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**Sector : Pharmaceutical**



**Granules India**

**“Moving up the value chain.”**

**CMP : Rs 747**

**Target Price : Rs 1,010**

**Relative to sector: Outperformance**

**Upside : 35%**

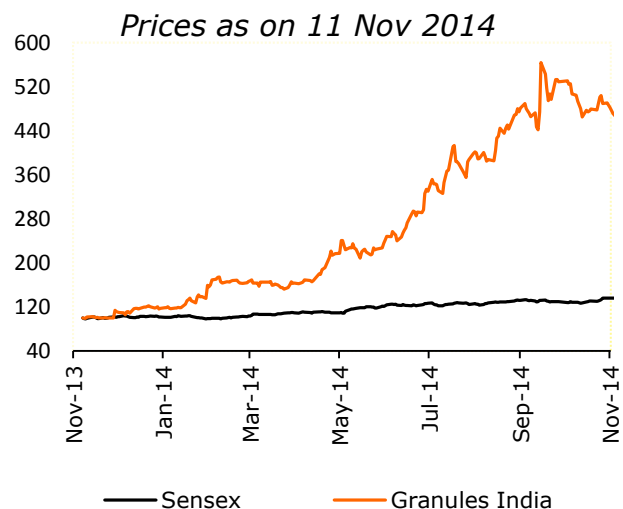
**Rashmi Sancheti**

**rashmi.sancheti@krchoksey.com**

**Phone no. : +91 22 6696 5568**

## Stock Details

CMP (Rs)	747
Market Cap (Rs in crs)	1,532
Market Cap ( \$ Bn)	0.24
52week High / Low (Rs)	941/163
3 month Avg Vol (nos)	244.4
Free Float (%)	51.26
Equity capital (Rs in crs)	20.4
Face value (Rs)	10
Price to book	4.3
Beta	0.6



## Shareholding Pattern

(%)	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13
Promoters	48.63	48.74	48.86	48.86	48.92
Institutions	6.08	4.05	1.69	1.54	1.54
FIIIs	0.44	0.44	0.18	0.08	0.08
Public & Others	45.08	46.77	49.27	49.52	49.46
Total	100	100	100	100	100

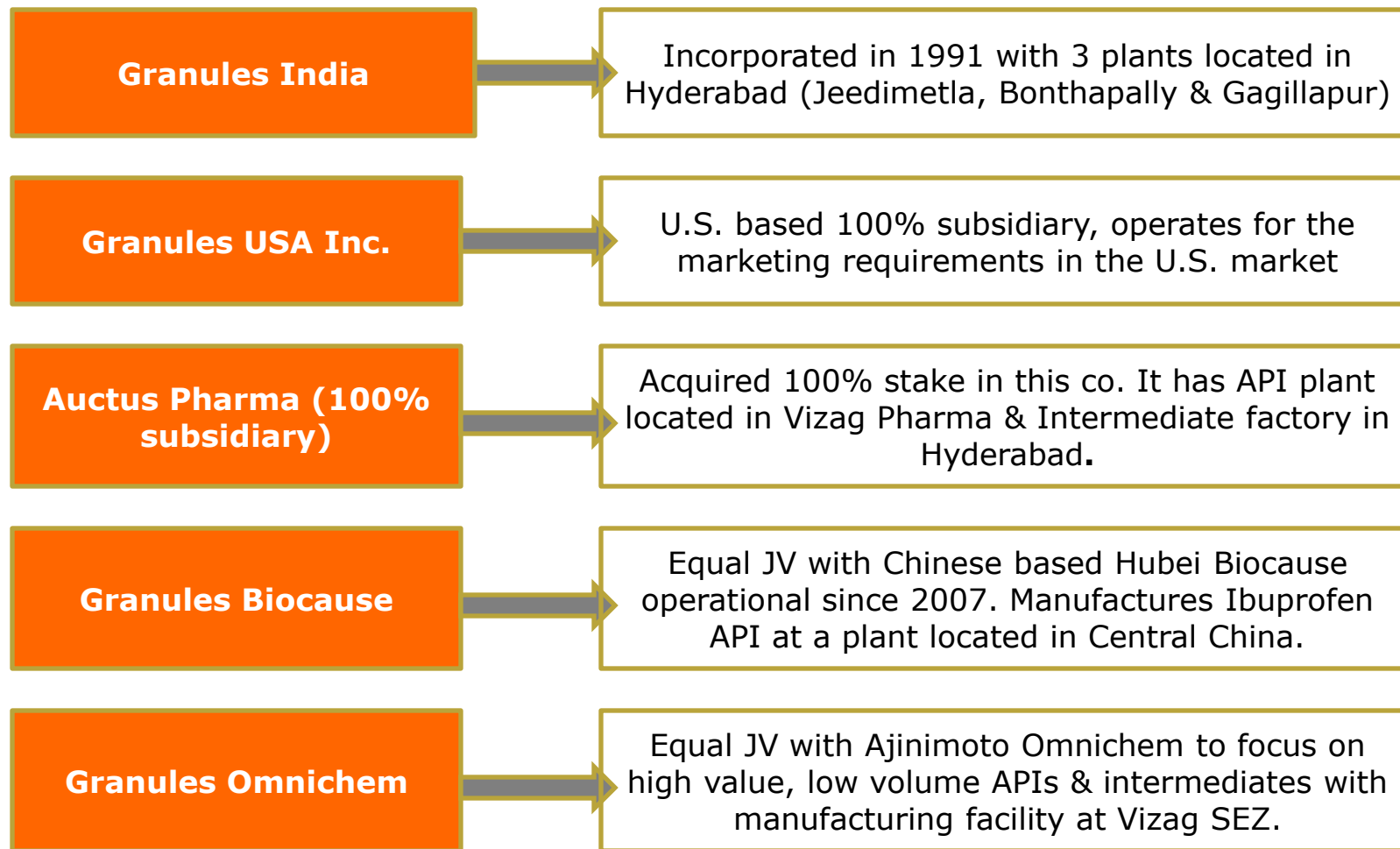
## Absolute Returns

	1M	3M	6M	12M
Granules	-10.50%	13.20%	102.60%	353.50%
Shasun Pharma	9.00%	23.80%	22.00%	155.20%
Dishman Pharma	-5.10%	11.70%	74.30%	84.20%
Marksans Pharma	16.80%	85.00%	173.20%	399.00%
Sensex	6.10%	9.40%	21.40%	36.20%
Nifty	6.40%	9.70%	21.90%	37.60%
CNX Pharma	10.20%	25.00%	42.20%	51.40%

## Granules India- Relative Returns

	1M	3M	6M	12M
CNX Pharma	10.20%	25.00%	42.20%	51.40%
Over Nifty	6.40%	9.70%	21.90%	37.60%
Over Sensex	6.10%	9.40%	21.40%	36.20%

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- Granules India has presence across the entire manufacturing value chain from active pharmaceutical ingredients (API) to pharmaceutical formulation intermediates (PFI) to finished dosages (FD) manufacturing, hence a strong integrated supplier for global customer.
  - Strong presence in 'first line of defense' products such as Paracetamol, Ibuprofen and Metformin.
  - All of its manufacturing facilities are U.S.FDA approved and it exports to over 300 customers across 60 countries.
  - North America and Europe account for 65% of revenue, while the balance comes from Latin America and ROW.
  - Company has showed revenue CAGR of 26% & PAT CAGR of 63% over FY09-14.
  - Entered into the high margin CRAMS business through JV with Ajinomoto Omnicem.
  - Recently acquired an API manufacturer with U.S.FDA approved facility, that will help diversify the product basket and also enable Granules to forward integrate. Granules management had taken over the operation of the acquired Company and started streamlining the operations.



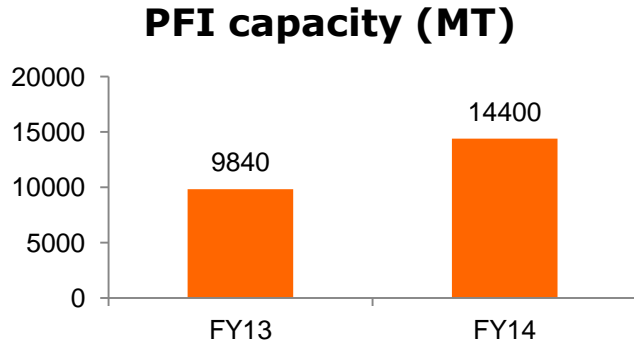
*Source: Company, KRChoksey Research*

Manufacturing facilities		
Product	Facility	Approvals
API	Bonthapally	U.S. FDA, EDQM, WHO GMP, ISO 14001:2004.
	Jeedimetla	U.S. FDA, KFDA, TGA, EDQM
	Jingmen, China	U.S. FDA, MHRA, EDQM, TGA, KFDA, Health Canada
PFI	Gagillapur	U.S. FDA, EDQM, TGA, GHCA
	Jeedimetla	HHA (Germany)
FD	Gagillapur	U.S. FDA, EDQM, TGA, GHCA
API (CRAMs) Omnichem	Vizag	US FDA , EDQM Compliant (Trial batches started)
API (Auctus)	Vizag & Hyderabad	U.S. FDA, EDQM, KFDA, WHO GMP, Health Canada

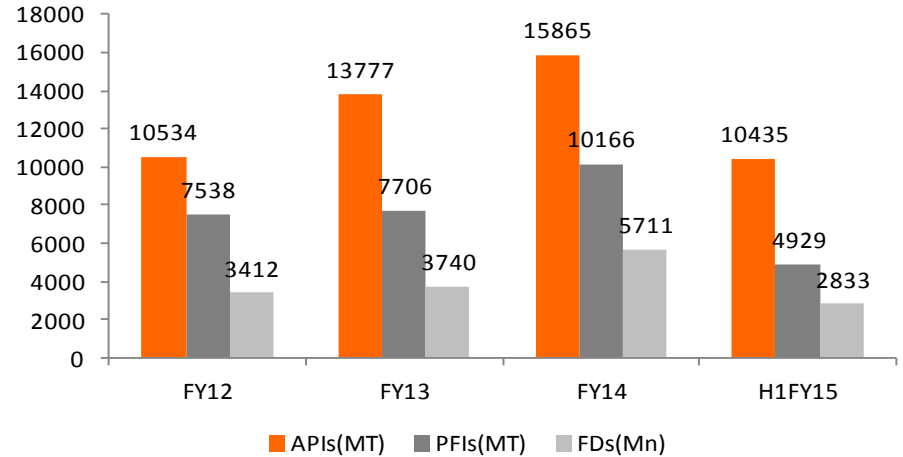
**Source: Company, KRChoksey Research**

API	PFI		Formulations	
	Single actives	Multiple actives	Single actives	Multiple actives
Paracetamol	Paracetamol	Paracetamol and Chlorpheniramine Maleate	Paracetamol	Ibuprofen and Methocarbamol
Ibuprofen	Ibuprofen	Paracetamol and Diphenhydramine HCl	Ibuprofen	Ibuprofen and Pseudoephedrine HCl
Guaifenesin	Guaifenesin	Guaifenesin and Ephedrine HCl	Guaifenesin	Ibuprofen, Pseudoephedrine HCl and Chlorpheniramine Maleate
Metformin	Metformin HCl	Paracetamol, Chlorpheniramine Maleate and Phenylephrine	Metformin	Paracetamol and Diphenhydramine HCl
Methocarbamol	Methocarbamol	Ibuprofen and Pseudoephedrine HCl	Methocarbamol	Paracetamol and Methocarbamol
Phenazopyridine	Naproxen	Trimethoprim and Sulphamethoxazole	Naproxen Sodium	Paracetamol, Phenylephrine HCl and Chlorpheniramine Maleate
	Naproxen Sodium		Chlorpheniramine Maleate	Paracetamol, Phenylephrine HCl and Dextromethorphan HBr
	Analgin		Dextromethorphan	Paracetamol and Phenylephrine HCl
	Ciproflaxacin		Diphenhydramine HCl	
	Gabapentin		Phenylephrine HCl	
	Gemfibrozil		Pseudoephedrine HCl	
	Glucosamine			
	Phenazopyridine HCl			

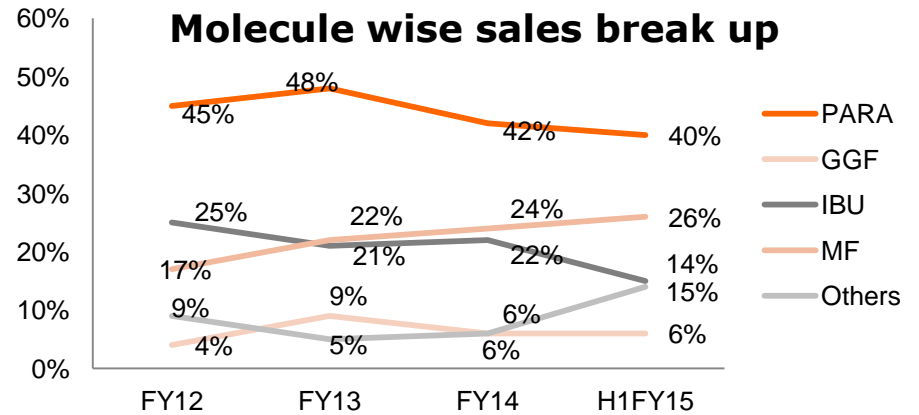
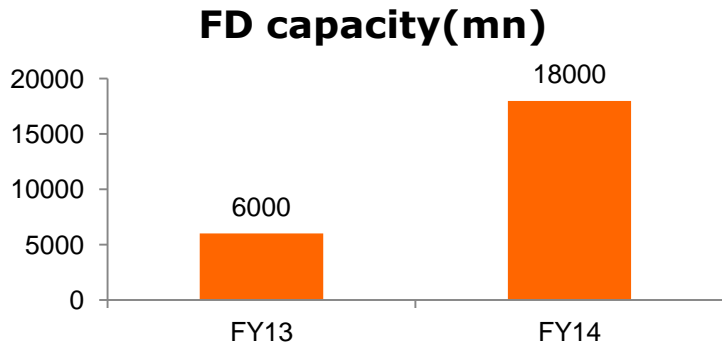
**New PFI facility commissioned in Q1FY14**



**Actual production of API, PFI and FD (Standalone)**

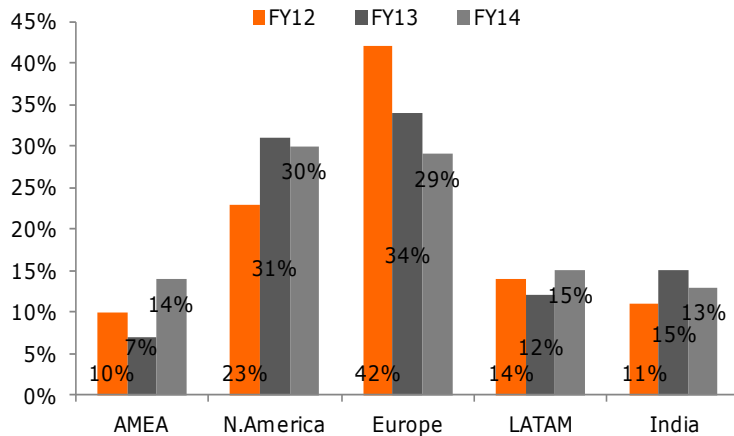


**New FD facility commissioned in Q1FY14**

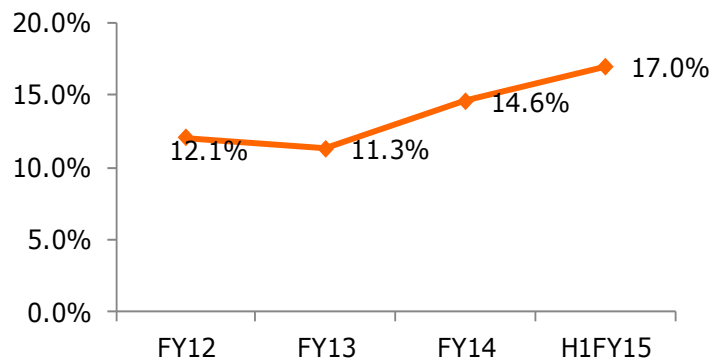


Source: Company, KRChoksey Research

## Strong presence in regulated markets



## Improvement in Operating margins



Source: Company, KRChoksey Research

## Revenue Breakup

INR Crs	FY10	FY11	FY12	FY13	FY14	H1FY15
API	234	220	270	337	428	271
% of sales	50.8	46.4	41.3	44.0	39.1	43.8
PFI	189	155	195	216	321	145
% of sales	41.1	32.6	29.8	28.2	29.3	23.4
FD	38	100	190	213	347	203
% of sales	8.1	21.1	29.0	27.8	31.7	32.8
<b>Total</b>	<b>461</b>	<b>475</b>	<b>654</b>	<b>765</b>	<b>1096</b>	<b>619</b>

There has been very good growth in FDs sales over the last four years as the Company received customer approvals. API sales have grown as the Company continues to de-bottleneck capacity. There was an increase in direct API sales in FY13 because new formulation capacity enhancement was delayed. In FY14, new capacity was commissioned which has led to increased formulation sales. Going forward we expect the increase in formulation sales.

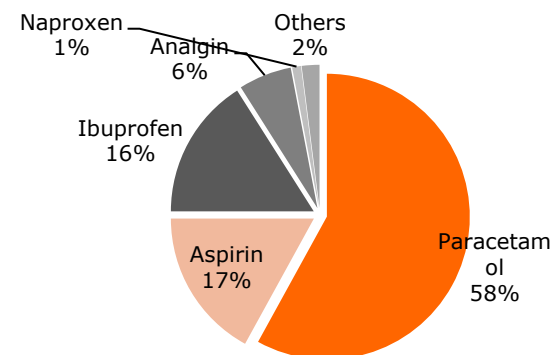


# Dominant share in first line of defense molecules

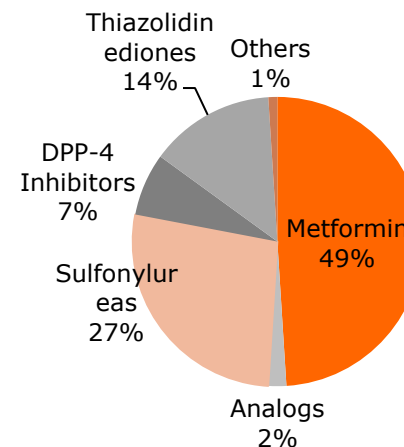
Paracetamol (in TPA)			
Market	Demand	Supply	Supply Gap
Regulated Mkts	46,500	44,200	2,300
ROW Mkts	53,500	97,000	-43,500
Paracetamol Regulated Mkt Suppliers (TPA)			
Mallinckrodt		25,000	56%
Granules		13,200	30%
Novocel		6,000	14%
Ibuprofen Suppliers (TPA)			
Shasun		6,000	20%
IOL Chemicals		6,000	20%
Albemarle		5,200	17%
BASF		5,000	17%
Granules Biocause		4,800	16%
Metformin Suppliers (TPA)			
Granules		1,800	5%
USV Ltd		10,100	28%
Wanbury		9,000	25%
Harman		6,000	17%
Methocarbamol Suppliers (TPA)			
Granules		200	20%
Synthochem		250	25%
Guaifenesin Suppliers (TPA)			
Granules		1,200	26%
Synthochem		800	17%
Market Demand Growth (%)			
Paracetamol	2.7		
Ibuprofen	4		
Metformin	12		

**Source: Company, KRChoksey Research**

### Analgesic molecule wise market share



### Antidiabetes Molecule wise market share



## Core business to continue to show steady growth

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- Company has presence across the value chain & offers APIs, PFIs & FDs thus giving the customer flexibility and choice.
  - It generates revenues of around 42%-Paracetamol, 24%-Metformin, 22%-Ibuprofen, 6%-Guaifenesin & 6% from other molecules.
  - Company showed 32% revenue CAGR from this segment over FY11-14.
  - Granules plays in 75% of the overall analgesics and 49% of the overall diabetes market.
  - Paracetamol and Metformin respectively have maintained their status as first line of defense for these segments and have no direct replacement in the pipeline.
  - Company has commercialised Abacavir (Anti-HIV) API in Emerging markets. Market size of Abacavir in US is around USD1.5bn & in EMs around USD200mn. Mylan, Hetero, Aurobindo & Apotex are the 4 players in this market. Company expects additional 4-5 API supplies in H2FY15 which are low competition market.
  - We believe company will be able to show steady growth on account of new product introductions & no immediate threat to traditional products of being replaced. We expect revenue CAGR of around 17% over FY14-17E & operating margins of around 17.5-18%.
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## **PFI & FDs contribution to sales to increase with having APIs supply security.**

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- FDs and PFIs are high margin business compare to APIs.
  - Granules' strategy is to securing API's supply & making high margin PFIs & FDs along with supplying to long standing customers not only APIs but also formulations & PFIs.
  - There has been very good growth in FDs sales over the last four years as the company received continuous customer approvals.
  - In FY14, new capacity was commissioned which has led to increased formulation sales. Customers started allocating larger wallet share to Granules since the Company has commissioned its additional capacity.
  - Management guided FDs sales to increase to 40%, 30-35% from PFIs & rest from APIs by FY16 on standalone basis. Capacity expansion in existing facilities will drive growth in PFI & FDI sales. Capacity of PFI facility has been expanded from 9840MT to 14400MT & FD facility from 6bn to 18bn.
  - Sales contribution from FDs will reach 65% at peak level in 5yrs time.
  - Going forward we believe company will continue its momentum from the existing and newly commissioned facilities which will lead to topline growth, utilization as well as margin improvement.
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## Granules Omnicem JV

- Granules has set up a 50-50 JV company with Belgium based Omnicem in July 2011 which is a part of the Ajinomoto Group.
- The JV is setting up a facility in Vizag SEZ for manufacturing of high-value APIs for existing customers of Omnicem on a contract manufacturing basis.
- Some of the therapeutic which the JV will be catering to - Antipsychotic, Antiretroviral, Platelet aggregation inhibitor, Cancer, Antiinflammatory, Epilepsy and Migraines.

- JV has been set up for manufacturing high-value, low volume APIs & intermediates for existing customers.
- Low cost manufacturing is the main aim behind forming the JV as Omnicem's partner can retain partial market share in the products which goes off patent if produced at lower cost.
- The JV has an established customer base through Omnicem's marketing efforts.
- The plant has commissioned trial production & will initially focus on intermediates. Validation batches will be produced in H2FY15 to trigger USFDA & EU inspection. Company expects mass scale production of high value APIs to start before FY17 end & in the interim will supply API intermediates on opportunistic basis. We believe Sales from Omnicem will start contributing significantly post FY17.
- We believe Granules will have an opportunity to manufacture formulations of the JV APIs.
- Peak sales are expected to be around Rs550crs through this JV & operating margins of around 25% by FY20. We believe this JV will contribute significantly to earnings in near future

## Acquired- Auctus Pharma

- Evaluated the opportunity to add more molecules to its existing basket and identified an API & intermediates manufacturing company- Auctus Pharma which had product mix of Intermediates(80%) & API(20%)
- Auctus had a top line of Rs108crs in FY14 with a loss of Rs6.4crs. The loss was mainly due to plant shutdown.
- The consideration paid for the acquisition is Rs 120crs.
- Auctus has a manufacturing range of 14 products from different therapeutic areas including Antihistaminic, Antihypertensive, Antithrombotic, Anticonvulsant, Antiviral , Platelet aggregation inhibitor, Analgesic, Systemic Antifungal, Anti-ulcerative, Neuropathic pain agent, Anti-infective and Antiviral.

- Granules expects to improve Auctus' profitability by removing manufacturing and procurement efficiencies.
- Granules' strategy is to continue producing API in-house and then gradually shift into the formulations of the same molecule.
- Granules is expected to bank on assured API supply from Auctus & to file 3 ANDAs during FY15 & 7 ANDAs in FY16.
- Management has guided Rs 130-140crs sales from Auctus in FY15 & to increase to Rs300crs by FY18.
- Currently margins are very low at around 8-9%.
- Granules is focusing on improving the product mix with more focus on regulated markets which will help operating margins to expand going ahead.
- We expect sales of around Rs 120crs & Rs 200crs in FY15 & FY16 respectively. We believe Auctus would breakeven in FY15 and generate incremental profits in FY16. We expect strong growth trajectory from turning around of Auctus and expect margins to improve significantly to 13-15% from 8-9%.

## Global Market Volume, Value and Growth

Product	Val - \$bn	Vol - MT
Valsartan	8.7	1,054
Clopidogrel	5.2	572
Pregabalin	4.8	342
Olmesartan	4.5	97
Pantoprazole	3.4	338
Losartan	3.2	662
Telmisartan	3.1	259
Cetirizine	1	58
Fluconazole	1	87
Rifaximin	0.8	85
Levocetirizine	0.6	15
Doxylamine	0.6	40
<b>Total</b>	<b>36.9</b>	

- The company's 22 regulatory filings include 8 European filings, 4 USDMFs, 3 South Korean DMFs, 3 IDL China, 2 Health Canada, 1 Italy and 1 Spain.
- **Long-term strategy**  
Supply APIs to customers in the regulated markets and convert them into Finished Dosage customers.

Source: Company, KRChoksey Research



## Sales Break up

Sales INR Crs	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Granules	412	574	662	957	1047	1278	1527
% of sales	86.7	87.7	86.6	87.3	80.4	78.9	77.7
% gr	0.0	39.2	15.4	44.5	9.5	22.0	19.5
Biocause JV	63	80	102	132	136	141	147
% of sales	13.3	12.3	13.4	12.0	10.4	8.7	7.5
% gr	0.0	27.5	27.6	28.8	3.0	4.0	4.0
Auctus	0	0	0	7	120	200	240
% of sales	0.0	0.0	0.0	0.7	9.2	12.4	12.2
% gr	0.0	0.0	0.0	0.0	0.0	140.7	33.8
Omnichem JV	0	0	0	0	0	0	50
% of sales	0.0	0.0	0.0	0.0	0.0	0.0	2.5
% gr	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	475	654	765	1096	1303	1619	1964

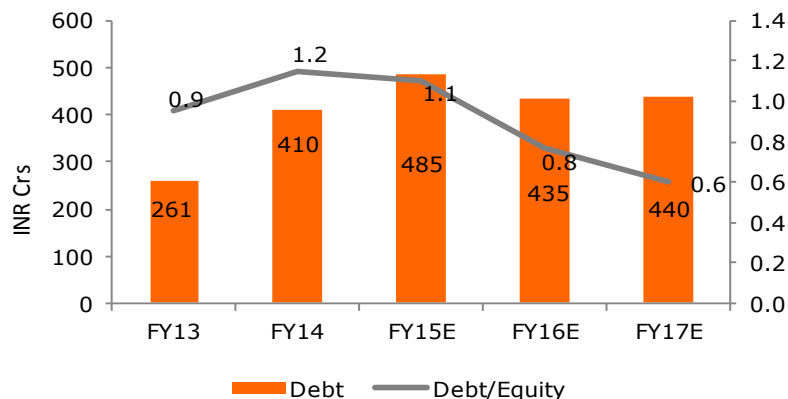
**Source: Company, KRChoksey estimates**

# EBITDA break up

<b>EBITDA Est. INR Crs</b>	<b>FY15E</b>	<b>FY16E</b>	<b>FY17E</b>
<b>Granules</b>	<b>200</b>	<b>249</b>	<b>298</b>
% of sales	19.1	19.5	19.5
% gr	23.0	24.7	19.5
<b>Biocause JV</b>	<b>11</b>	<b>11</b>	<b>12</b>
% of sales	8.0	8.0	8.0
% gr	3.0	4.0	4.0
<b>Auctus</b>	<b>11</b>	<b>26</b>	<b>35</b>
% of sales	9.0	13.0	14.5
% gr	-	140.7	33.8
<b>Omnichem JV</b>	<b>0</b>	<b>0</b>	<b>7</b>
% of sales	0.0	0.0	14.2
% gr	0.0	0	0
<b>Total</b>	<b>222</b>	<b>287</b>	<b>352</b>
<b>% of sales</b>	<b>17.0</b>	<b>17.7</b>	<b>17.9</b>

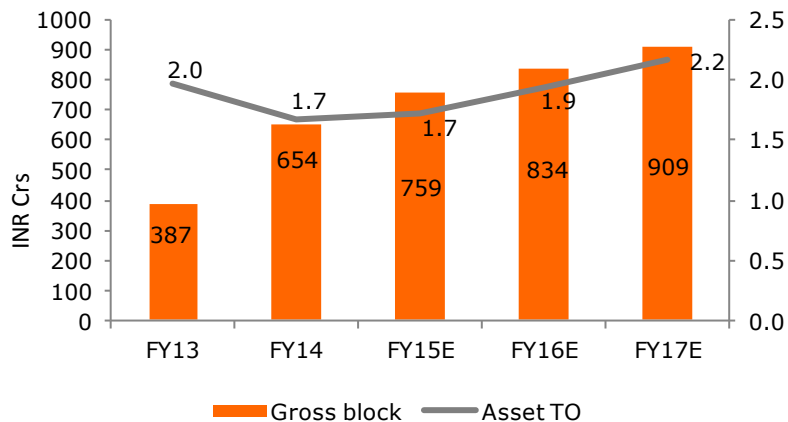
*Source: Company, KRChoksey estimates*

### Debt-equity profile

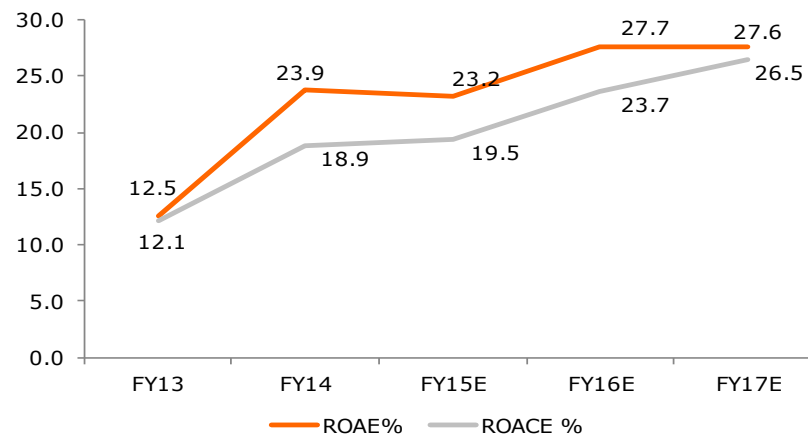


Total debt to equity ratio stands at 1.2 for FY14. Due to draw down of debt for the PFI, FD facility expansion and the debt draw down for Granules Omnichem JV. Also debt drawn down for the Auctus acquisition in FY14. Once the repayment commences, it is estimated to have a <1 debt equity within two years.

### Healthy asset turnover ratio



### Return ratios



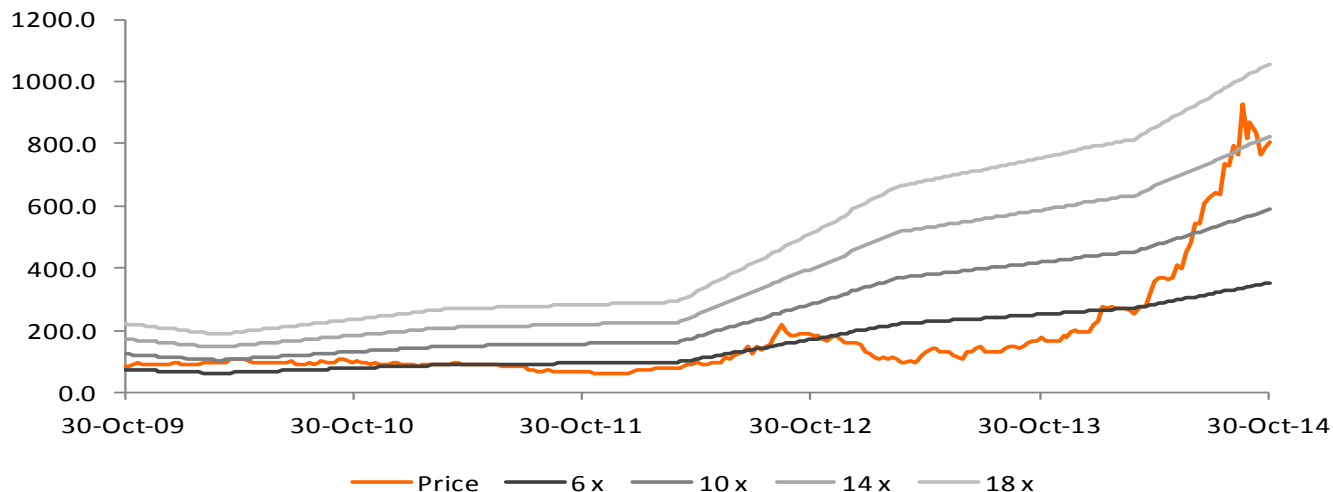
**Source: Company, KRChoksey Research**

Company	CMP	Mkt cap INR Crs	EPS			P/E			EV/EBITDA			ROE		
			FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E	FY14	FY15E	FY16E
Granules	747	1541	37.1	45.2	68.0	20.1	16.5	11.0	20.4	11.9	8.7	23.9%	23.2%	27.7%
Shasun	200	1206	6.2	7.3	9.1	32.3	27.4	22.0	17.4	12.9	10.7	11.7%	12.2%	13.2%
Marksans	63	2441	1.9	2.4	3.1	33.3	26.1	20.6	21.2	16.2	12.9	71.3%	45.0%	39.7%

**Source: Bloomberg estimates, KRChoksey Research**

At CMP of Rs 747 stock is currently trading 16.5x FY15E & 11.0x FY16E EPS. Granules is trading at discount to its peers considering the growth capabilities and strong business model. It has the best return ratios and growth potential compared to peers like Shasun Pharma and Marksans Pharma.

## PE Band



**Source: Company, KRChoksey Research**

### Valuation & Outlook

Granules India has achieved 28% CAGR in revenues & 39% CAGR in earnings over past 10 years. We expect the company to continue its growth momentum on account of moving up the value chain towards high margin business, improved capacity utilisation & capitalising Auctus Pharma's portfolio. We expect revenue & earnings CAGR of around 21% & 33% respectively over FY14-17E. With strong revenue growth & increase in margins we expect ROAE to improve from 23.9% in FY14 to 27.6% in FY17E & ROACE to improve from 18.9% to 26.5%. At CMP 747 the stock is trading at 11.0x of FY16E & 8.5x of FY17E EPS. We initiate coverage on the stock & recommend 'BUY' rating with the target price of Rs1010 based at 13x one year forward earnings of Rs77.7).

## Income Statement

<b>INR Crs</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15E</b>	<b>FY16E</b>	<b>FY17E</b>
<b>Revenues</b>	<b>764</b>	<b>1096</b>	<b>1303</b>	<b>1619</b>	<b>1964</b>
Op. Expenses	679	938	1082	1333	1613
<b>EBITDA</b>	<b>85</b>	<b>158</b>	<b>222</b>	<b>287</b>	<b>352</b>
Other Income	2	4	2	2	2
Depreciation	23	30	51	52	56
<b>EBIT</b>	<b>64</b>	<b>133</b>	<b>173</b>	<b>237</b>	<b>297</b>
Interest	18	20	36	31	33
<b>PBT</b>	<b>46</b>	<b>112</b>	<b>137</b>	<b>206</b>	<b>265</b>
Tax	14	37	45	68	87
<b>PAT</b>	<b>33</b>	<b>75</b>	<b>92</b>	<b>138</b>	<b>177</b>
Minority	0	0	0	0	0
Sh. of Associates	0	0	0	0	0
Ex. ordinary	0	0	0	0	0
<b>Adj Pat</b>	<b>33</b>	<b>75</b>	<b>92</b>	<b>138</b>	<b>177</b>

*Source: Company, KRChoksey Estimates*

## Balance Sheet

INR Crs	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	20	20	20	20	20
Reserves & Surplus	255	336	416	540	703
<b>Total Shareholders Fund</b>	<b>275</b>	<b>356</b>	<b>436</b>	<b>561</b>	<b>724</b>
Minority Interest	0	0	0	0	0
<b>Non- current liabilities</b>	<b>202</b>	<b>344</b>	<b>374</b>	<b>314</b>	<b>309</b>
Long term Borrowings	175	309	339	279	274
Deferred tax liabilities	24	30	30	30	30
Other LT liabilities & prov	2	4	4	4	4
<b>Current Liabilities</b>	<b>206</b>	<b>293</b>	<b>348</b>	<b>422</b>	<b>481</b>
Short-term borrowings	85	101	146	156	166
Trade payables	92	136	136	166	200
Other cur liabilities & Prov	28	56	67	101	115
<b>Total Liabilities</b>	<b>683</b>	<b>992</b>	<b>1158</b>	<b>1296</b>	<b>1514</b>
<b>Assets</b>					
<b>Non- current Assets</b>	<b>389</b>	<b>612</b>	<b>693</b>	<b>731</b>	<b>765</b>
Fixed assets	372	607	688	727	760
Non-current investments	0	0	0	0	0
Long-term loans & adv	16	4	4	4	4
Other non-current assets	0	0	0	0	0
<b>Current assets</b>	<b>289</b>	<b>377</b>	<b>461</b>	<b>562</b>	<b>745</b>
Current investments	9	0	0	0	0
Trade receivables	71	111	125	155	188
Inventories	136	174	207	244	296
Cash & bank balances	42	42	74	103	197
Short-term loans & adv	4	12	17	21	26
Other current assets	26	38	38	38	38
Miscellaneous exo WTO	5	4	4	4	4
<b>Total Assets</b>	<b>683</b>	<b>992</b>	<b>1158</b>	<b>1296</b>	<b>1514</b>

## Financials contd. . .

### Cash Flow

<b>INR Crs</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15E</b>	<b>FY16E</b>	<b>FY17E</b>
PBT	46	112	137	206	265
Depreciation	23	30	51	52	56
Interest Exp	18	20	36	31	33
Others	1	0	0	0	0
<b>CF before W.cap</b>	<b>88</b>	<b>163</b>	<b>224</b>	<b>289</b>	<b>354</b>
Inc/dec in W.cap	15	-31	-41	-7	-40
<b>Op CF after W.cap</b>	<b>102</b>	<b>132</b>	<b>183</b>	<b>281</b>	<b>313</b>
Less Taxes	-11	-24	-45	-68	-87
<b>Others</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net CF From Operations</b>	<b>91</b>	<b>108</b>	<b>137</b>	<b>213</b>	<b>226</b>
Inc/(dec) in F.A + CWIP	-116	-265	-132	-90	-90
(Pur)/sale of Investments	-9	9	0	0	0
<b>Others</b>	<b>-2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CF from Invst Activities</b>	<b>-128</b>	<b>-255</b>	<b>-132</b>	<b>-90</b>	<b>-90</b>
Loan Raised/(repaid)	50	150	39	-81	-28
Equity Raised	1	1	0	0	0
Dividend	-5	-5	-12	-13	-14
<b>CF from Fin Activities</b>	<b>46</b>	<b>147</b>	<b>27</b>	<b>-94</b>	<b>-42</b>
Net inc /(dec) in cash	10	0	32	29	94
<b>Op. bal of cash</b>	<b>32</b>	<b>42</b>	<b>42</b>	<b>74</b>	<b>103</b>
<b>Cl. balance of cash</b>	<b>42</b>	<b>42</b>	<b>74</b>	<b>103</b>	<b>197</b>

Source: Company, KRChoksey Estimates



# Financials contd. . .

## Financial Ratios

Particulars	FY13	FY14	FY15E	FY16E	FY17E
<b>Per share Rs.</b>					
EPS	16.2	37.1	45.2	68.0	87.5
CEPS	27.7	51.8	70.3	93.4	115.3
BVPS	136.6	175.5	214.9	276.4	356.9
DPS	2.3	4.1	5.9	6.4	7.0
Payout (%)	14.5	11.0	12.9	9.5	8.0
<b>Valuation (x)</b>					
P/E	46.2	20.1	16.5	11.0	8.5
P/BV	5.5	4.3	3.5	2.7	2.1
EV/EBITDA	21.0	20.4	11.9	8.7	6.4
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
<b>Return ratio (%)</b>					
EBIDTA Margin	11.1	14.4	17.0	17.7	17.9
PAT Margin	4.3	6.9	7.0	8.5	9.0
ROAE	12.5	23.9	23.2	27.7	27.6
ROACE	12.1	18.9	19.5	23.7	26.5
<b>Leverage Ratios (x)</b>					
Long Term D/E	0.6	0.9	0.8	0.5	0.4
Net Debt/Equity	0.8	1.0	0.9	0.6	0.3
Debt/EBITDA	3.1	2.6	2.2	1.5	1.3
Interest Coverage	3.5	6.3	4.8	7.5	9.1
Current ratio	2.3	2.0	2.3	2.1	2.4
<b>Growth Ratios (%)</b>					
Income growth	16.9	43.4	18.9	24.2	21.3
EBITDA growth	7.2	86.2	40.0	29.4	22.7
PAT growth	8.7	131.0	21.9	50.3	28.8
<b>Turnover Ratios</b>					
F.A Turnover x	2.0	1.7	1.7	1.9	2.2
Inventory Days	59	52	53	51	50
Debtors Days	40	30	33	32	32
Payable days	65	64	66	60	60

**Source: Company, KRChoksey Estimates**

## Management team

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- **Mr. C. Krishna Prasad - Managing Director**

Mr. Prasad is the Founder of Granules and has three decades of experience in the pharmaceutical industry. In 1984, he set up a Paracetamol manufacturing facility, focused on capital and process efficiency and his company became only the 2nd Indian company to export to the US after Dr.Reddy's. This facility which supplies APIs for reputed Paracetamol brands in Regulated Markets, is now part of Granules, a company Mr. Prasad set up to manufacture Pharmaceutical Formulations Intermediates (PFIs) as a cost efficient product for global formulations manufacturers, a concept pioneered and popularized by him.

- **Mrs. Uma Chigurupati – Executive Director**

Mrs. Uma has rich experience of 29 years in various fields. Mrs. Uma with Mr. C. Krishna Prasad had co-founded Triton Laboratories Private Limited in the year 1984, which was later amalgamated with Granules India Limited. She was Director (Quality Control) of Triton Laboratories and was involved with Triton on a full time basis in its day to day working. Presently, she is spear heading CSR activities and HR initiatives.

- **Mr. Harsha Chigurupati - Executive Director**

Mr. Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010. As CMO, Mr. Chigurupati was instrumental in commercializing the Company's Finished Dosage Division and also changed the Company's focus to marquee customers in the regulated markets. As the Executive Director, Mr. Chigurupati is responsible for the standalone operations of Granules India including the P&L.

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- **Mr. Madhusudan Rao - Chief Operating Officer**

Mr Madhusudan has over two decades of experience with global pharmaceutical companies. He previously served as COO of Global Generics at Orchid Pharmaceuticals where he was responsible for entire operations of Global generics and CRAMS businesses. Prior to that, Mr Rao worked at Dr. Reddy's where he held various positions in Global Generics Portfolio Management, Global Regulatory Affairs and Compliance, API - New Product Development and Corporate Quality Assurance.

- **Mr. VVS Murthy - Chief Financial Officer**

Mr. Murthy has three decades of finance experience across various industries including nearly two decades in Pharmaceuticals. Mr. Murthy previously was Group Chief Financial Officer at Dishman Pharmaceuticals which encompassed Indian operations and 9 international operations. Prior to that, Mr. Murthy was VP – Finance at Dr. Reddy's where he had extensive roles including several international M&A transactions.

- **Mr. Stefan Lohle - Chief Marketing Officer**

Mr. Lohle has over two decades of experience in the Pharmaceutical industry. Mr Lohle has been associated with Granules since 2001 and previously was Head of Latin American Operations, where he primarily focused on the PFI Business. Mr Lohle previously served at Kimberly Clark Corporation for New Project Development.

Rajiv Choksey	Director	rajiv.choksey@krchoksey.com	+91-22-6696 5555
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Anuj Choksey	Head-Institutional Equities	anuj.choksey@krchoksey.com	+91-22-6696 5500
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**Granules India**

Date	CMP (Rs)	TP (Rs)	Recommendation
12-Nov-14	747	1010	Buy

**Rating Legend**

Our Rating	Upside
<b>Buy</b>	More than 15%
<b>Accumulate</b>	5% - 15%
<b>Hold</b>	0 - 5%
<b>Reduce</b>	-5% - 0
<b>Sell</b>	Less than -5%

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**Kisan Ratilal Choksey Shares and Securities Pvt. Ltd.****Registered Office:**

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.  
Phone: 91-22-6633 5000; Fax: 91-22-6633 8060.

**Corporate Office:**

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.  
Phone: 91-22-6696 5555; Fax: 91-22-6691 9576.