

CMP: Rs 358
Outlook: Positive

Stock Info

BSE	532482
NSE	GRANULES
Bloomberg	GRAN:IN
Reuters	GRAN.BO
Sector	PHARMACEUTICALS
Face Value (Rs)	1
Equity Capital (Rs cr)	25
Mkt Cap (Rs cr)	9114
52w H/L (Rs)	438 / 114
Avg Yearly Volumel (in 000')	3009

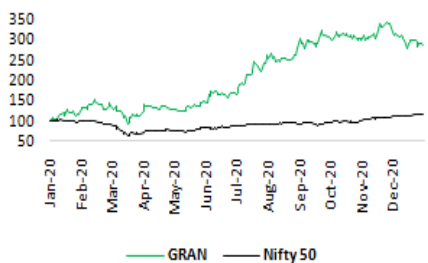
Shareholding Pattern %

(As on September, 2020)

Promoters	42.00
FII	26.30
DII	0.20
Public & Others	31.50

Stock Performance (%)	3m	6m	12m
Granules	-1.3	79.0	199.0
Nifty 50	20.8	31.4	17.7

GRAN Vs Nifty



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Granules India Ltd. is a vertically integrated global pharmaceutical company engaged in the manufacturing and selling of APIs, PFIs and FDs focusing on export to regulated markets. The company serves more than 60 countries via its six operational plants. Recently we had connected through conference call with the IR of GIL and following are the company highlights -

Company highlights

- GIL is one of the largest manufacturer of core molecules i.e. Paracetamol, Ibuprofen, Metaformin, Methocabamol and Guaifenesin with highest market share and contributing 84% of the total revenue.
- Since 2014 company has transitioned itself to Formulations and fixed dosages manufacturing. Company has invested in capex of Rs 1500 crs for this transition in 2015.
- From the total capex, company has invested Rs 550 crs to US business, focusing ANDA filings targeting limited competition, Rs 280 crs for Vizag unit 4/5 MUPs technology and rest Rs 670 crs for core molecule facilities.
- This capex utilization has started contributing since FY20 hence, going forward, volume contribution from core molecules business will minimize and contribution from PFIs and FDs segment will expand. Company expects API to contribute ~75% of total revenue from current level of 85% which will be leading to margin expansion of 100 bps annually in future.
- In domestic market, company is focused on increasing its volume.
- GIL's metaformin product outperformed during the recent quarter on one time opportunity, as most of the big players had recalled the product voluntarily due to exceeding level of impurity (NDMA).
- The expansion of new API plants supported by multiple unit pellet system (MUPs technology) may result in some delay in its launch timeline mainly due to logistic issues.
- Company is at growing stage in the US market and hence it needs to hold inventory for 3 to 5 months for new products. The receivables days are also comparatively longer than earlier for US market and company is in continuous negotiation with suppliers to improve its working capital cycle.
- For the year, company has reduced its debt by Rs 72 – 80 crs. (Total debt is Rs 793 crs for FY20)
- Company maintains its EBITDA margins in range of 25% - 27%, mainly due to introduction of new government policies related to MEIS.

FINANCIAL HIGHLIGHTS

in Cr	FY18	FY19	FY20	FY21E	FY22E
Revenue	1685	2279	2599	3216	3794
EBITDA	278	383	525	792	950
EBITDA margin(%)	16.5%	16.8%	20.2%	24.6%	25.0%
PAT	132	236	335	484	583
PATM (%)	7.9%	10.9%	13.0%	15.0%	15.4%
EPS(in Rs)	5.2	9.8	13.3	18.9	22.0
ROE(%)	16.5%	16.8%	20.2%	24.1%	23.5%
PE(x)	67	36	27	18	15

Source: Arihant Research, Company Filings, Bloomberg Consensus

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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