

Granules India

India | Healthcare | Initiating Coverage



5 March 2026

Growth levers activated

Granules India (GRAN IN) is a vertically integrated pharmaceutical manufacturer with capabilities across APIs, PFIs, and finished dosages, with strong presence in regulated markets, particularly the US. Over the past decade, GRAN has transitioned from a bulk API-led model to a US-focused formulations platform, with rising exposure to complex and differentiated products. Backward integration, cost efficiency, and scale economics underpin GRAN's competitive positioning, while increasing contribution from low-competition products is structurally improving the quality of the business. Remediation of regulatory issues at Gagillapur plant is likely in the near-term, in our assessment. Additional capacity commissioned at Genome Valley plant will also support growth. We project mid-high-teen topline growth with ~100bps EBITDA margin expansion for GRAN over the next two years. We initiate coverage with **Buy** and a **TP of INR 775**.

Strategic levers strengthening growth visibility: GRAN has evolved from a high-volume API manufacturer into a vertically integrated formulations player with growing exposure to regulated markets. While legacy APIs built scale and cost leadership, forward integration into PFIs and finished dosages has improved value capture and customer stickiness. The US formulation business will enhance margin visibility and strengthen overall business quality. The Senn & Ascelis acquisition adds peptide CDMO capabilities and exposure to high-growth segments such as GLP-1, enhancing diversification and earnings durability.

Capacity expansion and regulatory resolution to unlock growth: GRAN's growth visibility is supported by capacity expansion, regulatory normalization, and portfolio upgradation. We expect remediation of regulatory issues at Gagillapur to restore approval momentum, removing a key launch bottleneck. The Genome Valley facility adds incremental capacity of ~10bn doses, with which accelerating ANDA commercialization, and expansion into controlled substances, CNS, and oncology will add to growth.

Earnings inflection underway: We see GRAN at the start of a structurally stronger earnings cycle. Lower remediation costs, better operating leverage, higher contribution from complex and differentiated formulations and turnaround in the recently acquired Senn & Ascelis subsidiary should help expand margins. We project ~15% revenue CAGR and ~17-18% EBITDA CAGR in FY26E-28E.

Improving cash flow and capital efficiency: With peak capex largely behind and utilization expected to rise, FCF should strengthen meaningfully from FY27. Integrated operations support better asset turns and ROIC, and declining leverage enhances balance sheet flexibility and opportunities for inorganic growth.

Initiate with BUY and a TP of INR 775: GRAN trades at 16.7x FY28E core EPS, adjusted for cash per share, at 10-20% discount to most generics pharma peers. We initiate coverage on GRAN with **BUY** rating and TP of INR 775 which is 24x FY28E core earnings plus cash per share. Delay in resolution of USFDA-warning letter and worsening of competitive scenario in the US generics market are key risks to our call.

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	45,064	44,816	52,917	61,807	70,155
YoY (%)	(0.1)	(0.5)	18.1	16.8	13.5
EBITDA (INR mn)	8,560	9,452	11,442	13,773	15,766
EBITDA margin (%)	19.0	21.1	21.6	22.3	22.5
Adj PAT (INR mn)	4,053	4,708	5,844	7,452	8,772
YoY (%)	(21.5)	23.7	11.4	33.4	17.7
Fully DEPS (INR)	16.7	19.4	21.4	27.2	32.0
RoE (%)	13.4	13.6	13.6	14.2	13.3
RoCE (%)	15.4	15.2	16.1	17.6	17.4
P/E (x)	33.1	28.6	23.5	18.5	17.3
EV/EBITDA (x)	17.1	15.5	12.8	10.6	9.3

Note: Pricing as on 4 March 2026; Source: Company, Elara Securities Estimate

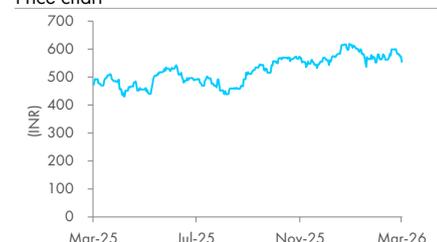
Rating: **Buy**
 Target Price: **INR 775**
 Upside: **40%**
 CMP: **INR 554**
 As on 4 March 2026

Key data

Bloomberg	GRAN IN
Reuters Code	GRAN.BO
Shares outstanding (mn)	243
Market cap (INR bn/USD mn)	135/1,460
EV (INR bn/USD mn)	146/1,589
ADTV 3M (INR mn/USD mn)	599/7
52 week high/low	627/412
Free float (%)	60

Note: as on 4 March 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY25	FY26	FY26	FY26
Promoter	38.8	38.8	38.8	38.8
% Pledge	0.0	0.0	0.0	0.0
FII	15.2	13.2	14.1	13.6
DII	22.5	23.5	17.9	17.5
Others	23.6	24.4	29.2	30.2

Source: BSE

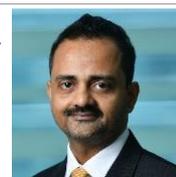
Price performance (%)	3M	6M	12M
Nifty	(6.0)	(1.0)	10.9
Granules India	(2.1)	8.1	17.5
NSE Mid-cap	(5.2)	(0.8)	14.8
NSE Small-cap	(8.0)	(9.6)	9.6

Source: Bloomberg

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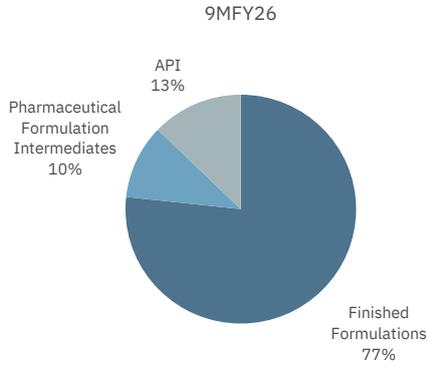
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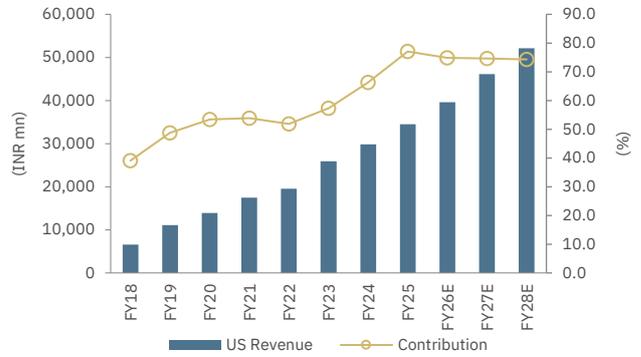
Story in charts

Exhibit 1: Formulations (mostly US) have become a major revenue contributor



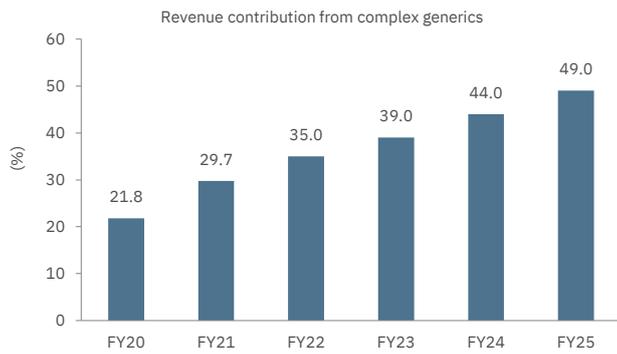
Source: Company, Elara Securities Research

Exhibit 2: Revenue contribution from the US has grown steadily



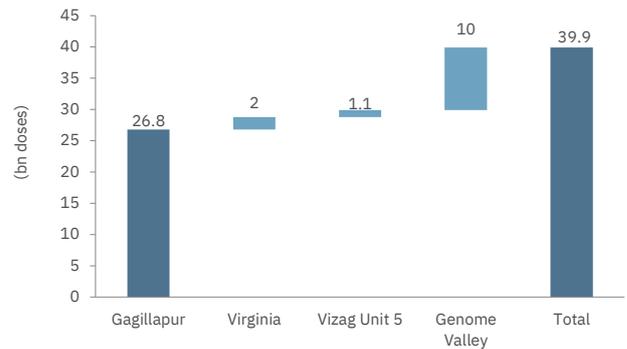
Source: Company, Elara Securities Estimate

Exhibit 3: Steady improvement in revenue contribution from complex products



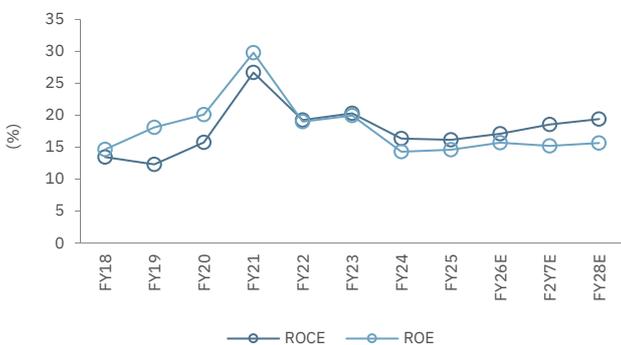
Source: Company, Elara Securities Research

Exhibit 4: Genome Valley to further strengthen overall tablet dosage capacity



Source: Company, Elara Securities Research

Exhibit 5: GRAN maintains good capital efficiency



Source: Company, Elara Securities Estimate

Exhibit 6: EBITDA margin to improve after resolution of USFDA warning letter

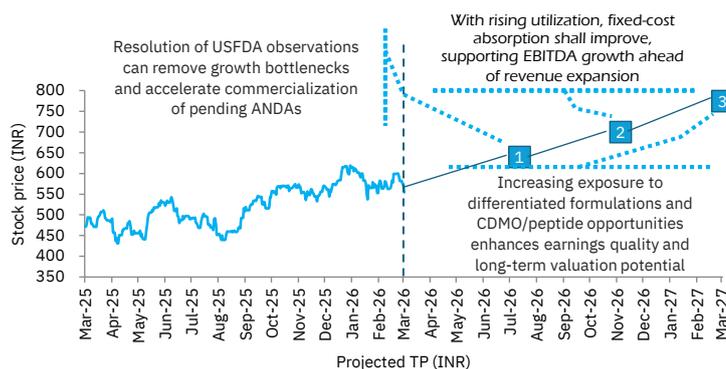


Source: Company, Elara Securities Estimate

Investment Rationale

- ▶ Regulatory normalization, and rising complex product share to prop structural strength and more durable earnings
- ▶ Expect ~15% revenue and ~17-18% EBITDA CAGRs in FY26E-28E, on launch recovery in US, higher complex mix, capacity rise
- ▶ Moderating capex and rising utilization aid cash generation, capital efficiency, and valuation upside.

Valuation Triggers



Source: Bloomberg, Elara Securities Estimate

Valuation triggers

- ▶ Resolution of USFDA observations can remove growth bottlenecks and accelerate commercialization of pending ANDAs.
- ▶ With rising utilization, fixed-cost absorption shall improve, supporting EBITDA growth ahead of revenue expansion.
- ▶ Increasing exposure to differentiated formulations and CDMO/peptide opportunities enhances earnings quality and long-term valuation potential.

Our assumptions

- ▶ US revenue to compound at ~15% CAGR in FY25-28E
- ▶ Revenue CAGR of ~16% in FY25-28E
- ▶ EBITDA margin expansion from 21.6% in FY26E to 22.5% in FY28E.

Valuation remains attractive compared with historical P/E range



Source: Bloomberg, Company, Elara Securities Research

Key risks (downside/upside)

- ▶ Extended USFDA scrutiny could defer ANDA approvals and delay revenue acceleration.
- ▶ Higher competition in key molecules may compress realizations and limit margin expansion.
- ▶ Under-utilization of incremental capacity could delay operating leverage.

Valuation

(INR)	
EPS – FY27E	27.2
Pre-IndAS EBITDA – FY27E (INR mn)	13,773
Target P/E (x)	24.0
Target EV/EBITDA (x)	15.6
Target price	775

Source: Elara Securities Estimate

Industry trends and macro factors

- ▶ Structural growth in global generics driven by aging populations and rising burden of chronic disease.
- ▶ Shift toward cost-efficient healthcare systems benefiting integrated generic manufacturers.

Market position and competitive landscape

- ▶ GRAN is a vertically integrated API-to-formulations play, with strong presence in regulated markets, particularly in the US.
- ▶ Increasing focus on complex generics and differentiated formulations to strengthen competitive positioning.

Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	45,064	44,816	52,917	61,807	70,155
Gross Profit	24,851	27,559	34,173	39,914	45,306
EBITDA	8,560	9,452	11,442	13,773	15,766
EBIT	6,487	7,197	8,548	10,374	12,075
Interest expense	1,058	1,032	917	583	525
Other income	44	129	146	146	146
Exceptional/ Extra-ordinary items	-	308	(259)	-	-
PBT	5,472	6,602	7,518	9,936	11,696
Tax	1,419	1,587	1,933	2,484	2,924
Minority interest/Associates income	-	-	-	-	-
Reported PAT	4,053	5,015	5,585	7,452	8,772
Adjusted PAT	4,053	4,708	5,844	7,452	8,772
Balance Sheet (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' Equity	32,255	37,156	49,033	56,113	75,481
Minority Interest	-	-	-	-	-
Trade Payables	7,495	7,261	8,710	10,087	11,422
Provisions & Other Current Liabilities	1,785	3,028	1,866	2,162	2,448
Total Borrowings	12,232	12,858	6,865	6,172	755
Other long term liabilities	1,442	2,223	2,223	2,223	2,223
Total liabilities & equity	55,210	62,526	68,697	76,757	92,328
Net Fixed Assets	21,156	26,544	29,635	32,519	35,426
Goodwill	-	-	-	-	-
Intangible assets	2,517	2,123	4,043	4,043	4,043
Business Investments / other NC assets	2,486	2,704	2,704	2,704	2,704
Cash, Bank Balances & treasury investments	3,864	5,964	4,004	4,424	12,622
Inventories	13,006	13,428	14,288	16,688	18,942
Sundry Debtors	9,858	9,422	11,642	13,598	15,434
Other Current Assets	2,323	2,341	2,381	2,781	3,157
Total Assets	55,210	62,526	68,697	76,757	92,328
Cash Flow Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Cashflow from Operations	4,394	8,666	6,677	8,206	9,997
Capital expenditure	(3,788)	(5,700)	(5,985)	(6,284)	(6,598)
Acquisitions / divestitures	-	-	(1,920)	-	-
Other Business cashflow	-	-	-	-	-
Free Cash Flow	606	2,966	(1,228)	1,922	3,398
Cashflow from Financing	130	(866)	(731)	(1,502)	4,799
Net Change in Cash / treasury investments	736	2,100	(1,959)	420	8,198
Key assumptions & Ratios	FY24	FY25	FY26E	FY27E	FY28E
Dividend per share (INR)	16.7	19.4	21.4	27.2	32.0
Book value per share (INR)	133.1	153.2	179.6	205.2	275.6
RoCE (Pre-tax) (%)	15.4	15.2	16.1	17.6	17.4
ROIC (Pre-tax) (%)	16.8	17.0	17.8	18.9	19.9
ROE (%)	13.4	13.6	13.6	14.2	13.3
Asset Turnover (x)	2.3	1.9	1.9	2.0	2.1
Net Debt to Equity (x)	0.3	0.2	0.1	0.0	(0.2)
Net Debt to EBITDA (x)	1.0	0.7	0.2	0.1	(0.8)
Interest cover (x) (EBITDA/ int exp)	8.1	9.2	12.5	23.6	30.1
Total Working capital days (WC/rev)	160.0	169.5	162.4	160.6	200.7
Valuation	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	33.1	28.6	23.5	18.5	17.3
P/Sales (x)	3.0	3.0	2.5	2.2	1.9
EV/ EBITDA (x)	17.1	15.5	12.8	10.6	9.3
EV/ OCF (x)	33.3	16.9	21.9	17.8	14.6
FCF Yield	0.4	2.0	(0.8)	1.3	2.3
Price to BV (x)	4.2	3.6	3.1	2.7	2.0
Dividend yield (%)	3.0	3.5	3.9	4.9	5.8

Expect FY26E EBITDA margin at ~21%

Note: Pricing as on 4 March 2026; Source: Company, Elara Securities Estimate

Growth levers activated

- ▶ Strategic levers strengthening growth visibility
- ▶ Capacity expansion and regulatory resolution to unlock growth
- ▶ Earnings inflection underway – Operating leverage to drive multi-year compounding

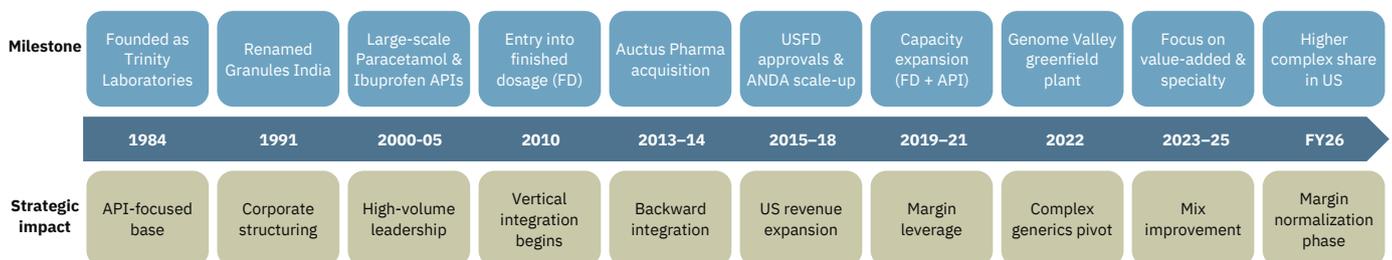
Strategic levers strengthening growth visibility

From bulk API player to US-focused integrated formulations company

GRAN is a vertically integrated pharmaceutical manufacturer with capabilities spanning Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs), and Finished Dosages (FDs), catering to regulated and semi-regulated markets globally. The company operates multiple manufacturing facilities across India and the US and supplies high-volume off-patent molecules as well as increasingly complex formulations to leading global generic players. Backward integration, process efficiency, and scale economics have historically underpinned its cost competitiveness, enabling strong positioning in large-volume therapeutic categories.

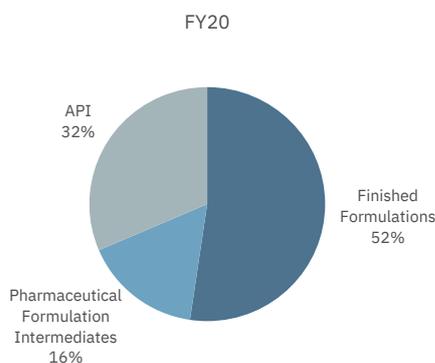
Originally established as a bulk API manufacturer focused on molecules such as Paracetamol, Metformin, Ibuprofen, Guaifenesin, and Methocarbamol, GRAN's business model was anchored in volume leadership and operational efficiency. While this approach delivered stable cash flows, it exposed earnings to commodity pricing cycles and constrained margin expansion. Recognizing this structural limitation, the company has, in the past decade, executed a calibrated forward-integration strategy into PFIs and finished dosages. This shift has meaningfully altered its revenue mix, strengthened customer relationships, and improved value capture across the pharmaceutical supply chain, marking a structural evolution in its business model rather than a cyclical recovery.

Exhibit 7: From API base to complex generics – Structured growth journey



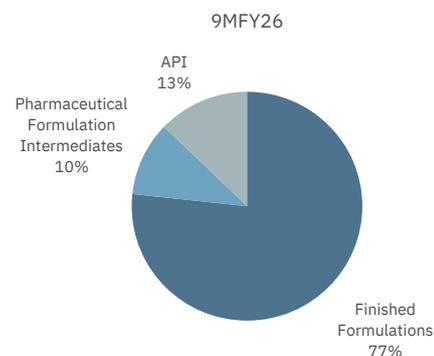
Source: Company, Elara Securities Research

Exhibit 8: API / formulation intermediates used to be large contributors to topline



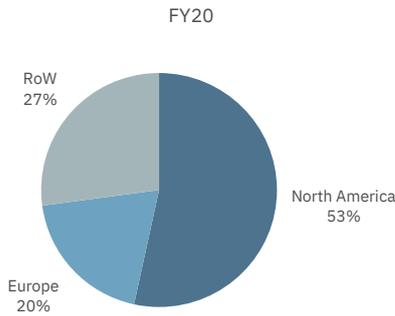
Source: Company, Elara Securities Research

Exhibit 9: Formulations business (mostly US) has become the largest contributor and driver of growth



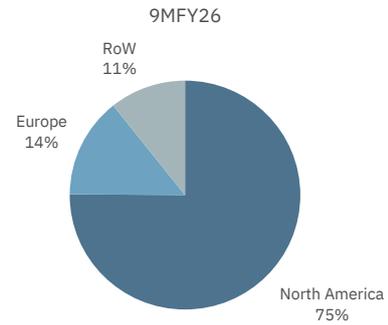
Source: Company, Elara Securities Research

Exhibit 10: API business was diversified across regions



Source: Company, Elara Securities Research

Exhibit 11: US has become the core growth engine



Source: Company, Elara Securities Research

Increasing share of complex and differentiated formulations

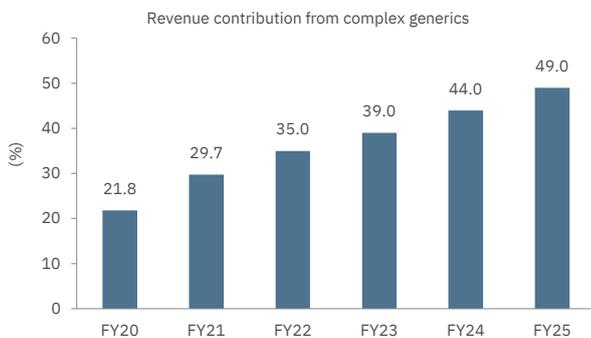
GRAN is now entering the second phase of its strategic evolution – transitioning from a scale-led generics manufacturer to a complexity-driven differentiated formulations player. While the company continues to benefit from its leadership in high-volume, integrated molecules such as Paracetamol and Metformin, incremental growth is increasingly coming from complex and differentiated formulations. These products typically involve higher formulation expertise, regulatory complexity, or limited competitive participation, allowing for better pricing stability and margin profile compared with commoditized oral solids.

The strategic intent behind this pivot is clear: To improve earnings durability and reduce exposure to pure price-led competition in the US generics market. GRAN is expanding into segments such as modified-release formulations, controlled substances, CNS/ADHD portfolio, and select oncology opportunities – categories where entry barriers are structurally higher. As the contribution from such products rises, we expect profitability to improve significantly, driven by higher gross margin and better operating leverage. This shall also reduce sensitivity to industry-wide price erosion cycles.

Importantly, this shift creates a dual-engine model for GRAN. The legacy integrated portfolio continues to provide scale, cash flow stability, and manufacturing absorption, while the complex pipeline acts as a margin expansion lever. In our view, the market still partially values GRAN as a commodity-linked generics player, whereas the rising complex contribution suggests a structural improvement in business quality. As scale builds and regulatory overhang clears, the financial impact of this portfolio upgrade should become increasingly visible in the next two years.

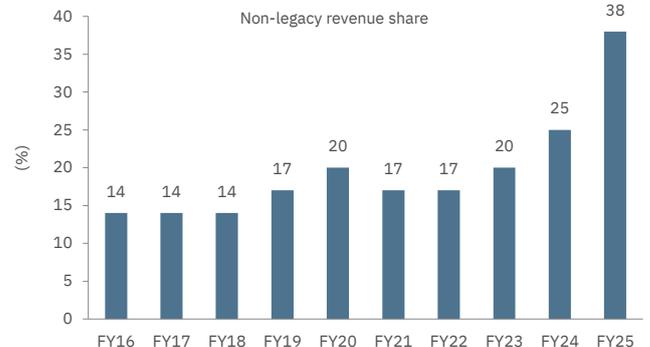
Transitioning from scale-led generics to complexity-driven formulations, GRAN is positioned for mix-led margin expansion and structurally improved business quality.

Exhibit 12: Steady improvement in revenue contribution from complex generics



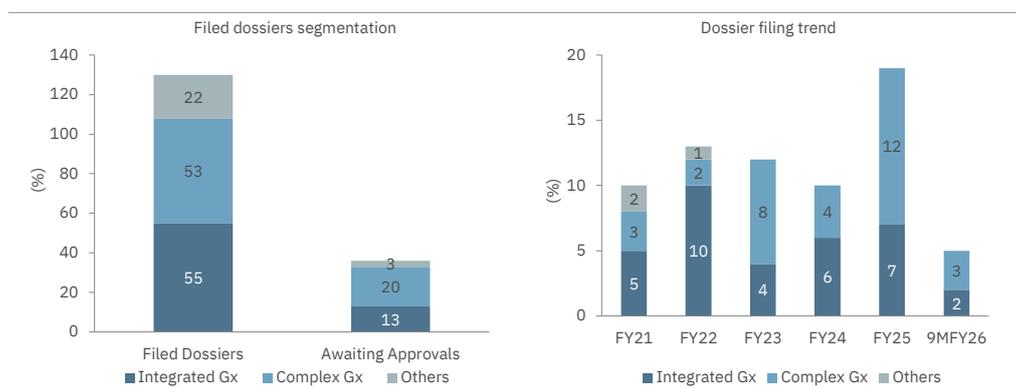
Source: Company, Granules Pharmaceuticals, Inc., Elara Securities Research

Exhibit 13: Non-legacy portfolio gains traction



Source: Company, Elara Securities Research

Exhibit 14: Increasing focus on complex products in regulatory filings



Source: Company, Elara Securities Research

Entry into controlled substances, CNS and oncology segments

GRAN’s expansion into controlled substances and CNS is a deliberate move to participate in segments where regulatory intensity, compliance requirements, and manufacturing complexity create meaningful entry barriers. Unlike conventional oral solid generics – where competition can be severe and pricing pressure persistent – controlled substances in the US operate under strict DEA oversight, quota systems, and enhanced compliance scrutiny. These structural barriers reduce the number of eligible manufacturers and support more rational competitive behaviour.

US-based manufacturing presence with controlled substance capability is a key strategic differentiator for GRAN. In a regulatory environment increasingly focused on supply chain resilience and domestic manufacturing, local production strengthens GRAN’s positioning with customers and regulators alike. It also enhances reliability in product supply – an important factor in CNS therapies where drug shortages can lead to rapid market share shifts. This positioning gives GRAN the ability to compete not only on price, but also on compliance credibility and supply assurance.

The ramp-up in the ADHD portfolio provides the first tangible proof point of this strategy. ADHD medications represent a meaningful and structurally growing segment within CNS, supported by rising diagnosis rates and increased therapy adoption. These products typically involve modified-release technologies and strict regulatory monitoring, both of which elevate entry barriers relative to plain oral solids. As scale builds in this segment, the margin profile is expected to be superior to legacy integrated products, supporting mix-driven EBITDA expansion.

Beyond ADHD, the company’s foray into selective oncology further strengthens its portfolio upgrade thesis. Oncology generics generally involve higher manufacturing complexity, stringent quality standards, and limited competitive participation. While oncology contribution may initially be modest, over time it enhances the overall defensiveness of the portfolio. Together, CNS, controlled substances, and oncology represent a structural pivot toward higher-barrier segments that reduce earnings volatility and improve durability of growth. As complex CNS and controlled products form a rising share of finished dosage revenues, we expect the earnings profile to gradually shift from volume-driven to mix-driven expansion – a key factor that can support both ROIC improvement and valuation re-rating in the medium term.

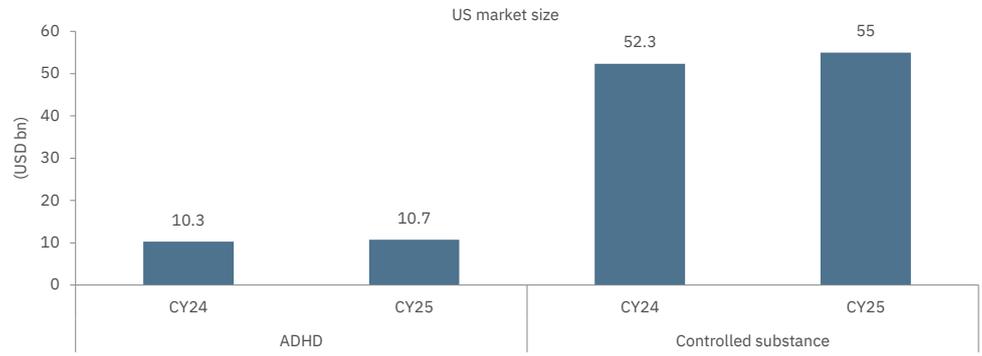
Structural pivot toward high-barrier CNS, controlled substances, and oncology segments to drive mix-led margin expansion, improve ROIC, and enhance earnings durability.

Exhibit 15: Strategic migration towards therapies with higher entry barrier

Segment	Regulatory intensity	Competitive landscape	Pricing power	Margin profile
Base integrated	■ Low	● Fragmented / High	■ Limited	■ Moderate
CNS / controlled	● High (DEA oversight)	○ Selective / Moderate	● Improving	● High
Oncology	● High (Stringent quality)	● Limited Players	● Strong	● High

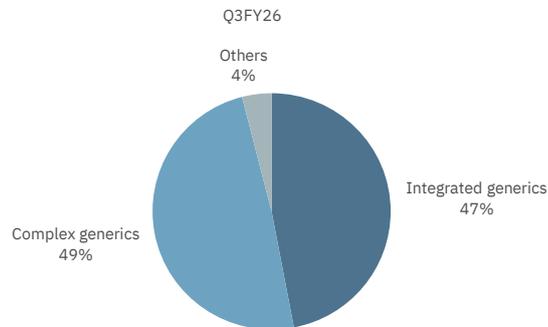
Source: Company, Elara Securities Research

Exhibit 16: Market size increasing for both ADHD and control substance



Source: Company, Grand View Research, Elara Securities Research

Exhibit 17: Complex products have become largest contributor to formulations revenue



Source: Company, Elara Securities Research

Strategic foray into peptides via Senn & Ascelis

GRAN’s entry into peptide therapeutics and CDMO, through the acquisition of Senn Chemicals AG (Switzerland) and its subsidiary Ascelis Peptides, marks a meaningful strategic expansion beyond its traditional small-molecule oral solids business. This is not simply geographic diversification or incremental capacity addition, it represents entry into a distinct technological domain with different manufacturing science, regulatory requirements, and competitive dynamics.

Peptide APIs differ fundamentally from traditional small-molecule drugs in both synthesis and manufacturing complexity. Production typically involves solid-phase peptide synthesis (SPPS) and, increasingly in certain applications, liquid-phase peptide synthesis (LPPS) techniques. SPPS is widely used for complex, shorter peptide chains and offers high precision and scalability for clinical and commercial batches. LPPS, on the other hand, can provide advantages in cost efficiency, scalability, and yield optimization for certain longer or high-volume peptide products. Mastery of both approaches requires deep process chemistry expertise, advanced purification systems, and robust analytical characterization frameworks. These technological requirements create meaningful entry barriers and limit competitive participation compared with commoditized oral solid generics.

Senn Chemicals brings established expertise in peptide synthesis, process development, and commercial-scale manufacturing, with experience in supplying peptide APIs for both clinical and commercial programs. The company’s Switzerland-based manufacturing footprint provides regulatory credibility in highly regulated markets, including Europe and the US. Importantly, Senn has capabilities spanning custom peptide synthesis, scale-up from early clinical phases to commercial production, and strong analytical characterization – all of which are critical in peptide therapeutics where quality consistency is paramount.

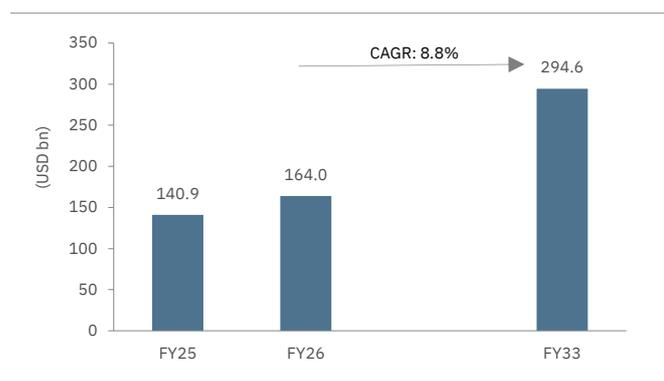
Peptide CDMO foray marks GRAN's transition into innovation-linked manufacturing, diversifying earnings beyond US generics and introducing a structurally higher-quality growth engine.

Ascelis Peptides, as the innovation-focused subsidiary, strengthens the development interface – particularly in early-stage development and customer engagement. This combination enables GRAN to participate across multiple stages of the peptide value chain: From process development and clinical supply to scaled commercial manufacturing. The CDMO orientation also implies potentially stickier, multi-year contracts as customers progress through development phases.

Strategically, this transition matters for three reasons. 1) It diversifies GRAN beyond US oral solid generics, reducing dependence on pricing cycles in the small-molecule space. 2) It provides exposure to higher-margin, innovation-linked manufacturing where differentiation is driven by technical capability rather than scale alone. 3) It creates participation in fast-growing therapeutic categories such as GLP-1 receptor agonists and broader metabolic and oncology peptides – segments where global demand for peptide manufacturing capacity is expanding rapidly.

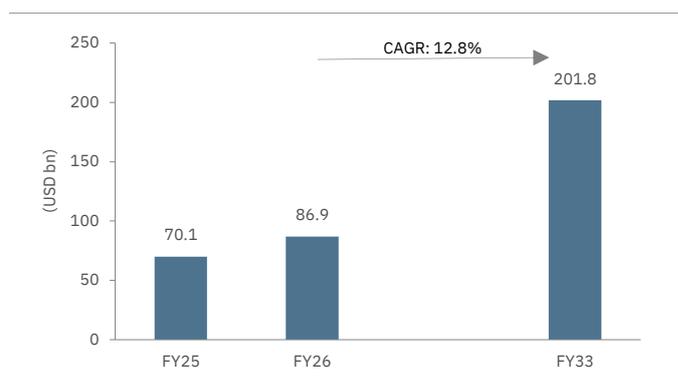
While peptide revenues are likely to remain at a modest proportion of consolidated sales in the near term, the platform introduces long-duration optionality. Over a 3-5-year horizon, if GRAN can leverage Senn's regulatory track record, expand customer relationships, and integrate peptide expertise into its broader manufacturing ecosystem, this segment could evolve into a meaningful second growth engine – one that enhances both earnings quality and valuation multiples.

Exhibit 18: Global peptide therapeutics market to expand



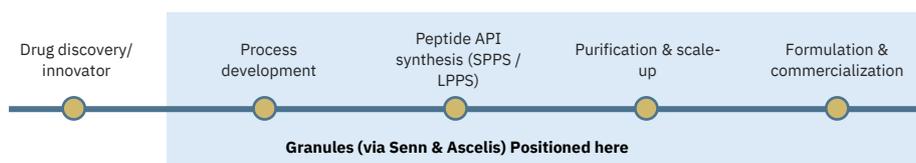
Source: Grand View Research, Elara Securities Research

Exhibit 19: GLP-1 receptor agonists to outpace broader peptide market



Source: Grand View Research, Elara Securities Research

Exhibit 20: GRAN positioned at core of peptide synthesis



Source: Company, Elara Securities Research

Exhibit 21: Comparison between solid phase and liquid phase peptide synthesis production

Feature	SPPS	LPPS
Scalability	Moderate	High (for certain molecules)
Cost efficiency	Moderate	Potentially superior
Typical use	Complex shorter peptides	Longer / high-volume peptides
Technical complexity	High	High

Source: Company, Elara Securities Research

Access to high-growth GLP-1 and CDMO opportunities

GRAN's peptide platform meaningfully increases its exposure to one of the fastest-growing segments in global pharmaceuticals – GLP-1 receptor agonists. The rapid expansion of GLP-1 therapies in diabetes and obesity has created significant demand for peptide manufacturing capacity globally. As originator companies scale production, supply-chain reliability and specialized peptide synthesis capabilities become critical bottlenecks. This environment structurally benefits established peptide CDMOs with credible manufacturing track records.

Peptide platform provides GRAN exposure to structurally capacity-constrained GLP-1 and specialty segments, introducing higher-margin CDMO revenues and long-term earnings visibility.

Through Senn and Ascelis, GRAN gains the ability to participate in this value chain – not as a branded innovator, but as a manufacturing and development partner. In peptide therapeutics, CDMO relationships are often multi-year in nature, spanning clinical development through commercial production. This creates greater revenue visibility and stickier customer relationships compared with transactional generic sales.

Beyond GLP-1, the broader peptide CDMO opportunity extends into metabolic disorders, oncology peptides, and other specialty therapeutic categories. Importantly, CDMO revenues are typically less exposed to the price erosion dynamics of US generics and can command structurally higher margins due to technical differentiation. While near-term revenue contribution from peptides may remain modest, the platform introduces long-duration optionality and diversification into innovation-linked manufacturing.

From an investment standpoint, this shifts part of GRAN narrative from a “US generics manufacturer” toward a hybrid model with specialty CDMO exposure – a transition, if executed well, can improve earnings durability and support long-term earning visibility.

Capacity expansion and regulatory resolution to unlock growth

USFDA observations led to near-term approval delays

GRAN's Gagillapur finished-dosage facility was inspected by the USFDA from 26 August to 6 September 2024, following which the company received six Form 483 observations and the inspection was classified as OAI (Official Action Indicated). Subsequently, a warning letter was also issued by the US FDA, citing CGMP deficiencies observed during the August-September 2024 inspection (including areas such as cleaning/maintenance controls). In response, the management voluntarily paused manufacturing and distribution in September 2024 to conduct a risk assessment around contamination/patient safety. Subsequently, it initiated a voluntary, comprehensive remediation program with third-party oversight and has been providing monthly progress updates to the US FDA. While manufacturing and dispatches to the US resumed in October 2024 itself, the facility is yet to be cleared and hence approval of new products filed from that facility are held up.

Exhibit 22: Timeline of US FDA issues at Gagillapur facility



Source: Company, Elara Securities Research

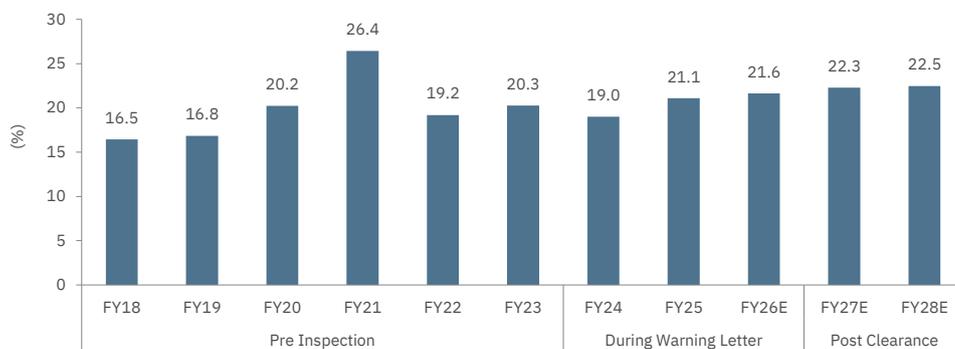
Regulatory clearance to remove growth bottleneck

Having addressed the nature of the USFDA observations and related near-term implications, the more critical investment consideration is the pathway to normalization and its impact on growth. In regulated generics markets, facility compliance status directly influences approval momentum and launch cadence. Even when existing commercial supplies remain intact, delays in new product approvals can constrain revenue growth.

Resolution of the regulatory overhang at Gagillapur is therefore central to restoring full growth visibility. Clearance would enable pending ANDAs to progress toward commercialization, accelerate the launch velocity, and improve utilization across the expanded manufacturing network. With Genome Valley adding incremental capacity, normalization at Gagillapur would ensure that both facilities can operate in tandem, removing structural constraints on formulations growth.

Importantly, regulatory resolution has both operational and financial implications. Operationally, it restores pipeline monetization. Financially, it reduces remediation-related inefficiencies and enhances fixed-cost absorption as volumes scale up. In many cases across the Indian pharma sector, resolution of warning letters has historically coincided with improved approval flow, margin recovery, and valuation re-rating.

Exhibit 23: EBITDA margins to improve after resolution of USFDA warning letter



Source: Company, Elara Securities Estimate

Regulatory clearance is not merely a compliance milestone, it represents a catalyst that bridges strategic capability with earnings acceleration.

Genome Valley – Incremental formulation capacity of 10bn doses

The commissioning of the greenfield formulations facility at Genome Valley represents a meaningful inflection in GRAN’s manufacturing scale and growth trajectory. With ~10bn doses of incremental annual finished dosage capacity added, the company is significantly expanding its formulations platform at a time when growth is increasingly driven by finished dosages and complex generics. In such a business model, capacity availability is often the limiting factor between pipeline potential and commercial execution. The Genome Valley expansion therefore removes a structural constraint on commercialization and positions GRAN to better align manufacturing throughput with its growing ANDA portfolio.

Strategically, capacity addition supports following structural benefits – 1) It accelerates the ramp-up of ANDA approvals by reducing dependency on legacy site bottlenecks. 2) It provides dedicated infrastructure to scale complex and differentiated formulations, reinforcing the portfolio upgrade strategy. 3) It also enhances operating leverage – as utilization rises, fixed costs are absorbed across larger volumes, improving incremental margins. In an integrated model such as GRAN’s, higher finished dosage volumes also stimulate upstream API utilization, creating multiplier effects across the value chain and improving asset turns and return ratios.

Over FY26E-28E, the critical variable will be the pace of utilization ramp-up at Genome Valley. As volumes scale toward optimal capacity and complex product contribution increases, EBITDA margins are expected to benefit from both mix improvement and operating leverage, strengthening the earnings inflection narrative.

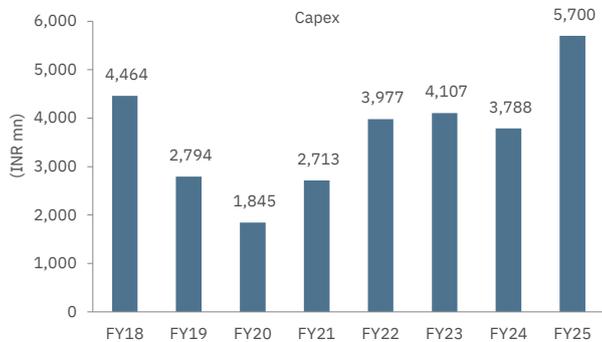
Genome Valley marks a structural inflection in scale, positioning GRAN to convert pipeline depth into earnings growth and margin expansion.

Exhibit 24: Genome Valley to further strengthen overall tablet dosage capacity



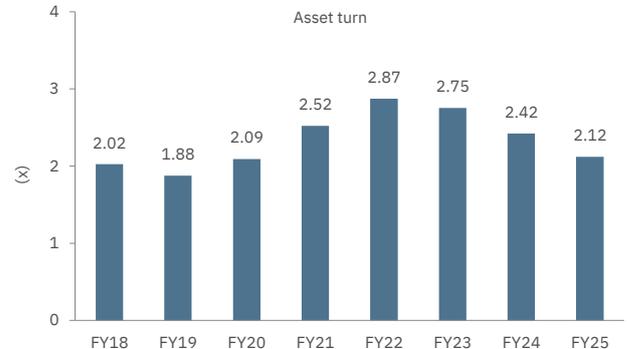
Source: Company, Elara Securities Research

Exhibit 25: Large capex program behind; adds fuel for growth



Source: Company, Elara Securities Research

Exhibit 26: Asset turns to reflate as capacity utilization picks up



Source: Company, Elara Securities Research

Earnings inflecting – Operating leverage to drive multi-year compounding

GRAN is positioned at the beginning of a multi-year earnings acceleration cycle. In the past few years, the company has navigated a period characterized by regulatory overhang and meaningful capital deployment toward capacity expansion. While these developments temporarily moderated earnings visibility and margins, these also laid the foundation for the next phase of growth. With remediation efforts progressing at Gagillapur and incremental capacity at Genome Valley now available, the operating platform is structurally stronger and better aligned with its evolving portfolio strategy.

GRAN enters a multi-year earnings acceleration phase with regulatory normalization, capacity ramp-up, and mix improvement (to drive operating leverage).

Earnings inflection is not just volume-led but driven by rising complex product share, improving mix, higher utilization, and fading remediation costs. As margins expand faster than revenue, GRAN is positioned for structurally stronger earnings compounding in the medium term.

Double-digit revenue CAGR driven by US launches and portfolio expansion

We project ~15% revenue CAGR for GRAN over FY26E-28E. The US continues to anchor GRAN’s growth profile, driven by a steady build-up in ANDA filings and a gradual move toward more differentiated product categories. As compliance visibility improves and launch timelines normalize, incremental approvals are expected to translate into measurable revenue contribution. Beyond pure launch volumes, pricing stability and competitive positioning in select molecules are likely to support sustained momentum across the forecast horizon.

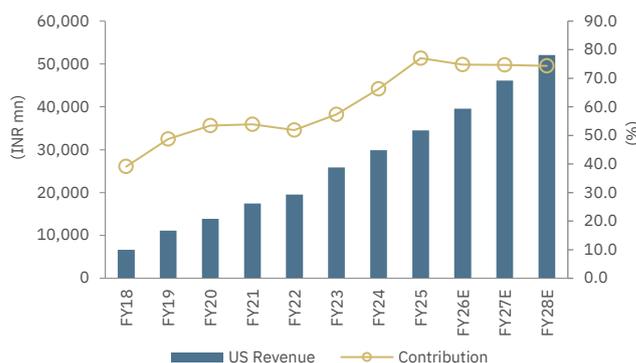
Shift from stabilization to acceleration phase underpins double-digit revenue compounding, supported by key US launches

Exhibit 27: Revenue to sustain growth trend



Source: Company, Elara Securities Estimate

Exhibit 28: Revenue contribution from the US to grow steadily



Source: Company, Elara Securities Estimate

EBITDA margin expansion led by higher complex mix, lower remediation costs

We expect EBITDA to compound at a faster ~17-18% CAGR in FY26E-28E. This differential versus revenue growth reflects operating leverage and mix improvement. As the share of complex and differentiated formulations increases, gross margins should structurally improve. Complex generics typically face lower competitive intensity and pricing pressure compared with base molecules, supporting margin resilience. In parallel, integration benefits across APIs and formulations enhance cost capture across the value chain. Importantly, higher contribution from value-added products improves incremental EBITDA margin, creating a virtuous cycle where scale and mix reinforce each other.

Expect ~17-18% EBITDA CAGR in FY26E-28E, driven by operating leverage and mix-led margin expansion.

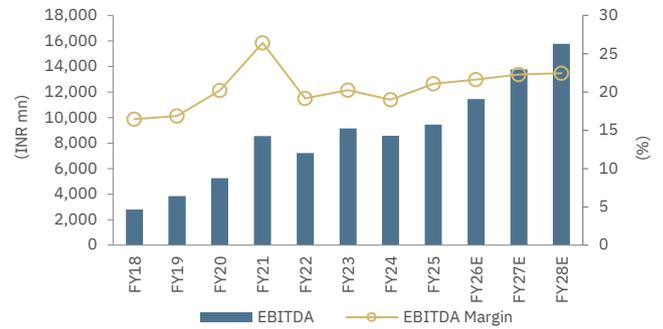
Further, the regulatory remediation phase has temporarily impacted cost efficiency and operational bandwidth. As corrective actions stabilize and regulatory clarity improves, expect remediation-related expenses to drop, supporting normalization in operating margins.

Exhibit 29: Gross margin on an improving trend



Source: Company, Elara Securities Estimate

Exhibit 30: EBITDA and margin growth led by higher contribution from complex products in the US



Source: Company, Elara Securities Estimate

Strong FCF generation; improving return ratios

As EBITDA grows and capex intensity moderates post the Genome Valley build-out, we expect GRAN's free cash flow generation to improve meaningfully. Improved free cash flow enhances financial flexibility – enabling debt reduction, funding of specialty expansion (including peptides), and potential inorganic opportunities.

With EBITDA compounding at mid-teens rates and incremental capital intensity moderating, ROIC expansion becomes a natural outcome of operating leverage. We expect GRAN's return ratios to improve as incremental revenue is generated on an expanded asset base. The Genome Valley facility represents front-loaded capital deployment. As utilization ramps up, asset turns should improve, driving higher return on invested capital.

Exhibit 31: Return ratios to show strength



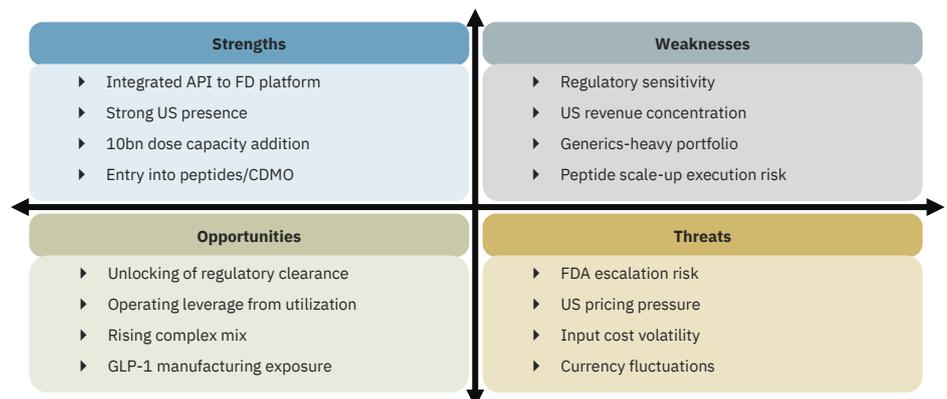
Source: Company, Elara Securities Research

Exhibit 32: ROIC to improve steadily



Source: Company, Elara Securities Research

Exhibit 33: SWOT analysis



Source: Company, Elara Securities Research

Valuation and recommendation

- ▶ Earnings growth and margin expansion to support multiple expansion
- ▶ Initiate with Buy and a TP of INR 775
- ▶ Key risks are regulatory risks and compliance delays

Earnings growth and margin expansion to support multiple expansion

Improving earnings trajectory with visible margin expansion creates a strong foundation for valuation re-rating in the medium term. As revenue compounds in double-digits and EBITDA growth outpaces topline expansion, the business shall transition from recovery-driven earnings to structurally improving profitability. A combination of operating leverage (from capacity ramp-up), increasing contribution from complex formulations, and normalization of remediation-related costs enhances earnings quality and sustainability.

The projected improvement reflects better mix, higher utilization of an expanded asset base, and improved regulatory visibility – all of which support confidence in forward earnings. With improving visibility and strengthening return metrics, the case for multiple expansion is increasingly compelling. The anticipated compounding in earnings is not only an absolute profit growth story but also a catalyst for a gradual re-rating, aligning valuation more closely with the company’s evolving growth and profitability profile.

Transition from recovery to structural growth phase strengthens re-rating potential, supporting our BUY stance.

Initiate with Buy

GRAN trades at 16.7x FY28E core EPS, adjusted for cash per share. This is at a 10-20% discount to most of its generics pharma peers. We initiate coverage on GRAN with a **BUY** rating and a TP of INR 775 based on 24x FY28E core P/E plus cash per share.

Exhibit 34: Valuation based on core estimates

	FY24	FY25	FY26E	FY27E	FY28E
Core EPS (INR)	16.6	19.0	21.0	26.8	31.6
Core EPS growth (%)	(20.7)	14.6	10.5	27.9	17.8
Cash per share (INR)	15.9	24.6	14.7	16.2	46.1
Current core P/E (x)	31.9	27.8	25.2	19.7	16.7
Core ROIC (%)	17.7	17.7	19.4	20.0	20.9

Source: Company, Elara Securities Estimate

Exhibit 35: Valuation remains attractive compared to historical P/E range



Source: Company, Elara Securities Research

Exhibit 36: Peer valuations

Company	Ticker	Rating	Mcap	CMP	TP	Upside	P/E (x)			EV/EBITDA (x)			ROE (%)		
			(USD mn)	(INR)	(INR)	(%)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Granules India	GRAN IN	Buy	1,492	554	775	39.9	25.9	20.3	17.3	13.5	11.2	9.8	15.7	15.2	15.6
Aurobindo Pharma	ARBP IN	Buy	7,675	1,190	1,568	31.8	19.2	16.2	14.9	9.9	9.1	8.5	11.0	11.8	11.5
Lupin	LPC IN	Accumulate	11,700	2,304	2,447	6.2	19.4	23.0	23.0	13.4	14.0	14.6	31.4	21.1	17.7
Cipla	CIPLA IN	Accumulate	11,778	1,312	1,438	9.6	24.4	24.3	18.0	16.0	15.6	11.6	13.9	12.8	15.8
Dr Reddys Laboratories	DRRD IN	Buy	11,971	1,291	1,588	23.0	21.7	23.2	19.7	13.6	13.6	11.8	14.8	12.2	13.1
Zydus Lifesciences	ZYDUSLIF IN	Buy	9,993	894	1,311	46.6	18.7	18.1	14.6	13.1	12.4	10.3	18.3	16.6	18.3
Alembic Pharmaceuticals	ALPM IN	NR	1,525	698	NA	NA	20.0	16.1	13.5	12.5	10.6	9.2	12.6	14.0	13.8

Note: CMP as on 4 March 2026; Source: Bloomberg, Company, Elara Securities Estimate

Risks

Regulatory risk and compliance delays

GRAN operates in highly regulated markets, particularly the US, making regulatory compliance a critical determinant of growth visibility. Any delay in resolving existing USFDA observations or additional regulatory findings at key facilities could prolong approval bottlenecks and impact launch timelines. Since a meaningful portion of the company's finished dosage capacity is linked to regulated markets, sustained regulatory uncertainty may weigh on both revenue acceleration and investor sentiment. While remediation efforts are underway, the timing of regulatory clearance is an external variable. Prolonged resolution timelines could defer earnings normalization and delay operating leverage realization. Additionally, extended regulatory scrutiny can increase compliance-related expenses and management bandwidth diversion, potentially impacting execution across other strategic initiatives.

US generic pricing pressure

The US generics market continues to experience pricing pressure due to competitive intensity and buyer consolidation. Although GRAN is shifting toward complex and differentiated formulations, a portion of its portfolio is exposed to commoditized molecules, where price erosion can be steep. Sustained competitive entry in key products may limit margin expansion assumptions embedded in forecasts. Further, customer concentration among large US distributors and pharmacy benefit managers may amplify pricing negotiations. Any accelerated price erosion beyond modelled assumptions could compress gross margin and offset gains from mix improvement.

Slower-than-expected capacity ramp-up

Our earnings thesis partly relies on improved utilization at the Genome Valley facility and expanded formulation capacity. A slower-than-anticipated ramp-up – due to delayed approvals, weaker launch uptake, or operational inefficiencies – could defer operating leverage benefits. Under-utilized capacity would suppress asset turns and return metrics relative to expectations. In addition, if demand realization does not match the pace of capacity expansion, fixed-cost absorption may remain suboptimal for longer than anticipated, delaying margin normalization embedded in medium-term projections.

Peptide and CDMO – Execution risk

The entry into peptide manufacturing through Senn and Ascelis introduces not only technological diversification but also execution risk. The success of Peptide CDMO depends on customer acquisition, long-term development partnerships, and scaling specialized manufacturing capabilities. Revenue contribution from this segment may remain modest in the near term, and slower commercialization could delay diversification benefits. Moreover, peptide manufacturing involves complex regulatory and technical standards, and failure to build up scale efficiently could limit margin accretion. Competitive intensity within the global CDMO space may also impact long-term return potential.

Regulatory timelines, US pricing pressure, capacity ramp-up execution, and peptide scale-up remain key risks to our thesis.

Company Description

Granules India (GRAN IN), founded in 1991 by Krishna Prasad Chigurupati and headquartered in Hyderabad, is a vertically integrated pharmaceutical manufacturer focused on active pharmaceutical ingredients (APIs), pharmaceutical formulation intermediates (PFIs/RTC), and finished dosages (FDs) for regulated markets, particularly the US. The publicly listed company has evolved from a bulk API supplier into an integrated, formulations-led generics player with a growing presence in complex and differentiated product categories.

GRAN operates a multi-site manufacturing network across India and the US, including large-scale formulations facilities at Gagillapur and Genome Valley in Hyderabad, API manufacturing at Vizag, and a packaging and distribution presence in Virginia, US. The company's integrated "API-to-FD" model enhances cost efficiency, supply security, and margin capture across the value chain. Its product portfolio spans high-volume molecules as well as increasingly complex formulations, including modified-release products and controlled substances, with a strong pipeline of ANDA filings supporting regulated market growth.

GRAN's strategic focus, in the past decade, has been on backward integration, portfolio diversification, and expansion into higher-value segments. More recently, through the acquisition of Senn Chemicals AG (Switzerland) and its subsidiary Ascelis, GRAN has entered the peptide therapeutics and CDMO space – marking a structural expansion beyond traditional small-molecule oral solids into innovation-linked manufacturing. This move positions the company to participate in emerging therapeutic opportunities such as peptide-based treatments and GLP-1 receptor agonists.

With a growing US presence, expanding formulations capacity, and a disciplined capital allocation approach, GRAN is transitioning from a scale-driven generics player toward a more diversified, margin-accretive pharmaceutical platform. The company continues to emphasize on quality systems, regulatory compliance, and operational efficiency as it seeks to strengthen its positioning in regulated global markets.

Key management

Name	Designation	Description
Dr. Krishna Prasad Chigurupati	Chairman & Managing Director	The founder of Granules India, Dr. Prasad has over 40 years of experience in the pharmaceutical industry. He is credited with pioneering the concept of Pharmaceutical Formulation Intermediates (PFIs) as a cost-effective solution for global manufacturers. Under his leadership, GRAN grew from a paracetamol manufacturer into a vertically integrated global player.
Dr. K.V.S. Ram Rao	Joint Managing Director & CEO	Dr. Rao holds a PhD in Chemical Engineering from IISc Bangalore. He joined GRAN with over 30 years of experience in R&D, manufacturing, and commercial operations. Before GRAN, he was the CEO of the CSM business at PI Industries and held senior leadership roles at Dr. Reddy's Laboratories for nearly two decades.
Mr. Mukesh Surana	Chief Financial Officer	Mr. Surana is a Chartered Accountant with extensive experience in financial management and strategy within the pharmaceutical sector. He succeeded Sandip Neogi and plays a central role in the company's investor relations and quarterly earnings discussions.
Dr. P.V. Srinivas	Chief Technology Officer & Head of R&D	He leads the company's innovation pipeline, particularly focusing on process chemistry and the development of complex generics.
Mr. Sanjay Kumar	President and Chief Strategy Officer	He is responsible for strategic initiatives, including the company's recent push into Peptides and the CDMO (Contract Development and Manufacturing Organization) space.
Mr. Chaitanya Tummala	Company Secretary & Compliance Officer	A long-standing member of the senior management, he ensures corporate governance and regulatory compliance.

Source: Company, Elara Securities Research

Annexure 1

ESG & governance track – Science-led sustainability with global recognition

GRAN has embedded sustainability into its long-term strategy, positioning ESG not as a compliance exercise but as a structural enabler of global credibility. The company aligns disclosures with GRI, TCFD, SASB and UNGC frameworks and has received third-party assurance for its sustainability reporting.

FY25 marked a milestone year in ESG recognition, with GRAN securing a Gold rating from EcoVadis (top 5% globally), improving its CDP Climate score to 'B', achieving SBTi validation for net-zero targets, and being included in CDP's Supplier Engagement Assessment (SEA) A-list. These recognitions materially strengthen its institutional ESG positioning.

Environmental stewardship – Net Zero commitment with measurable progress

GRAN has committed to achieving Net Zero greenhouse gas emissions by 2050, with science-based emission reduction targets validated under the 1.5 degrees Celsius global warming pathway. Since the financial year 2023 base year, the company has reduced absolute Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from purchased electricity, steam, heating, and cooling) emissions by 32%. Currently, 24% of its total energy consumption is sourced from renewable energy, while 69% of electricity consumption comes from renewable sources through power purchase agreements (PPAs), rooftop solar installations, and International Renewable Energy Certificates (I-RECs). In addition, 44% of wastewater is recycled and reused, and 80% of hazardous waste is diverted from landfill through co-processing methods.

GRAN has also completed Product Carbon Footprint (PCF) assessments, covering 65% of its total sales and has launched a structured supplier sustainability program aimed at reducing Scope 3 emissions (indirect emissions occurring across the value chain, including suppliers and logistics). Considering the inherently resource-intensive nature of pharmaceutical manufacturing – particularly in solvent usage, effluent discharge, and energy consumption – these initiatives meaningfully reduce regulatory and reputational risks while enhancing long-term environmental sustainability and alignment with global climate commitments.

Social responsibility – Workforce safety and community impact

GRAN employs a workforce of >6,100 employees and maintains comprehensive governance and safety standards across its operations. The company has achieved 100% employee training coverage on its Code of Conduct and reports a 100% return-to-work rate. All manufacturing facilities are certified under International Organization for Standardization (ISO) 45001, the global standard for Occupational Health and Safety Management Systems. In Financial Year 2025, GRAN reported zero fatal incidents and no product recalls during the reporting period.

Regarding diversity and inclusion metrics, women represent 25% of the Board of Directors and 43% of key management personnel. The company's Corporate Social Responsibility initiatives focus on improving healthcare access, operating dialysis centers, developing water infrastructure, supporting education programs, and reaching vulnerable communities. These initiatives are aligned with the United Nations Sustainable Development Goals (SDGs), particularly those relating to good health and well-being, quality education, and climate action.

Governance – Compliance-centric with global regulatory oversight

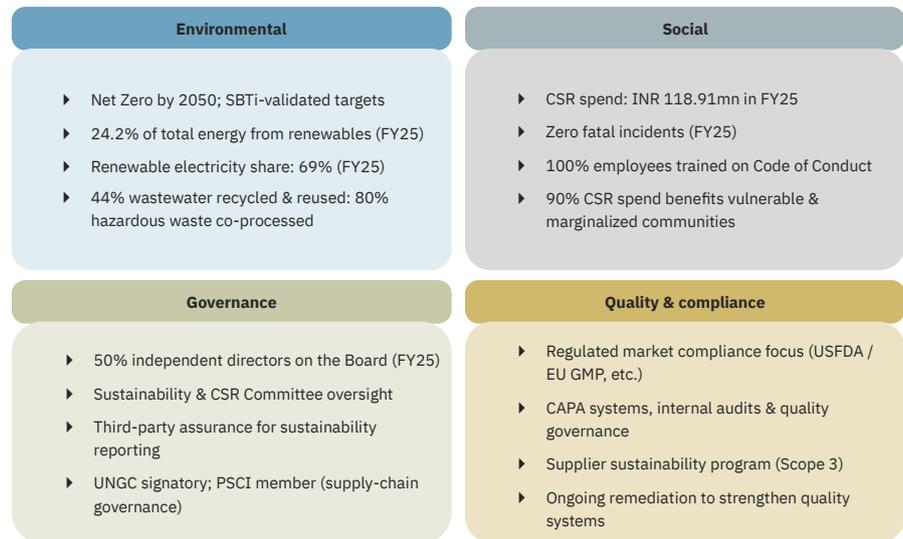
Operating in more than 80 countries, with ~94% of revenue derived from exports, governance discipline forms a central pillar of GRAN's operating model. The company maintains a majority-independent Board structure, with 50% of directors classified as Independent Directors. It has established dedicated board-level committees overseeing audit, risk management, corporate social responsibility, and stakeholder relationship matters, ensuring structured oversight across financial, operational, and sustainability domains.

GRAN also subjects its Environmental, Social, and Governance disclosures to external assurance and undergoes comprehensive regulatory inspections by authorities including the United States Food and

Integrated ESG execution across environment, workforce safety, and governance enhances business durability and institutional confidence.

Drug Administration (USFDA), the European Union Good Manufacturing Practice (EU GMP) framework, and the European Directorate for the Quality of Medicines and HealthCare (EDQM), among others. Furthermore, the company is a signatory to the United Nations Global Compact and a member of the Pharmaceutical Supply Chain Initiative (PSCI), reinforcing its commitment to responsible supply chain practices and international governance standards.

Exhibit 37: ESG framework

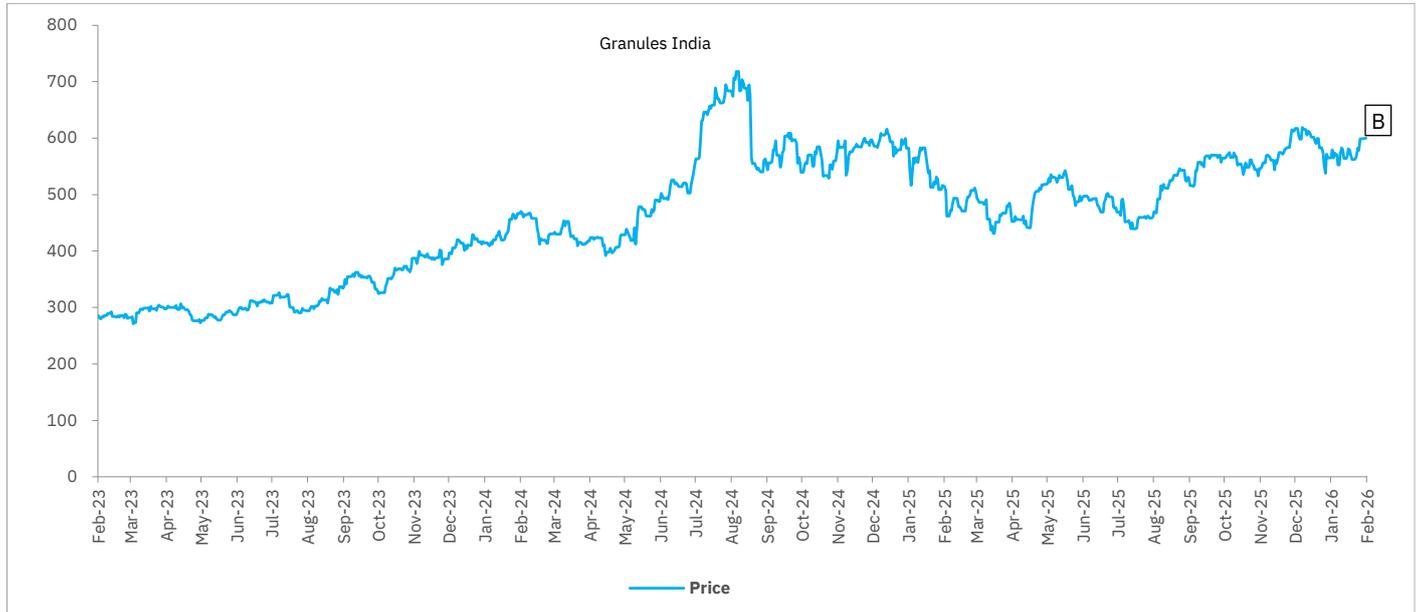


Source: Company, Elara Securities Research

Abbreviations and Acronyms

ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredients
CDMO	Contract Development and Manufacturing Organization
CNS	Central Nervous System
GLP-1	Glucagon-Like Peptide-1
USFDA	United States Food and Drug Administration
PFI	Pharmaceutical Formulation Intermediates
FDs	Finished Dosages
ADHD	Attention-Deficit/Hyperactivity Disorder
LPPS	Liquid-Phase Peptide Synthesis
SPPS	Solid-Phase Peptide Synthesis
OAI	Official Action Indicated

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
4-Mar-2026	Buy	775	554

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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