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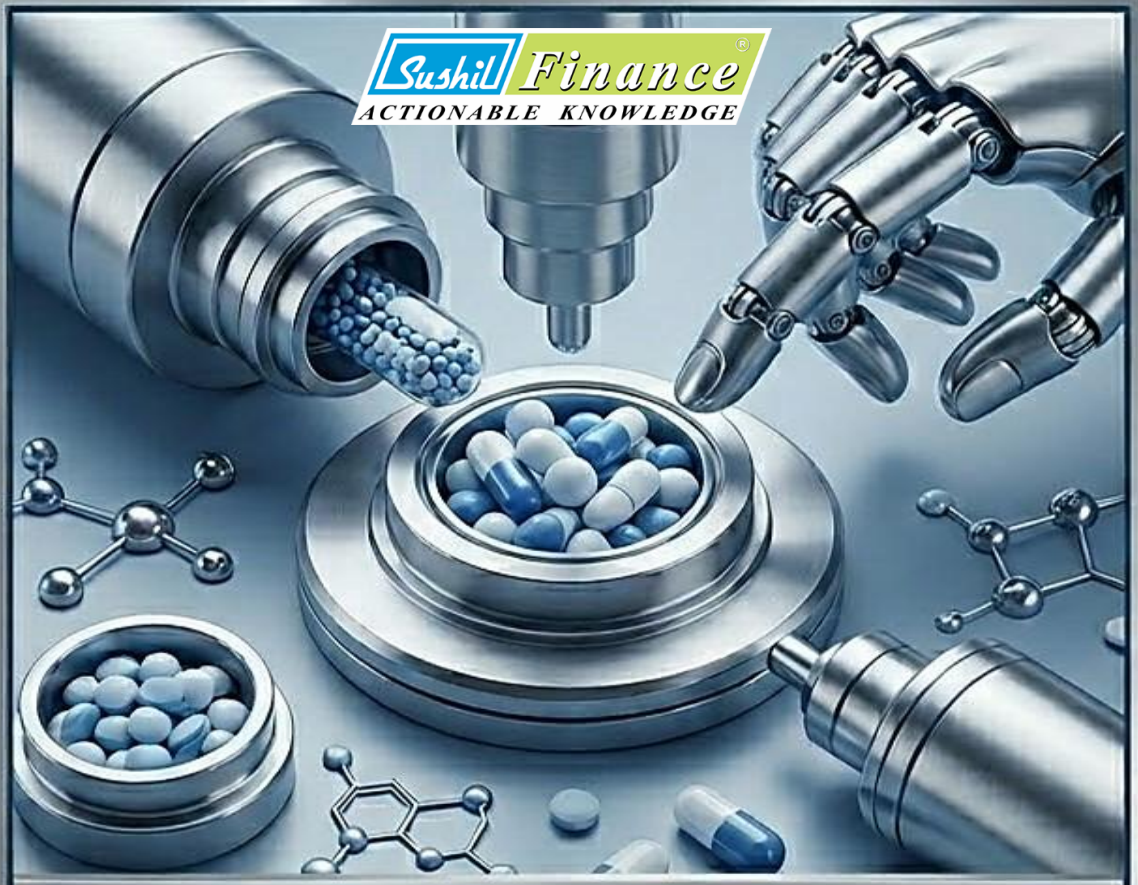


INITIATING REPORT

GRANULES INDIA LTD:

Evolving from API Roots to a Finished Dosage & CDMO Powerhouse

Date: June 11, 2026

Analyst: Umesh Matkar



Granules India Ltd

Market Cap.	52 Week H/L	CMP	Target Price
Rs. 18,852 Cr.	Rs. 804/433	Rs. 761	Rs.963

PHRM

BUY

Reuters Code	GRAN.BO
Bloomberg Code	GRAN IN
BSE Code	532482
NSE Symbol	GRANULES
Face Value	Rs. 1
Shares Outstanding	24.8 Cr.
Avg. Daily Vol. (6m)	1,141,495 Shares

Price Performance (%)

1M	3M	6M
1	31	37

200 Days EMA Rs.619

SHARE HOLDING (%)

Promoters	37.7
FII	15.3
FI/MF	13.3
Body Corporate	5.7
Public & Others	28.1

RESEARCH ANALYST
Umesh Matkar | +91 22 4093 4082
umesh.m@sushilfinance.com

SALES:
Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

Better product and expansion to drive growth

The company has decisively shifted its Finished dosage (FD) segment towards high value complex generics (Complex Gx). This transition into Central Nervous System (CNS) therapies, Attention-Deficit/ Hyperactivity Disorder (ADHD) controlled substances and oncology products establishes a sustainable, structurally higher floor for gross margins. Consolidated gross margins expanded by a staggering 355 basis points year-on-year go 65% in FY26. This margin expansion is not a cyclical, it is structural. High barrier therapies are insulated from the severe pricing degradation that typically impacts simple oral solid, ensuring that the profitability profile is not fragile. Apart from this, the company has set up a new greenfield manufacturing facility in Genome Valley with solid oral dosages and invested in R&D to build a strong drugs pipeline.

Strategic acquisition of Senn Chemicals and Ascelis Peptide CDMO

Granules has made a masterful entry into the high-growth peptide therapeutics and CDMO market through the acquisition of Switzerland-based Senn Chemicals AG for an Enterprise Value (EV) of approximately Rs. 450 cr. Operating under the newly formed subsidiary "Ascelis Peptides," this platform bridges European technological supremacy with Indian manufacturing scale. This segment provides a direct conduit into the explosive GLP-1 generic manufacturing opportunity. Granules managed to achieve EBITDA neutral within 4 quarters of the acquisition signals exceptional execution, robust existing client demand and total derisking of the integration process. The convergence of these three catalysts signifies that Granules earnings trajectory is no longer strictly bound by API commodity pricing. Instead, it is increasingly dictated by sticky CDMO contracts and high-barrier complex generics

OUTLOOK & VALUATION

Granules is currently positioned at a highly lucrative inflection point, undergoing a structural transformation from high volume, low margin manufacturer to a high-margin complex finished dosages, controlled substances and peptide Contract Development and Manufacturing Organization (CDMO). Going forward, we expect the company to deliver an EPS of Rs.35.7 in FY28; assigning a target multiple of 27x, we arrive at a target price of Rs.963 showcasing an upside potential of 27% from current levels with an investment horizon of 18-24 months.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)
FY25	4,481.6	945.2	21.1%	501.5	11.2%	20.7	36.9	4.1
FY26 P	**5,365.6**	**1,185.1**	**22.1%**	**595.0**	**11.1%**	**24.8**	**30.8**	**3.4**
FY27 E	**6,173.9**	**1,404.2**	**22.7%**	**738.3**	**12.0%**	**30.8**	**24.8**	**3.0**
FY28 E	**7,050.4**	**1,620.6**	**23.0%**	**855.9**	**12.1%**	**35.7**	**21.4**	**2.6**

COMPANY OVERVIEW

Granules originally founded in 1984 as Triton Laboratories by Mr.Krishna Prasad and Uma Chigurupati before formally incorporating in 1991, has grown from a specialized bulk drug exporter into a vertically integrated pharmaceutical leader. To support its expansive operations spanning Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs), and Finished Dosages (FDs), the company currently operates 11 global manufacturing facilities, comprising eight across India (including sites in Hyderabad and Visakhapatnam), two in the United States, and one in Switzerland. This robust infrastructure was strategically built out through vital past acquisitions, most notably the 2014 assimilation of Auctus Pharma to secure its API supply chain and the FY2025 acquisition of Swiss CDMO Senn Chemicals AG to break into the high-margin peptide development market. In an era defined by growing macroeconomic fragmentation and geopolitical uncertainties, an overarching 'Make in America' push threatens the imposition of tariffs on imported pharmaceuticals. Granules has proactively and brilliantly de-risked its supply chain through targeted capital deployment in the United States. The company operates a fully integrated packaging, formulation, and R&D facility in Chantilly and Manassas, Virginia, USA, through its subsidiaries Granules Pharmaceuticals Inc. (GPI) and Granules Consumer Health (GCH). By shipping highly dense PFIs or bulk APIs from its low-cost Indian facilities and concluding the final formulation and packaging in Virginia, Granules effectively localizes the final manufacturing step. This operational framework acts as a critical hedge against potential US import tariff risks associated with finished foreign pharmaceutical goods

During the year ended March 31, 2026,the company recorded sales of Rs.5,366 cr, growth of 19.7% yoy, with an EBITDA margin of 22% and a net margin of 11% resulting in an EPS of Rs.24. The company has low Debt/Equity of 0.3x and has been a consistent dividend paying company, with a dividend per share of Rs1.5. Of the total 24 cr shares outstanding, the promoters hold 38% while another 15.3% is owned by FIIs. DII stake in the company has increased from 6.7% in June 2023 to 17% in March 2026.

BUSINESS OVERVIEW

Granules India business comprises of three pillars, Active Pharmaceutical Ingredients (API), Pharmaceutical Formulation Intermediates (PFI) and Finished dosages (FD). This vertical integration provides strong control over the supply chain and yields high margins

The first pillar, **Active Pharmaceutical Ingredients (API)**, provides supply chain security. While the company was focusing on APIs for external sales, it gradually withdrew from low margin external API sales, increasing utilizing this output for captive internal consumption. By absorbing the API cost internally, Granules captures the entire margin spread when the molecules like Paracetamol, Metformin, Ibuprofen, Guaifenesin, and Methocarbamol is eventually sold as a Finished Dosage, maximizing the unit economics of the enterprise.

The second pillar, **Pharmaceutical Formulation Intermediates (PFI)** are essentially formulated ready to compress granular mixtures. By supplying the PFIs rather than APIs, Granules allows its clients to completely by pass the capital intensive granulation phase of drug manufacturing. The PFI generates exceptionally high customer switching costs. Once a customer incorporates a specific PFI into their ANDA (Abbreviated New Drug Application) with the USFDA, replacing Granules as a supplier requires a complex, expensive and time consuming regulatory filings. This establishes a durable competitive moat characterized by long-term contract reliability, superior pricing power, and deep operational entrenchment with B2B clients compared to raw, commoditized APIs.

The third pillar, **Finished dosages (FD)** involves the final compression, coating and packaging of the therapeutic drug. The Gagillapur facility and the newly operational Genome Valley facility serve as the primary growth engines. In FY26, the FD segment contributed an overwhelming 74% to total revenue, generating Rs. 3989.3 cr. The segment benefits from massive scale advantages, including the world's largest single-site Multi-Unit Pellet System (MUPS) facility, which represents a rare manufacturing moat

KEY INVESTMENT RATIONALE

Better product mix and expansion to drive growth

Granules has pivoted its business model into high barrier and low competition segment like Complex Generics and Peptide CDMO. Complex Gx share rose from 31% to 43% of FD in just one year (+1200 bps YoY in FY26). The efforts undertaken by formulation R&D for developing products like First to File (FTF) and NCE-1 are yielding results. The US Central Nervous System (CNS) and ADHD markets present uniquely high barriers to entry. Unlike standard generics, these products are subject to stringent US Drug Enforcement Administration (DEA) quota allocations and often require highly complex formulation requirements, such as extended-release mechanisms. DEA quotas inherently restrict the number of manufacturers capable of producing Schedule II (C-II) substances like amphetamine derivatives. This artificial supply constraint, combined with the technical difficulty of formulating extended-release profiles, guarantees superior pricing power and justifies a scarcity premium for GPI's operations. This regulatory moat provides a sustainable, high-margin floor for Granules' US operations. Driven by targeted R&D, Granules Pharmaceuticals Inc. (GPI) has ascended to the 4th position within the highly lucrative US controlled substance space, propelling GPI to the 27th position among all US generic companies by sales value in FY26 (up from the 74th position in FY21).

A significant historical constraint for Granules has been capacity limitations, which restricted European expansion and capped volume growth in complex dosages. The newly commissioned Genome Valley (GLS) facility, boasting a massive 10 billion dosage capacity, has received USFDA approval and commenced Rx product shipments. This facility effectively increases total formulation capacity by 40%, resolving previous supply constraints and unlocking substantial operating leverage. As capacity utilization ramps up over FY27 and FY28, the fixed cost absorption will drive disproportionate EBITDA growth relative to top-line expansion, yielding highly accretive incremental margins.

KEY INVESTMENT RATIONALE

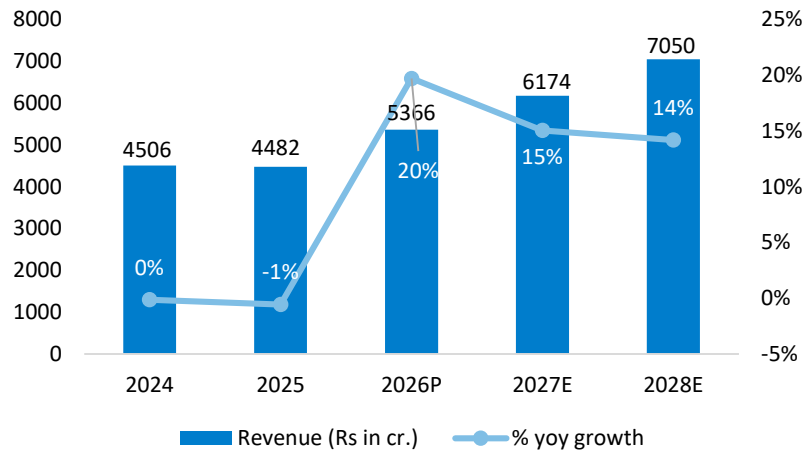
Strategic acquisition of Senn Chemicals and Ascelis Peptide CDMO

In April 2025, Granules acquired Senn Chemicals AG, a Swiss Contract Development and Manufacturing Organization with over 60 years of specialized expertise in Liquid-Phase Peptide Synthesis (LPPS) and Solid-Phase Peptide Synthesis (SPPS), for an Enterprise Value of Rs.450cr. It immediately bridges the critical gap between European technological supremacy and Indian manufacturing scale. By establishing a dual-site manufacturing network—retaining innovation, IP protection, and small-scale production in Zurich, Switzerland, while simultaneously building large-scale commercial manufacturing and a Peptide R&D Centre of Excellence at IIT Hyderabad, India—Granules creates a structural cost-arbitrage mechanism that pure-play Western CDMOs cannot easily replicate. Historically, CDMO assets require extensive gestation periods—typically 24 to 36 months—to yield positive operating margins due to the complexities of technology transfer, facility upgrades, and regulatory audits. Defying industry norms, the Senn Chemicals business achieved EBITDA positivity in Q3 FY26, and the entire Peptide CDMO platform (Ascelis) successfully reached EBITDA neutrality and delivered a positive EBITDA by Q4 FY26,

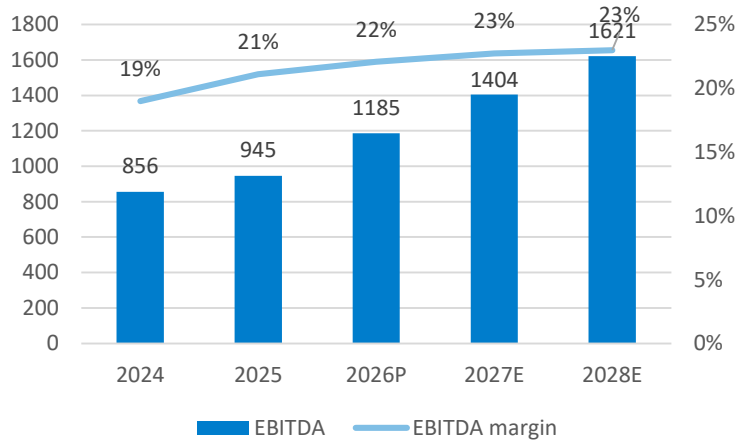
The GLP-1 Generic Opportunity: The global market for peptide-based anti-obesity and anti-diabetic therapies, driven primarily by Glucagon-Like Peptide-1 (GLP-1) receptor agonists (such as Semaglutide and Tirzepatide), is experiencing explosive growth. This specific market has already crossed $50 billion in annual sales and is projected to reach $100 bn to $150 bn by 2030. Granules is working on two GLP-1 based APIs, with additional peptide based APIs planned utilizing Senn’s established R&D capabilities. The barriers to entry in peptide manufacturing are notoriously high due to the complexity of amino acid chain synthesis and purification processes. Granules' proactive capability-building places it in a prime position to capitalize on the impending wave of GLP-1 generics

BUSINESS OVERVIEW

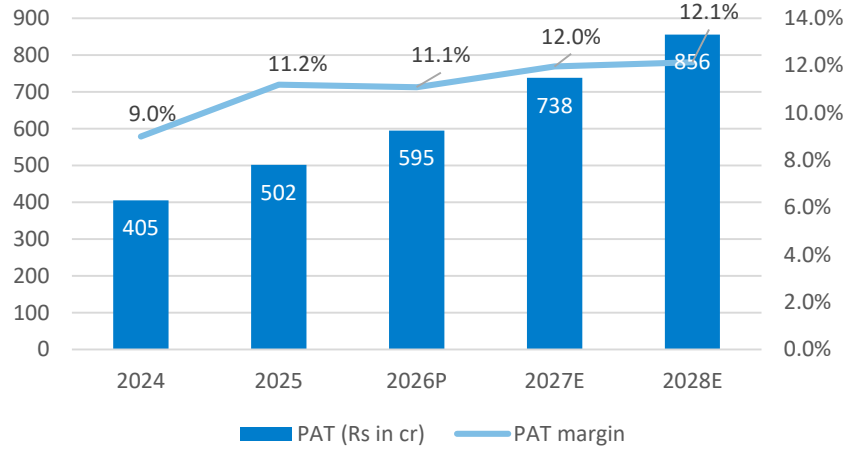
Revenue & Revenue Growth



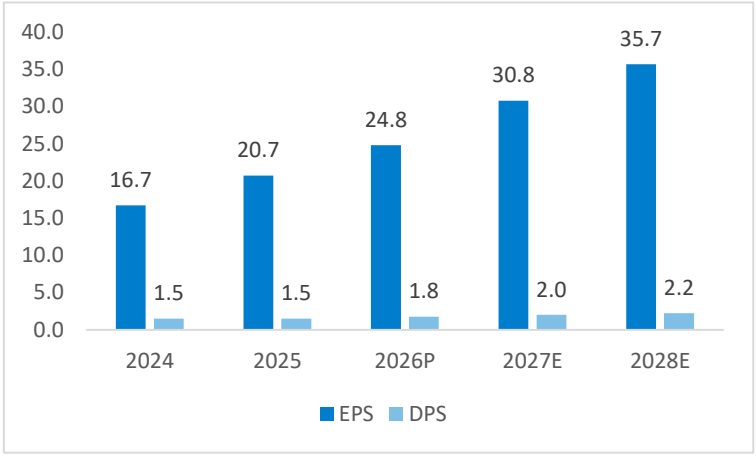
EBITDA & EBITDA Margin



Net Profit & Net Margin



Earnings & Dividend Per Share



Source: Company Data, Sushil Finance

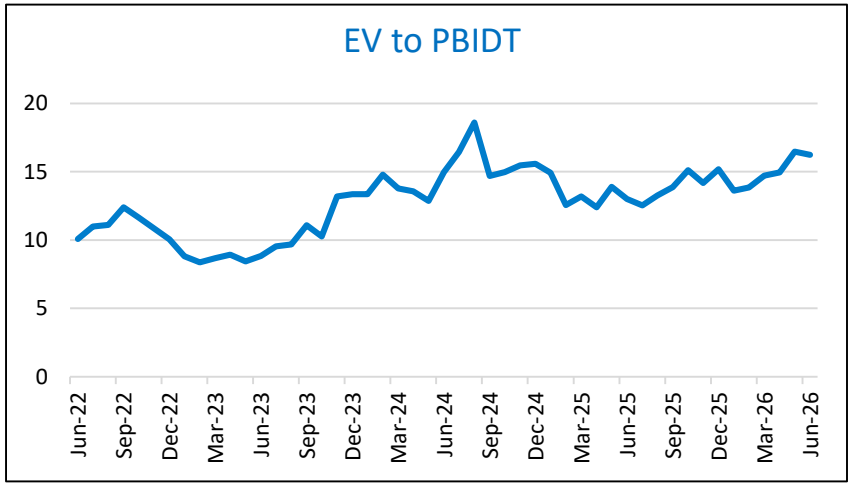
KEY RISKS

- Gagillapur facility has got warning letter from USFDA, after its inspection in August 2024. If the FDA clears the plant, it will result in the surge in revenue, as new products can be launched from the facility. On the other hand, if there is a downgrade to Official Action indicated (OAI), it will lead to halt of product launches. **Mitigation:** Management has actively de-risked this regulatory bottleneck by transferring select product filings to its US facilities and the newly approved, state-of-the-art Genome Valley (GLS) facility, ensuring supply continuity.

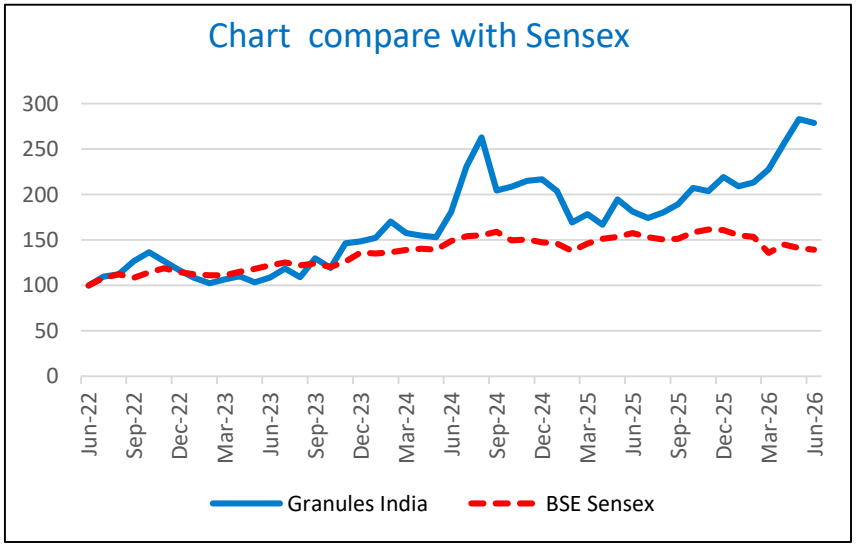
- In the past, the company was focusing on API (Active Pharma Ingredient) and its revenue was skewed towards Big 5 high volume molecules like Paracetamol, Metformin, Ibuprofen, Guaifenesin and Methocarbamol. These high volume and commoditized products are suspectible to fierce pricing pressure from Chinese API dumping and generic competition. **Mitigation :** Granules has reduced its exposure in API from 29% of revenue in FY23 to 12.7% in FY26 in favor of captive formulation, where the margins are significantly higher.

- The company in the recent years, have increased its share in high margin controlled substance portfolio. These drugs are in the shortage in the US and a quota is allotted to the companies on a yearly basis. Due to the current geopolitical situation and lower availability of freight, if the company is unable to meet the prescribed quota, it could impact the reputation and future contracts going forward.

MARKET INFORMATION









Source: Company, Sushil Finance Research

PEER COMPARISON

Company	Sales (Rs. Cr)	EBITDA Margin (%)	Net Margin (%)	D/E (x)	CMP* (Rs.)	52 Week H/L (Rs.)	Mkt Cap (Rs. Cr)	P/E (x) TTM	EV/ EBITDA (x) TTM
Emcure Pharmaceuticals Ltd	9,204	20.0%	10.0%	0.3x	1,745	1,830/ 1,229	33,130	35.0x	18.4x
Granules India Ltd	**5,366**	**22.0%**	**11.0%**	**0.3x**	**763**	**804/ 433**	**18,878**	**31.4x**	**16.1x**
Gland Pharma	6,431	25.0%	16.0%	0.03x	2,212	2,396/ 1,574	36,492	34.9x	17.2x
Neuland Labs	2,023	28.0%	18.0%	0.16x	16,998	19,748/ 11,500	21,808	59.9x	36.0x

Source: Company Data, Sushil Finance

Management Quality

Under the visionary leadership of Chairman & Managing Director Dr. Krishna Prasad Chigurupati, Granules has successfully transitioned from a localized, single-product API manufacturer to a highly respected global pharmaceutical entity. The management team has demonstrated a consistent, verifiable track record of executing complex strategic pivots. A prime example is the acquisition of Senn Chemicals. Management seamlessly integrated the Swiss asset, achieving EBITDA positivity in under 12 months. This highlights strong operational control, cultural integration capabilities, and strict capital discipline

PROFIT & LOSS STATEMENT

(Rs. Cr.)

Y/E Mar.	FY25	FY26P	FY27E	FY28E
Revenue	**4,482**	**5,366**	**6,174**	**7,050**
Raw Material Cost	1,726	1,876	2,238	2,539
Employee Cost	660	888	988	1,128
Other Expenses	1,151	1,416	1,543	1,763
EBITDA	**945**	**1,185**	**1,404**	**1,621**
EBITDA Margin (%)	*21.1%*	*22.1%*	*22.7%*	*23.0%*
Depreciation	226	296	321	367
Finance Costs	103	114	123	141
Other Income	13	20	25	28
Profit before Tax	**660**	**785**	**984**	**1,141**
Tax Expense	159	190	246	285
Net Profit	**502**	**595**	**738**	**856**
Net Margin (%)	*11.2%*	*11.1%*	*12.0%*	*12.1%*
EPS	**20.7**	**24.8**	**30.8**	**35.7**

Source: Company, Sushil Finance Research

BALANCE SHEET STATEMENT

(Rs. Cr.)

Y/E Mar.	FY25	FY26P	FY27E	FY28E
Net block	2,459	3,267	3,872	4,563
Other non-current assets	678	685	696	729
Inventories	1,343	1,673	1,946	2,208
Trade receivables	942	909	1,046	1,195
Cash and bank	596	949	639	538
Others Current assets	234	236	519	590
Total Assets	**6,253**	**7,720**	**8,718**	**9,823**
Equity Share Capital	24	25	25	25
Reserves	3,691	5,060	5,703	6,498
Borrowings	974	1,041	1,173	1,340
Other non-current liabilities	534	543	560	571
Trade Payables	726	673	829	907
Other Current Liabilities	303	378	429	483
Total Liabilities	**6,253**	**7,720**	**8,718**	**9,823**

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. Cr)

Y/E Mar.	FY25	FY26P	FY27E	FY28E
PBT	660	785	984	1,141
Depreciation	226	296	321	367
Taxes	(159)	(190)	(246)	(285)
Chg in Inventories	(42)	(330)	(273)	(262)
Chg in Investments			(247)	(35)
Chg in Trade Payables	(23)	(53)	156	78
Chg in Trade Receivables	44	33	(137)	(149)
Chg in Other Current Assets	(3)	1	(28)	(23)
Chg in Other Current Liabilities	3	10	5	7
Cash Flow from Operations	**867**	**793**	**829**	**1,181**
Capex	(694)	(831)	(926)	(1,058)
Others	37	44	(14)	(41)
Cash Flow from Investing	**(691)**	**(773)**	**(937)**	**(1,090)**
Interest	(103)	(114)	(123)	(141)
Others	(310)	485	(48)	(53)
Cash Flow from Financing	**(93)**	**380**	**(154)**	**(183)**
Opening Cash	**381**	**466**	**880**	**871**
Total Cash Flow	**82**	**399**	**(262)**	**(93)**
Closing Cash	**464**	**880**	**618**	**525**

Source: Company, Sushil Finance Research

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY25	FY26P	FY27E	FY28E
Growth (%)				
Revenue	-0.5%	19.7%	15.1%	14.2%
EBITDA	10.4%	25.4%	18.5%	15.4%
Net Profit	23.7%	18.6%	24.1%	15.9%
Profitability (%)				
EBITDA Margin	21.1%	22.1%	22.7%	23.0%
Net Profit Margin	11.2%	11.1%	12.0%	12.1%
ROCE	16.9%	15.8%	17.2%	17.7%
ROE	13.5%	11.7%	12.9%	13.1%
Per Share Data (Rs.)				
EPS	21	25	31	36
BVPS	155	212	239	272
Valuation (x)				
P/E	36.9	30.8	24.8	21.4
P/BV	4.9	3.6	3.2	2.8
EV/EBITDA	19.9	15.6	13.4	11.8
P/S	4.1	3.4	3.0	2.6
Turnover				
Inventory days	284	326	317	317
Debtor days	77	62	62	62
Creditor days	154	131	135	130
Gearing (x)				
D/E (x)	0.262	0.205	0.205	0.216

Source: Company, Sushil Finance Research

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%

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Sushil Financial Services Private Limited

Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Compliance officer / Grievance Officer : Mr. Suresh Nemani – Phone : +91 22-40935000 | Email : suresh.nemani@sushilfinance.com | Grievance Email - compliance@sushilfinance.com

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758 | Email : info@sushilfinance.com

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Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No