



Granules India Ltd

Q2FY26



Granules India

A quarter marked by Regulatory Progress, Capacity Unlocks and Peptide/CDMO Scale-Up

CMP INR 550	Target INR 588	Potential Upside 6.9%	Market Cap (INR Mn) 133,540	Recommendation ACCUMULATE	Sector Pharmaceuticals
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Result highlights

- Granules India delivered a strong performance in Q2FY26, reporting Revenue from Operations of INR 12,970 Mn, up 34% YoY, beat our estimate by 8.8% driven mainly by stronger formulation sales in North America and Europe, and improved API/PFI momentum in ROW markets. Finished Dosages contributed 74% of revenue, followed by API (13%), PFI (10%), and Peptides/CDMO (2%).
- Gross margin expanded by 82 bps QoQ, supported by operational efficiencies and a favourable product mix. EBITDA improved meaningfully to 2,782 mn on the back of sales growth and margin expansion, even after absorbing a INR 200 Mn EBITDA loss from the Ascelis Peptides business. Operating cash flow stood at INR 1,937 Mn, while CAPEX during the quarter was INR 2,112 Mn. R&D investments totalled INR 705 Mn (5.4% of sales), reflecting continued focus on innovation and long-term capability building.
- ROCE moderated to 16.2%, compared to 16.9% in the previous year, largely due to higher capital employed following the acquisition of Senn Chemicals AG. Net debt stood at INR 10,241 Mn, with Net Debt to EBITDA at 0.98x.
- Management highlighted that the company's revenue and profitability growth reflects its commitment to disciplined execution, governance strength, and ongoing investments in R&D and talent. The peptides CDMO platform under Ascelis, supported by Senn Chemicals' legacy, continues to gain visibility, with increasing customer interest.
- On the regulatory front, the company achieved several milestones: three ANDA filings in Q2FY26, US FDA approval for Metformin IR Tablets (PAI), EIRs for the Bonthapally API Unit 1 and Granules Pharmaceutical Inc, and a GMP certificate for the Gagillapur facility from German authorities. The Gagillapur site, which had a voluntary production pause in Q2FY25, also cleared multiple customer audits with no critical observations.

Outlook Valuation:

Granules India appears to be entering a phase of structural recovery, supported by steady progress on regulatory milestones (notably the remediation of Gagillapur) and a 40% incremental formulation capacity expansion at its Genome Valley site, which should meaningfully reduce supply constraints. The company's recent foray into peptides and CDMO through Senn Chemicals/Ascelis is gaining initial traction. However, the ramp-up is still at an early stage, and while visibility on profitability is improving, it is not yet fully established.

With new capacities coming online, better regulatory clarity, and geographical growth (US/EU), the company is well-positioned to sustain its growth momentum.

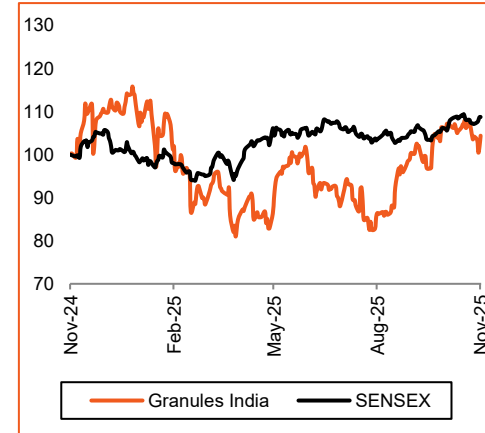
We roll forward our valuation to Sep'27 estimates and assign a target multiple of 18.0x Sep'27 EPS, arriving at a target price of INR 588. Given the recent rup-up in the stock, we revise our rating from "BUY" to "**ACCUMULATE**".

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	45,064	44,816	52,217	59,644	67,158
EBITDA	8,560	9,452	11,428	13,324	15,742
Adj. PAT	4,053	5,015	6,124	7,022	8,931
Adj. EPS (INR)	16.7	20.7	25.3	29.0	36.8
EBITDA Margin	19.0%	21.1%	21.9%	22.3%	23.4%
Adj. NPM	9.0%	11.2%	11.7%	11.8%	13.3%

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	243
Mkt Cap (INR Mn)	133,540
52 Wk H/L (INR)	628/422

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

SHARE HOLDING PATTERN (%)

Particulars	Sep-25	Jun-25	Mar-25
Promoters	38.8	38.8	38.8
FIIIs	14.1	13.2	15.1
DIIIs	17.9	25.5	22.5
Others	29.2	24.4	23.6
Total	100.0	100.0	100.0

15.4%

Revenue CAGR
between FY25-FY27E

18.3%

Adj. PAT CAGR
between FY25-FY27E

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Key Concall Highlights:

Regulatory Update

- Granules has made material progress on US FDA remediation at the Gagillapur facility: corrective actions are substantially complete and the site has reached eligibility for re-inspection. Management has secured a Type-A meeting with the FDA in January 2026, after which re-inspection timing will be defined. Monthly progress reports continue to be filed and the FDA has reportedly raised no concerns about the adequacy or pace of remediation; over 3,000 retrospective and concurrent cross-contamination samples have shown no failures.
- Across the network, regulatory outcomes are constructive: Gagillapur is cleared by German and Danish authorities and has passed eight customer audits without critical observations; the US GPI site received an EIR for an unannounced PAI for a first-to-file controlled substance; Unit-1 Guntur was classified VAI after inspection; and the Genome Valley (GLS) site has secured its first US FDA approval with an EU inspection pending. Management emphasised a materially strengthened quality culture, greater transparency and sustained governance oversight.

Capacity Expansion & Growth Trajectory

- The Genome Valley facility is the most significant near-term capacity unlock, adding 10 billion doses (a 40% uplift over the existing 26 billion dose capacity at Gagillapur) and establishing a second-source for US Rx and PFI supplies from India. Monograph supplies from GLS have already commenced and Rx scale-up is expected across Q3–Q4. Gagillapur remains operationally improved but approval-constrained until FDA clearance; a fuller recovery in volumes and product approvals will follow remediation closure.
- Management expects growth to be driven by the US CNS/ADHD controlled-substance build-out from GPI, European scale-up aided by a new German subsidiary for stocking/distribution, oncology capacity monetisation from Unit-5, and steady gains in OTC and PFI markets.

Strategic Foray into Peptides & CDMO

- The peptide CDMO strategy anchored on Senn Chemicals (Switzerland) and Ascelis Peptides (India)—is in the integration and capability-build phase. Switzerland remains the global R&D and CDMO hub to protect IP, while India will be the scalable manufacturing and R&D backbone; the peptide Centre of Excellence at IIT Hyderabad becomes operational this month.
- Management described a base business of just under USD 20 million, with growth to be delivered as a multiple of this base rather than incremental gains. Differentiation is anchored in liquid-phase peptide synthesis (LPPS), PFAS-free cosmetic peptides and a Swiss-India hybrid model. The company expects the peptides business to return to profitability in Q4 FY26 and to be fully energised and profitable in FY27.

Financial Performance & Metrics

- Q2 FY26 revenues were INR 12,970 million (+34% YoY; +7% QoQ), led by formulations in North America and Europe. Gross margin expanded 368bps to 65.7% on improved mix and operational efficiency, and EBITDA was INR 2,782 million (21.5% margin) despite a INR 200 million EBITDA loss from peptides. R&D stayed at ~5.4% of sales.
- Net debt rose to INR 10,241 million on elevated capex, cash flow from operations improved to INR 1,937 million, and capex was INR 2,112 million in the quarter. FDA consultancy costs (about USD 2 million in Q2) are expected to taper materially in H2. Management expects a return to double-digit growth from FY27 as capacity and approvals normalise.

CDMO/Peptide Segment – Status & Outlook

- Customer interest across innovators, biotech and cosmetic peptide developers is strong; commercial supply contracts from Senn provide near-term visibility and the company expects conversion of feasibility programs into revenue over FY27–FY28.
- The long-lead nature of CDMO projects remains a factor, but management expects meaningful revenue ramp once initial projects convert.

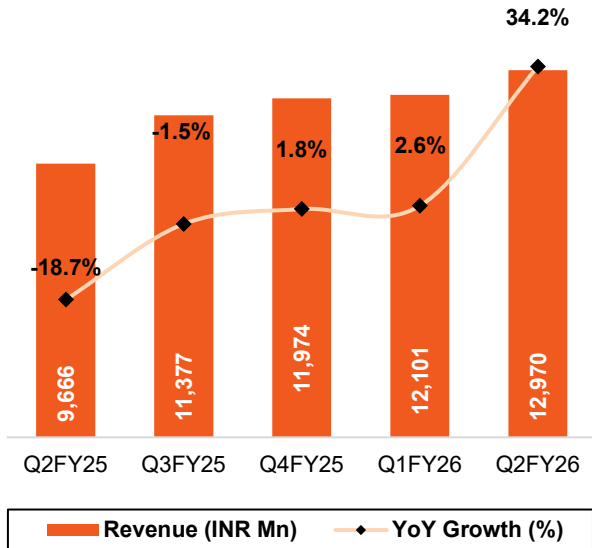
Headwinds & Management Outlook

- Near-term headwinds include Gagillapur constraints until FDA closure, EBITDA drag from peptide integration, elevated working capital and temporary ROCE dilution.

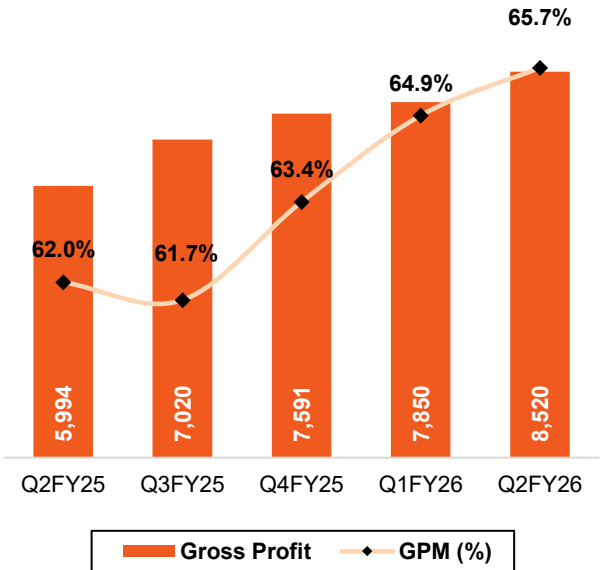
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Story in charts

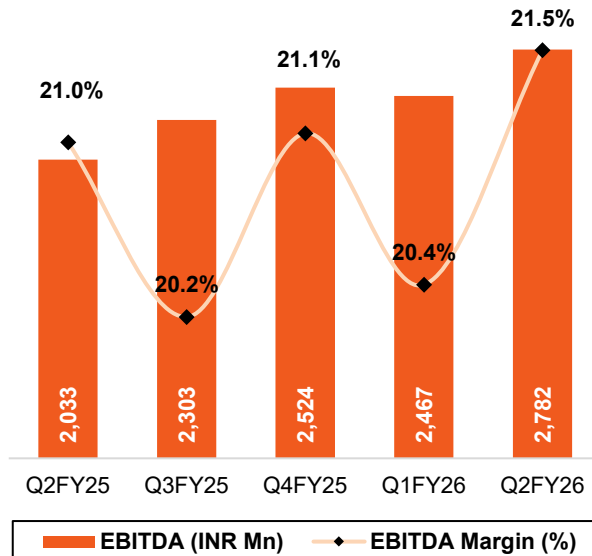
Revenue growth led mainly by stronger formulation sales in North America and Europe



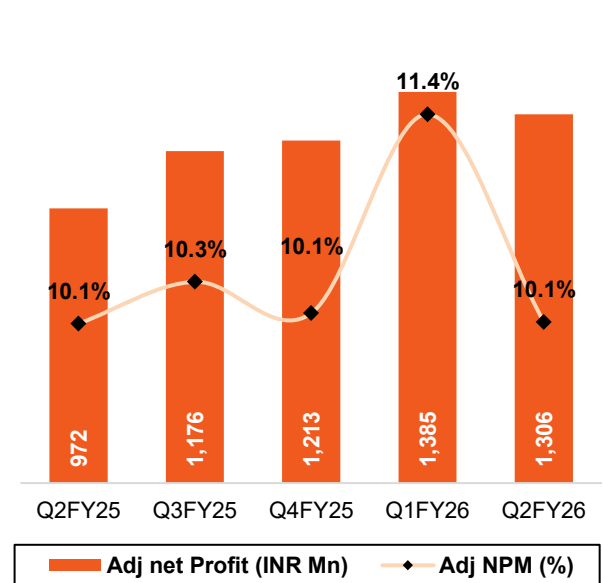
Gross margin expanded (YoY) with favourable mix



EBITDA margin improved (YoY) due to higher gross margin



Adj NPM flat YoY due to lower other income



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Sales	12,970	12,101	9,666	7.2%	34.2%
Total Expenditure	10,188	9,634	7,633	5.7%	33.5%
Cost of Raw Materials	4,978	4,285	3,625	16.2%	37.3%
Changes in Inventories	-528	-34	48	-1432.5%	1211.0%
COGS	4,450	4,251	3,672	4.7%	21.2%
Employee Cost	2,192	2,028	1,594	8.1%	37.5%
Other Expenses	3,546	3,356	2,367	5.7%	49.8%
EBITDA	2,782	2,467	2,033	12.8%	36.8%
EBITDA Margins (%)	21.5%	20.4%	21.0%	106 bps	42 bps
Depreciation	720	688	525	4.6%	37.1%
EBIT	2,062	1,779	1,508	15.9%	36.7%
Other Income	-11	163	33	-107.0%	-135.3%
Interest Expense	292	238	257	22.8%	13.7%
Exceptional Items	0	-259	0	-100.0%	NA
PBT	1,759	1,445	1,284	21.7%	37.0%
Tax	453	319	311	41.9%	45.3%
PAT	1,306	1,126	972	16.0%	34.3%
PAT Margins (%)	10.1%	9.3%	10.1%	76 bps	1 bps
EPS (Reported)	5.39	4.65	4.01	16.0%	34.3%
APAT	1,306	1,385	972	-5.7%	34.3%
EPS (Adjusted)	5.38	5.72	4.01	-5.9%	34.1%

Source: Company, DevenChoksey Research

Revenue Segments

Segment-wise Revenue (INR Mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue from operations	9,666	11,377	11,974	12,101	12,970
Active Pharmaceutical Ingredients (API)	1,420	1,393	1,483	1,627	1,705
Pharmaceutical formulation ingredients (PFI)	756	1,309	1,232	1,194	1,331
Finished Dosage (FD)	7,490	8,674	9,259	8,989	9,657

Segment-wise Revenue Mix (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue from operations	100.0%	100.0%	100.0%	100.0%	100.0%
Active Pharmaceutical Ingredients (API)	14.7%	12.2%	12.4%	13.4%	13.1%
Pharmaceutical formulation ingredients (PFI)	7.8%	11.5%	10.3%	9.9%	10.3%
Finished Dosage (FD)	77.5%	76.2%	77.3%	74.3%	74.5%

Segment-wise Revenue YoY (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Revenue from operations	-18.7%	-1.5%	1.8%	2.6%	34.2%
Active Pharmaceutical Ingredients (API)	-53.0%	-37.0%	-9.2%	-13.9%	20.1%
Pharmaceutical formulation ingredients (PFI)	-48.1%	-22.4%	-16.9%	19.8%	76.1%
Finished Dosage (FD)	1.0%	13.3%	7.1%	0.9%	28.9%

Source: Company, DevenChoksey Research

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Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	44,816	52,217	59,644	67,158
COGS	17,257	18,744	22,164	24,754
Gross profit	27,559	33,472	37,480	42,403
Employee cost	6,598	8,492	8,947	9,536
Other expenses	11,509	13,552	15,209	17,125
EBITDA	9,452	11,428	13,324	15,742
Depreciation	2,255	2,931	3,157	3,157
EBIT	7,197	8,496	10,167	12,585
Finance Costs	1,032	1,036	983	878
Other Income	129	233	179	201
PBT	6,602	7,953	9,363	11,908
Tax	1,587	1,829	2,341	2,977
PAT	5,015	6,124	7,022	8,931
EPS (INR)	20.7	25.3	29.0	36.8

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	8,666	9,101	8,806	10,927
Capex	(5,717)	(5,744)	(5,964)	(6,716)
Dividend	1,421	0	0	0
Change in Capital	473	500	(2,000)	(1,000)
Closing Cash	4,661	6,939	6,110	7,626
FCF	2,949	3,357	2,842	4,212

Exhibit 4: Key Ratio

INR Mn	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	61.5%	64.1%	62.8%	63.1%
EBITDA Margin%	21.1%	21.9%	22.3%	23.4%
ROE%	13.5%	14.3%	14.2%	15.5%
ROCE%	13.9%	14.7%	16.3%	18.1%
P/E	25.0	22.7	19.0	14.9
EV/EBITDA	14.5	12.0	10.3	8.7

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	243	243	243	243
Other Equity	36,913	42,585	49,065	57,308
Total Equity	37,156	42,827	49,308	57,550
Non-Current Liabilities				
Borrowings	4,707	4,707	3,707	3,707
Provisions	318	318	318	318
Other Non Current Liabilities	314	365	417	470
Total Non-Current Liabilities	5,338	5,390	4,442	4,495
Current Liabilities				
Borrowings	9,841	10,341	9,341	8,341
Trade Paybles	7,261	7,886	9,325	10,415
Other current liabilities	2,930	3,414	3,900	4,391
Total Current Liabilities	20,032	21,641	22,566	23,147
Total Liabilities	25,370	27,031	27,008	27,641
Non-Current Assets				
Property Plants and Equipments	22,174	24,987	27,794	30,990
Capital work-in-progress	4,369	4,369	4,369	4,369
Other Non current assets	4,827	5,203	5,581	5,963
Total Non-Current Assets	31,371	34,560	37,745	41,322
Current Assets				
Inventories	13,428	13,352	15,788	17,633
Trade Receivables	9,422	10,978	12,256	13,800
Cash and Bank	5,964	8,242	7,412	8,929
Oher current assets	2,341	2,727	3,115	3,508
Total Current Assets	31,155	35,299	38,571	43,869
Total Assets	62,526	69,859	76,316	85,192

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Granules India Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
17-Nov-25	550	588	ACCUMULATE
14-Aug-25	462	533	BUY
04-Jun-25	527	612	BUY
27-Jan-25	582	700	BUY
19-Aug-24	662	769	BUY
17-May-24	400	443	ACCUMULATE

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%

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