

# **Shubh** **Nivesh**



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## Strategic shift towards complex products...

**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.
- Revenue mix Q3FY26: Formulations (FD) - 76%, API - 11%, PFI - 11%, Peptide/CDMO – 2%.
- In formulations complex generics (new focus area – ADHD, Controlled substances) accounted for 49% of the pie whereas integrated generics (legacy generics) comprise of 47%.

### Investment Rationale:

- **Long drawn de-risking strategy with capacity expansion and product differentiation** - Post the Gagillapur USFDA warning letter, the company has focused on developing other facilities and also focused on incremental filings across markets and via other facilities. 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 by filing new products (Management meeting post warning letter with USFDA has concluded with no adverse implications). 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, via the acquisition of Senn Chemicals AG that specialises in the peptide development has opened 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.
- **Preferential Issue to increase promoter stake** – Company has recently initiated preferential allotment of equity shares to 360 ONE and has issued convertible warrants to the promoters. The company has so far raised ₹665 crore from the issue (₹ 300 crore from 360 ONE and ₹ 365 crore the promoters towards warrants) and will further raise ₹1100 (remaining 75% of the proceeds) within 18 months. The fund raising is expected to result in an ~11% equity dilution on a fully diluted basis, while increasing promoters' shareholding from 38.8% to 43.7%. We believe the proceeds will be primarily deployed towards the company's expansion into high-growth and profitable segments such as oncology and peptides.

### Rating and Target Price

- We estimate revenue/EBITDA CAGR of 11.3%/14.4% over FY26E-28E with EBITDA margin crawling to 22.5% by FY28E. **We value Granules at 14x FY28E EBITDA of ₹1469.3 crore with Target Price of ₹770 per share.**



### Particulars

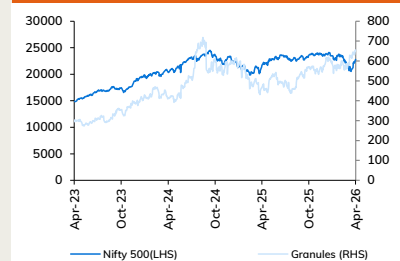
Particular	Amount
Market Capitalisation	₹ 17732 crore
Debt (H1FY26)	₹ 1807 crore
Cash (H1FY26)	₹ 259 crore
EV	₹ 19280 crore
52 week H/L	658/431
Equity capital*	₹ 27.3 crore
Face value	₹ 1

\*Assuming Dilution

### Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	38.8	38.8	38.8	38.0
FII	13.2	14.1	13.6	15.3
DII	23.5	17.9	17.5	17.0
Others	24.4	29.2	30.2	29.7

### Price Chart



### Key risks

- Higher than expected remediation cost
- Pricing pressure in the regulated markets especially the US

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### Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	3 year CAGR (FY23-26E)	FY26E	FY27E	FY28E	2 year CAGR (FY26E-28E)
Revenues	4511.4	4506.4	4481.5	5.3	5268.0	5910.0	6525.1	11.3
EBITDA	913.3	856.0	945.1	7.1	1121.8	1330.8	1469.3	14.4
EBITDA Margins (%)	20.2	19.0	21.1		21.3	22.5	22.5	
Net Profit	516.1	405.3	470.6	3.0	564.5	729.9	810.0	19.8
EPS (Adjusted)	18.9	14.9	18.4		19.7	26.8	29.7	
PE (x)	34.4	43.7	35.4		32.9	24.3	21.9	
EV to EBITDA (x)	20.3	21.8	19.8		17.2	13.1	11.8	
RoCE (%)	18.5	14.3	14.2		14.7	14.3	14.3	
RoE (%)	18.2	12.6	13.5		13.5	11.3	11.2	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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