code	GRAN IN

KEY FINANCIALS

INR Mn	FY23	FY24	FY25	FY26E	FY27E
Revenue	45,119	45,064	44,816	52,878	60,350
EBITDA	9,138	8,560	9,452	11,658	13,486
PAT	5,166	4,053	5,015	6,037	7,238
EPS (INR)	21.1	16.7	20.7	24.9	29.9
EBITDA Margin (%)	20.3%	19.0%	21.1%	22.0%	22.3%
NPM (%)	11.4%	9.0%	11.2%	11.4%	12.0%

Source: Company, DevenChokseyResearch

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	80,998
NIFTY	24,620

Granules pivots toward complex generics; FD scale-up and peptide entry underway

- In Q4FY25, revenue increased 1.8% YoY (+5.3% QoQ) to INR 11,974 Mn., impacted by softer growth in FD segment, and sharp decline in other segments.
- FD segment revenue grew 7.1% YoY (+6.7% QoQ) to INR 9,259 Mn., underpinned by a strategic transition toward differentiated, high-value formulations, enhanced manufacturing footprint through capacity additions, increasing vertical integration, and continued focus on complex generics for regulated markets.
- Despite ongoing remediation at the Gagillapur site (which impacted volumes in H2FY25), the FD segment's growth was safeguarded by proactive ramp-up at other sites, including the U.S.-based Granules Pharmaceuticals Inc. (GPI) facility and Genome Valley.
- The FD segment witnessed strong growth on the back of several high-value launches in the U.S. during the quarter. Notably, Granules received approval for lisdexamfetamine capsules, following the chewable tablet formulation launched in Q3FY25.
- API segment revenue declined 9.2% YoY (+6.5% QoQ) to INR 1,483 Mn. Revenue from PFI segment declined 16.9% YoY (-5.9% QoQ) to INR 1,232 Mn., a decline in these segments was largely intentional and strategic.
- It reflects a conscious pivot away from commoditized, price-sensitive external API sales, especially paracetamol, toward higher-value internal utilization and formulation growth. While this reduces API top-line contribution, it supports stronger margin resilience and value creation at the consolidated level.
- The acquisition of Senn Chemicals AG marks Granules' formal entry into the high-growth peptide CDMO segment, with initial focus on GLP-1 receptor agonists (used in obesity and diabetes treatments).

SHARE HOLDING PATTERN (%)

Particulars	Mar-25	Dec-24	Sept-24
Promoters	38.8	38.9	38.9
FIIIs	15.1	15.9	19.5
DIIIs	22.5	19.6	14.9
Others	23.6	25.7	26.8
Total	100.0	100.0	100.0

16.0%

Revenue CAGR between
FY25 and FY27E

20.1%

PAT CAGR between FY25
and FY27E

*Based on the previous closing
*Note: All the market data is as of the previous closing.

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Margin profile improves at gross level; EBITDA held back by transient compliance costs

- **Gross margin expanded 333bps YoY (+168 bps QoQ) to 63.4%**, led by **shift toward high-margin formulations**, better product mix realization, and **reduced external exposure** to price-sensitive APIs and PFIs.
- **EBITDA decreased 1.3% YoY (+9.6% QoQ) to INR 2,524 Mn**. EBITDA margin contracted **67bps YoY (+83 bps QoQ) to 21.1%**, was primarily due to **transitory but elevated operating expenses** related to FDA remediation and higher R&D outlay.
- These costs are expected to moderate in subsequent quarters, enabling margin normalization as operating leverage improves and new capacities scale up.

Key Concall Highlights:

Robust new product launches in the U.S. market

- The company has strengthened its presence in the **central nervous system (CNS) and ADHD** therapy areas—both **large and lucrative segments in the U.S. pharmaceutical market**.
- Additionally, the **company launched key prescription formulations such as Paracetamol-oxycodone** (a pain relief combination), Paracetamol-hydrocodone, **Dofetilide capsules** (used in atrial fibrillation).
- These launches are part of Granules' strategy to enhance its **complex generics portfolio** and are expected to generate sustained revenue over the medium term, given the scale of the U.S. market and limited competition in some of these segments.

Capacity augmentation through the Genome Valley formulation facility

- Granules' newly operational formulation facility at Genome Valley (Granules Life Sciences) began contributing to revenues with the commissioning of **Phase I (2.5 Bn dosage units)**.
- Commercial dispatches of monograph products have commenced from this facility, which will progressively add scale and capacity to support growing demand in both U.S. and Europe.
- Moreover, **Phase II** of the Genome Valley project, with an additional **7.5 Bn dosage capacity**, was commissioned during the quarter. While full regulatory approvals (U.S. FDA and European agencies) are awaited, validation activities have started.
- Once operational at scale, this will significantly enhance the company's FD manufacturing capabilities, supporting future growth.

Shift in product mix toward high-margin formulations

- The company continues to pivot toward a **formulation-led growth strategy**, wherein it consumes a higher share of captive API and PFI output for in-house FD manufacturing rather than external sales.
- **All APIs—except for paracetamol—are now being routed internally for formulation production**. Even for paracetamol, where Granules has large-scale API capacity, management indicated a deliberate shift toward converting this into PFIs and FDs to capture higher value.

Paracetamol API oversupply and price erosion

- Granules India highlighted that the **paracetamol API business**, which historically drove a large share of API exports—particularly to Europe—faced significant headwinds during FY25.
- These included, excess global capacity addition, especially post-COVID, leading to an oversupplied market and **intensified price competition**, which has structurally eroded margins and reduced the commercial viability of pushing volumes in open markets

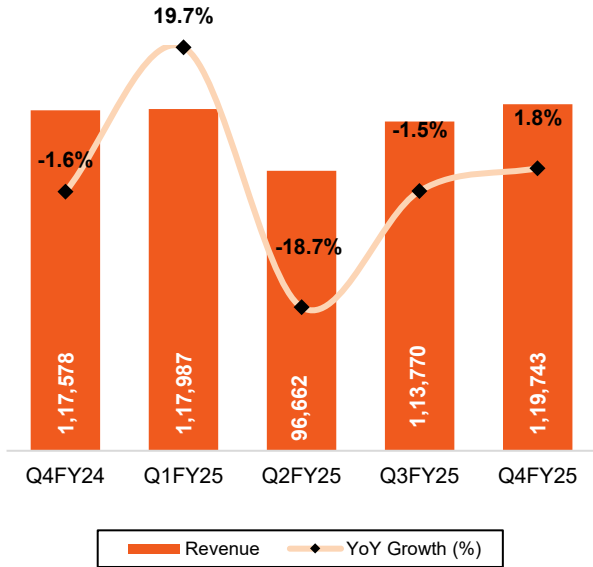
Other highlights

- Management quantified total costs related to FDA remediation across FY25 at approximately **INR 600 Mn.**, a portion of which was incurred in Q4FY25. These are largely **non-recurring but necessary investments** and are expected to taper off gradually from Q3FY26E onward.
- Granules India **has been stepping up investment in its R&D pipeline**, particularly for complex generics in the ADHD and oncology segments. In Q4FY25, **R&D expense stood at INR 665 Mn**, compared to **INR 609 Mn in Q4FY24**, marking a **9.0% YoY increase**.
- The **warning letter from the FDA** may temporarily impact the FDA's **review of pending product submissions** from the Gagillapur facility until the matter is resolved, but it **does not affect the supply of approved commercial products**. The U.S. accounts for **~79.0% of Granules' revenue**, making it highly exposed to: Regulatory disruptions (as seen with the Gagillapur site) and potential **import tariff risks**.
- The **Company guided that if trade tariffs are imposed, it will pass on costs to their U.S. customers**.
- **CapEx spend during the quarter was INR1,598 Mn**, and for the year was **INR 5,700 Mn**, primarily invested in **Granules Life Sciences of INR 3,135 Mn in FY25**.
- The **overall CapEx estimate for FY26E is about INR 6,000 Mn**, including further CapEx for Granules Life Sciences, oncology, and peptide inversion.

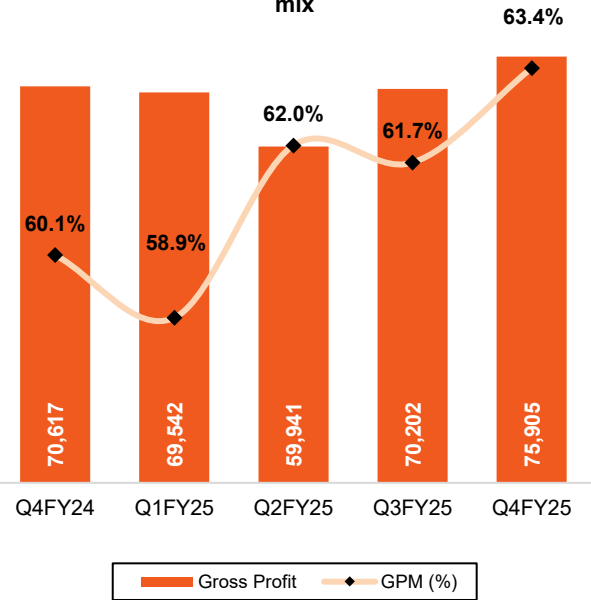
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Story in charts

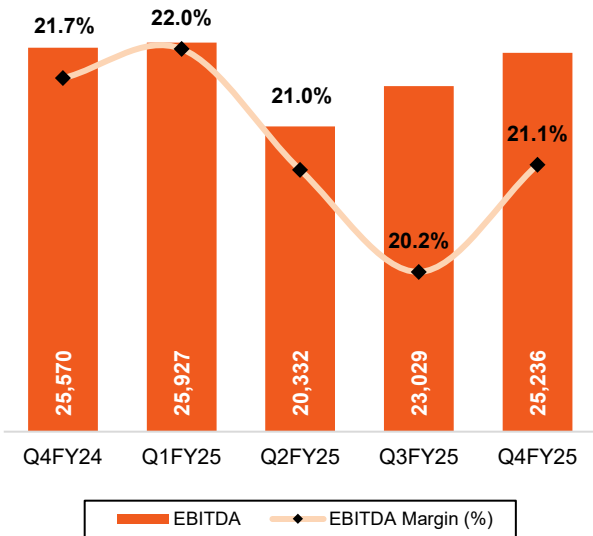
Revenue growth was impacted due to decline in API and PFI segments



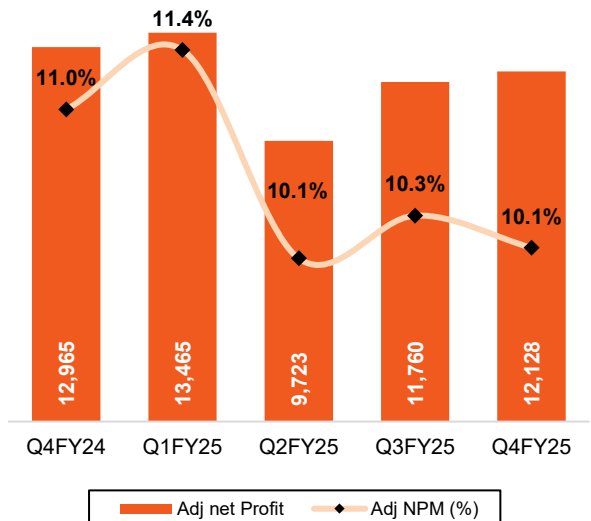
Gross margin expanded (YoY) led by favourable mix



EBITDA margin contracted (YoY) led by sharp increase in opex



Adjusted Net margin contracted as it got impacted by poor operating performance



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY	FY25	FY24	YoY
Sales	11,974	11,377	11,758	5.3%	1.8%	44,816	45,064	-0.5%
Total Expenditure	9,451	9,074	9,201	4.2%	2.7%	35,364	36,504	-3.1%
Cost of Raw Materials	4,347	4,448	5,465	-2.3%	-20.5%	17,249	22,082	-21.9%
Changes in Inventories	37	-91	-769	140.4%	104.8%	8	-1,870	100.4%
COGS	4,384	4,357	4,696	0.6%	-6.7%	17,257	20,213	-14.6%
Employee Cost	1,691	1,676	1,517	0.9%	11.5%	6,598	5,979	10.4%
Other Expenses	3,376	3,041	2,988	11.0%	13.0%	11,509	10,313	11.6%
EBITDA	2,524	2,303	2,557	9.6%	-1.3%	9,452	8,560	10.4%
EBITDA Margins (%)	21.1%	20.2%	21.7%	83 bps	-67 bps	21.1%	19.0%	210 bps
Depreciation	635	566	532	12.2%	19.4%	2,255	2,073	8.8%
EBIT	1,889	1,737	2,025	8.7%	-6.7%	7,197	6,486	11.0%
Other Income	19	57	19	-66.1%	2.8%	129	44	193.5%
Interest Expense	240	266	288	-9.7%	-16.6%	1,032	1,058	-2.4%
Exceptional Items	308	0	0	NA	NA	308	0	NA
PBT	1,976	1,528	1,756	29.3%	12.5%	6,602	5,472	20.6%
Tax	455	352	460	29.4%	-1.0%	1,587	1,419	11.8%
Share of Associates	0	0	0	NA	NA	0	0	NA
PAT	1,520	1,176	1,296	29.3%	17.3%	5,015	4,053	23.7%
PAT Margins (%)	12.7%	10.3%	11.0%	236 bps	167 bps	11.2%	9.0%	220 bps
EPS (Reported)	6.27	4.85	5.35	29.3%	17.3%	20.7	16.7	23.7%
APAT	1,213	1,176	1,296	3.1%	-6.5%	4,708	4,053	16.1%
EPS (Adjusted)	5.00	4.85	5.35	3.1%	-6.5%	19.4	16.7	16.1%

Source: Company, DevenChoksey Research

Revenue Segments

Segment-wise Revenue (INR Mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue from operations	11,758	11,799	9,666	11,377	11,974
Active Pharmaceutical Ingredients (API)	1,633	1,890	1,420	1,393	1,483
Pharmaceutical formulation ingredients (PFI)	1,482	997	756	1,309	1,232
Finished Dosage (FD)	8,642	8,912	7,490	8,674	9,259
Segment-wise Revenue Mix (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue from operations	100.0%	100.0%	100.0%	100.0%	100.0%
Active Pharmaceutical Ingredients (API)	13.9%	16.0%	14.7%	12.2%	12.4%
Pharmaceutical formulation ingredients (PFI)	12.6%	8.5%	7.8%	11.5%	10.3%
Finished Dosage (FD)	73.5%	75.5%	77.5%	76.2%	77.3%
Segment-wise Revenue YoY (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue from operations	-1.6%	19.7%	-18.7%	-1.5%	1.8%
Active Pharmaceutical Ingredients (API)	-55.4%	-37.0%	-53.0%	-37.0%	-9.2%
Pharmaceutical formulation ingredients (PFI)	-31.8%	-32.7%	-48.1%	-22.4%	-16.9%
Finished Dosage (FD)	41.3%	65.9%	1.0%	13.3%	7.1%

Source: Company, DevenChoksey Research

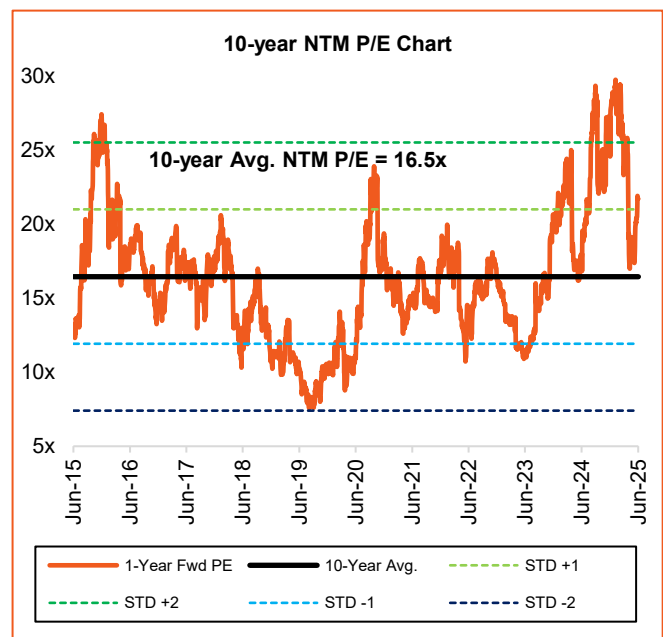
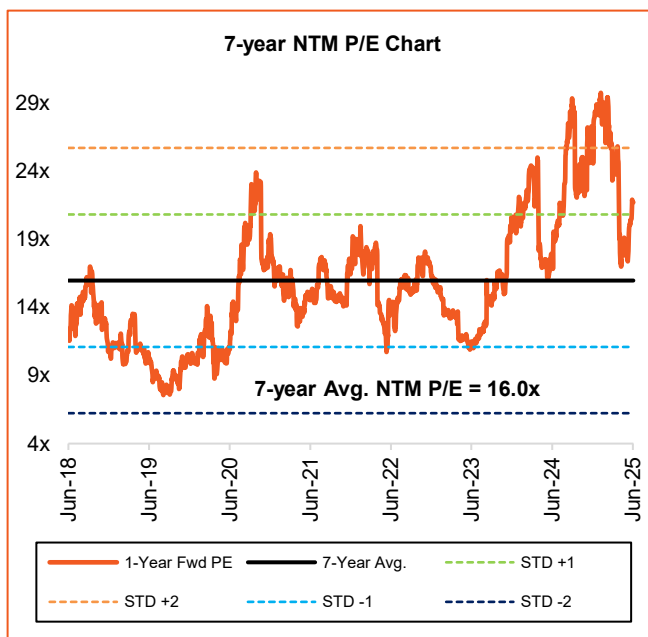
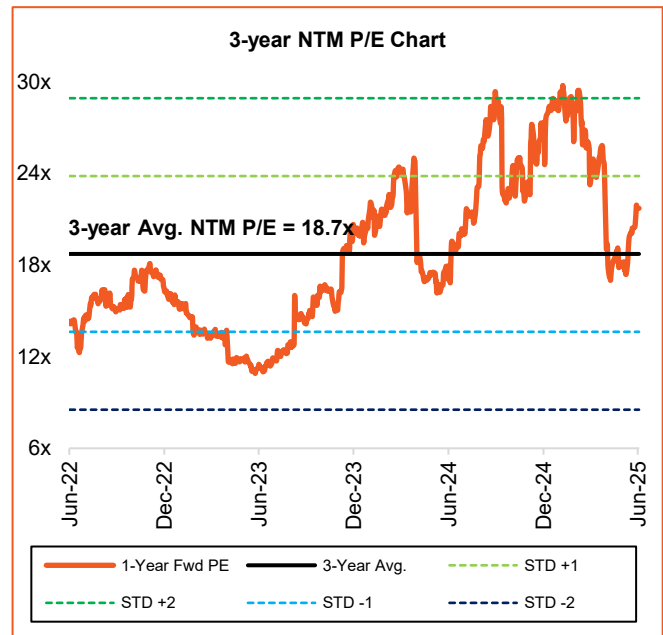
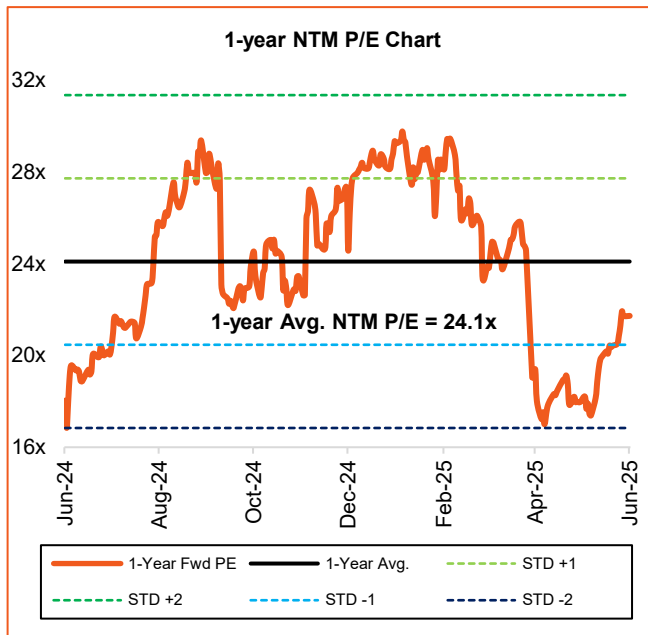
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View and Valuation:

Granules India posted a muted topline performance in Q4FY25, led by modest growth in formulations, partially offset by a strategic pullback in API and PFI sales. The Company continues to pivot toward complex generics and vertically integrated, high-margin offerings, which supported strong gross margin expansion. Despite operational constraints at the Gagillapur facility, proactive ramp-up at alternate sites ensured business continuity. While near-term EBITDA margins were impacted by elevated remediation and R&D expenses, these are expected to normalize, positioning the business for more profitable growth going forward.

We have revised our FY26E/FY27E EPS estimates by -6.0%/-12.4%, respectively, as we bake in weaker H1FY26 led by regulatory risk from the FDA, more gradual ramp up of margins led by weak operating leverage and lower other income. We believe that the long-term growth be driven by scaling up complex generic's portfolio and its Genome Valley facility and, entry into the high-growth peptide CDMO space via Senn Chemicals. We expect revenue and PAT to grow at a CAGR of 16.0% and 20.1%, respectively, over FY25–FY27E. Currently, the stock is trading at PE multiple of 21.0x/17.5x based on FY26E/FY27E EPS, respectively.

We value Granules at 20.5x FY27E EPS, implying a target price of INR 612. We maintain our “BUY” rating on the stock.



Source: Bloomberg, DevenChoksey Research

Granules India Ltd

Exhibit 1: Profit & Loss Statement

INR Mn	FY24	FY25	FY26E	FY27E
Revenues	45,064	44,816	52,878	60,350
COGS	20,213	17,257	20,227	22,905
Gross profit	24,851	27,559	32,651	37,445
Employee cost	5,979	6,598	7,509	8,570
Other expenses	8,327	11,509	10,576	12,070
EBITDA	8,560	9,452	11,658	13,486
Depreciation	2,073	2,255	2,785	3,103
EBIT	6,486	7,197	8,874	10,383
Finance Costs	1,058	1,032	983	913
Other Income	44	129	159	181
PBT	5,472	6,602	8,049	9,650
Tax	1,419	1,587	2,012	2,413
PAT	4,053	5,015	6,037	7,238
EPS (INR)	16.7	20.7	24.9	29.9

Exhibit 3: Cash Flow Statement

INR Mn	FY24	FY25	FY26E	FY27E
CFFO	4,394	8,666	8,326	9,107
CFFI	(3,602)	(6,913)	(6,435)	(6,182)
CFFF	77	(925)	(2,449)	(2,472)
Net Inc/Dec in cash	869	828	(557)	454
Opening Cash	2,916	3,811	4,661	4,104
Adjustment	26	22	0	0
Closing Cash	3,811	4,661	4,104	4,558

Exhibit 4: Key Ratio

INR Mn	FY24	FY25	FY26E	FY27E
EBITDA Margin (%)	19.0%	21.1%	22.0%	22.3%
Tax rate (%)	25.9%	24.0%	25.0%	25.0%
Net Profit Margin (%)	9.0%	11.2%	11.4%	12.0%
RoE (%)	12.6%	13.5%	14.1%	14.6%
RoCE (%)	14.3%	13.9%	15.8%	16.8%
EPS (INR)	16.7	20.7	24.9	29.9

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY24	FY25	FY26E	FY27E
Equity				
Equity Capital	242	243	243	243
Other Equity	32,013	36,913	42,484	49,164
Total Equity	32,255	37,156	42,727	49,407
Non-Current Liabilities				
Borrowings	1,522	4,707	4,707	4,707
Provisions	379	318	318	318
Other Non Current Liabilities	231	314	370	422
Total Non-Current Liabilities	2,131	5,338	5,395	5,447
Current Liabilities				
Borrowings	11,629	9,841	8,841	7,841
Trade Paybles	7,495	7,261	8,510	9,637
Other current liabilities	1,699	2,930	3,458	3,946
Total Current Liabilities	20,823	20,032	20,809	21,424
Total Liabilities	22,954	25,370	26,203	26,871
Non-Current Assets				
Property Plants and Equipments	18,561	22,174	25,629	28,561
Capital work-in-progress	2,595	4,369	4,369	4,369
Other Non current assets	5,003	4,827	5,237	5,617
Total Non-Current Assets	26,159	31,371	35,236	38,548
Current Assets				
Inventories	13,005	13,428	14,409	16,316
Trade Receivables	9,858	9,422	11,117	12,401
Cash and Bank	3,864	5,964	5,407	5,861
Other current assets	2,323	2,341	2,762	3,152
Total Current Assets	29,050	31,155	33,694	37,730
Total Assets	55,210	62,526	68,930	76,277

Granules India Ltd

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Date	CMP (INR)	TP (INR)	Recommendation
04-Jun-25	527	612	BUY
27-Jan-25	582	700	BUY
19-Aug-24	662	769	BUY
17-May-24	400	443	ACCUMULATE
24-Jan-24	417	480	BUY
22-Nov-23	367	437	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058