

Challenging Scenario; maintain Buy

We maintain our Buy rating for Granules India (GIL) and revise the TP to Rs150 (earlier Rs160) based on 14x March'20 EPS of Rs10.7. GIL's Q4FY18 revenues were higher than our and consensus expectations. However, EBIDTA and net profit were lower than expectations due to the sharp rise in material cost. GIL reported 39% YoY growth in revenues, margin decline of 1,270bps to 8.7% and net profit decline of 55%YoY. As per the management, GIL did not face pricing pressure in the US market. We expect GIL to benefit from the economies of scale. We further expect its performance to improve led by its profitable product mix, capacity expansion of API and PFI, focus on cost optimisation and upward movement on the value chain.

- **Revenue grew by 39% YoY:** GIL's revenue grew 39% YoY to Rs5.04bn from Rs3.62bn during the quarter due to an increase in the revenues of formulation business. Consolidated sales composition includes APIs (40%), PFIs (24%) and finished formulations (36%). We expect GIL's revenues to improve from the expansion of its API and PFI facilities. GIL has increased the selling price of ibuprofen due to the increase in its raw material prices. The same is expected to be passed on to its customers.
- **Margin set to improve:** GIL's EBIDTA margin declined by 1,270bps YoY to 8.7% from 21.4%, due to sharp rise in material cost. The company's material cost grew by 1,840bps to 61.5% from 43.1% due to the rise in prices of crude based raw materials and Rs280mn increase in inventory of WIP and finished goods during Q4FY18. One of the major customers has requested to differ the supplies to Q1FY19. Personnel cost declined by 160bps YoY to 8.4% from 10.0%. Other expenses declined by 400bps to 21.5% from 25.5% due to the cost control measures. We expect margins to improve, led by higher capacity utilisation, change in the product mix and new product launches.
- **Net profit set to improve:** GIL's net profit for the quarter declined by 55% YoY to Rs204mn from Rs457mn, led by drop in EBIDTA margin and higher tax rate. GIL's other income grew by 708%YoY to Rs97mn from Rs12mn. Tax rate grew to 35.6% from 31.4% of PBT. We expect the company to report sustainable growth, as it moves up the value chain and pass the increase in raw material cost to its customers.
- **Recommendation and key risks:** We maintain our Buy rating and revise our TP to Rs150, based on 14x March'20E EPS of Rs10.7, with an upside of 82.7% over CMP. We have revised FY19E and FY20E EPS downwards by 9% and 4% respectively. We expect the company to deliver superior performance due to a change in the product mix, additional capacities, margin improvement and new product launches. Key risks to our assumptions are a slowdown in the global market and regulatory risks for its manufacturing facilities.

Particulars (Rs mn)	Q4FY18	Q4FY17	YoY Gr%	Q3FY18	QoQ Gr %	Q4FY18E	% Var.
Revenues	5,038	3,622	39.1	4,107	22.7	3,930	28.2
Raw material cost	3,097	1,562	98.3	2,089	48.3	2,010	54.1
Employee cost	424	362	17.1	415	2.2	390	8.7
Other expenses	1,081	924	17.0	862	25.4	810	33.5
EBIDTA	436	774	(43.7)	741	(41.2)	720	(39.4)
EBIDTA margin (%)	8.7	21.4		18.0		18.3	
Depreciation	204	180	13.3	196	4.1	210	(2.9)
Interest	62	77	(19.5)	82	(24.4)	70	(11.4)
Other income	97	12	708.3	9	977.8	15	546.7
PBT	267	529	(49.5)	472	(43.4)	455	(41.3)
Prov. For tax	95	166	(42.8)	169	(43.8)	140	(32.1)
Adj. PAT	204	457	(55.4)	351	(41.9)	375	(45.6)

Source: Company, Centrum Research Estimates

Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adjust. PAT	YoY (%)	DEPS Rs.	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY16	13,829	7.0	2,763	20.0	1,249	37.4	4.8	22.8	13.6	23.0	10.4
FY17	14,352	3.8	2,988	20.8	1,644	31.7	6.5	21.0	11.3	19.5	11.0
FY18	16,918	17.9	2,785	16.5	1,326	-19.3	5.2	12.0	7.1	25.1	14.4
FY19E	20,380	20.5	3,817	18.7	2,088	57.5	8.2	15.0	8.9	10.0	7.5
FY20E	23495	15.3	4712	20.1	2718	30.2	10.7	17.2	10.5	7.7	6.3

Source: Company, Centrum Research Estimate

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target Price	Rs150	Key Data	
CMP	Rs82	Bloomberg Code	GRAN IN
Upside	82.7%	Curr Shares O/S (mn)	253.8
Previous Target	Rs160	Diluted Shares O/S(mn)	253.8
Previous Rating	Buy	Mkt Cap (Rsbn/USDmn)	20.8/306.7
Price Performance (%)*		52 Wk H / L (Rs)	150.5/77.8
		5 Year H / L (Rs)	164.5/10.4
GRAN IN	(24.2)	Daily Vol. (3M NSE Avg.)	2277881
Nifty	(0.6)		

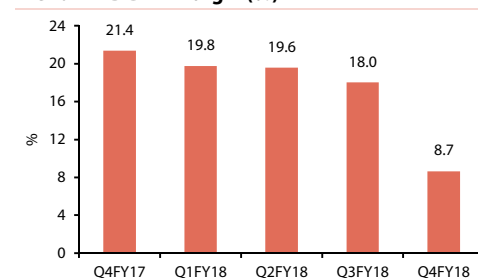
Source: Bloomberg, Centrum Research, *as on 29th May 2018

Shareholding pattern* (%)

	March-18	Dec-17	Sept-17	June-17
Promoter	44.9	44.9	48.2	53.4
FIs	10.6	14.3	19.8	12.2
DIs	7.0	4.1	1.6	1.4
Others	37.5	36.7	30.4	33.0

Source: BSE, *as on 29th May 2018

Trend in EBIDTA margin (%)



Source: Company, Centrum Research

Earning Revision

Particulars (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Revenue	20,380	21,022	(3.1)	23,495	23,735	(1.0)
EBITDA	3,817	4,209	(9.3)	4,712	4,997	(5.7)
EBITDA Margin (%)	18.7	20.0	(130)bps	20.1	21.1	(100)bps
PAT	2,088	2,290	(8.8)	2,718	2,833	(4.1)

Source: Centrum Research Estimates

Centrum vs. Bloomberg Consensus*

Particulars (Rsmn)	FY19E			FY20E		
	Centrum	BBG	Var (%)	Centrum	BBG	Var (%)
Sales	20,380	19,501	4.5	23,495	22,891	2.6
EBITDA	3,817	3,496	9.2	4,712	4,245	11.0
PAT	2,088	1,689	23.6	2,718	2,208	23.1

Bloomberg Consensus*				Centrum Target Price (Rs)	Variance (%)
BUY	SELL	HOLD	Target Price (Rs)		
11	1	0	121	150	24.2

*as on 29 May 2018; Source: Bloomberg, Centrum Research Estimates

Ranjit Kapadia, ranjit.kapadia@centrum.co.in; 91 22 4215 9645

Conference call highlights

GIL's management hosted a conference call post Q4FY18 results. The details of the discussion are as follows:

Products and approval

- The management indicated that FY19 would be a good year due to expanded capacities of API and PFI and the new products in the pipeline.
- The company has filed 20 ANDAs from its Hyderabad and US facilities of which 7 are approved. GIL has filed 21 DMFs with US FDA and 6 DMFs with European authorities.
- GIL generated over 80% of its revenues from exports of which 62% are from regulated markets of US, Europe and Canada.
- GIL has commercialised the additional capacities for Metformin and Paracetamol APIs.
- GIL has commenced construction of a greenfield facility at Vizag to enter into oncology and specialty segments.
- As per the management, GIL has successfully completed the US FDA audit for four of its sites in FY18.
- GIL has plans to launch the following products in the US market during FY19: Metformin ER tablets, Methocarbamol tablets, Fexofenadine tablets, Cetrizine tablets and Methergine tablets.

Financials

- The management informed long term borrowing of Rs4.33bn and short term borrowing of Rs5.25bn with total borrowing of Rs9.58bn.
- As per the management, there was an increase in price of the key raw material derived from crude. GIL has been able to pass the increase in raw material cost to its major customers with a lag of one quarter.
- The management indicated that there was no pricing pressure in the US on GIL's products Ibuprofen and Metformin as they are commoditised and the company is one of the lowest cost producer.
- GIL's Omnicem JV generated revenues of Rs1,470mn and net profit of Rs40mn during FY18. The management expects 25%CAGR in revenues over next 5 years.
- The company's subsidiaries, Granules Omnicem and Granules Biocause reported EBIDTA margin of 19.1% and 13.6% respectively in FY18.
- The management indicated tax rate of 31-32% for FY19 and FY20.
- GIL has no plan to spend on new capex in FY19.
- As per the management, the debt level would be Rs10.0bn for FY19 and Rs9.0bn for FY20.
- The sales composition for Q4FY18 was as follows: paracetamol 31%, metformin 25%, ibuprofen 26%, guaifenesin 4%, methocarbamol 2%, and others 12%.
- GIL has reported API revenues of 40% in Q4FY18 from 41% in Q4FY17. Its formulation revenues have declined to 36% from 37% during the similar periods. As formulations have higher margins, it has affected the overall margins of GIL. Sales composition during Q4FY18 and Q4FY17 was as follows:

Exhibit 1: Segment-wise revenues (consolidated)

Particulars (%)	Q4FY18	Q4FY17	Q3FY18
API	40.0	41.0	36.0
PFI	24.0	22.0	24.0
Formulations	36.0	37.0	40.0

Source: Company

Valuation and recommendation

GIL is expanding its capacities for major APIs as follows:

Exhibit 2: Capacity expansion for major APIs

API	5-year CAGR%	Current capacity TPA	Expanded capacity TPA
Paracetamol	16	18,000	24,000
Metformin	50	2,000	9,000
Guafenesin	35	1,200	3,200

Source: company

Other Developments

We maintain our Buy rating on GIL with a revised TP of Rs150, based on 14x March'20E EPS of Rs10.7, with an upside of 82.7% over CMP. We expect the company to deliver superior performance due to the change in its product mix, additional capacities for API and PFI, margin improvement and new product launches. The filing of own ANDAs would create a pipeline for the US and other regulatory markets. Omnicem JV has received Establishment Inspection Report (EIR) from US FDA for its Vizag facility in Q3FY18. Currently, the facility manufactures high value intermediates for APIs. GIL has received approval from US FDA for Methergine injection. This product has market size of \$70mn (Rs4.76bn). All these developments are likely to drive future growth of GIL.

Earning Revision

Based on Q4FY18 results, we have revised our FY19E and FY20E EPS downwards by 9% and 4% respectively as follows:

Exhibit 3: Earnings Revision

Particulars	FY19E			FY20E		
	Current	Earlier	Chg(%)	Current	Earlier	Chg(%)
Sales	20,380	21,022	(3.1)	23,495	23,735	(1.0)
EBIDTA	3,817	4,209	(9.3)	4,712	4,997	(5.7)
EBIDTA margin (%)	18.7	20.0	(130)bps	20.1	21.1	(100)bps
Net profit	2,088	2,290	(8.8)	2,718	2,833	(4.1)

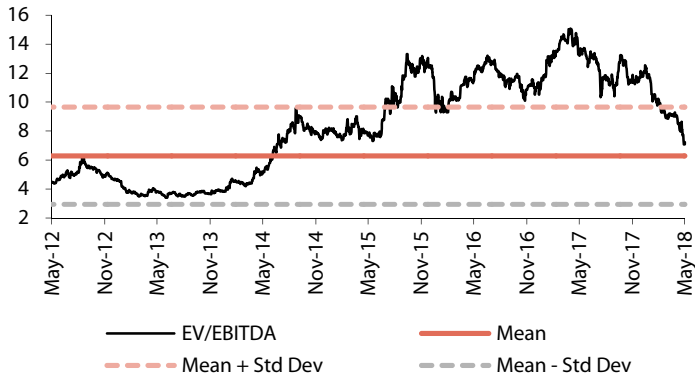
Source: Centrum Research Estimates

Exhibit 4: Sensitivity Analysis

Sensitivity to key variables – FY18E	% change	% impact on EBITDA	% impact on EPS
Sales	1	5.3	9.7
Material cost	1	(2.8)	(5.1)

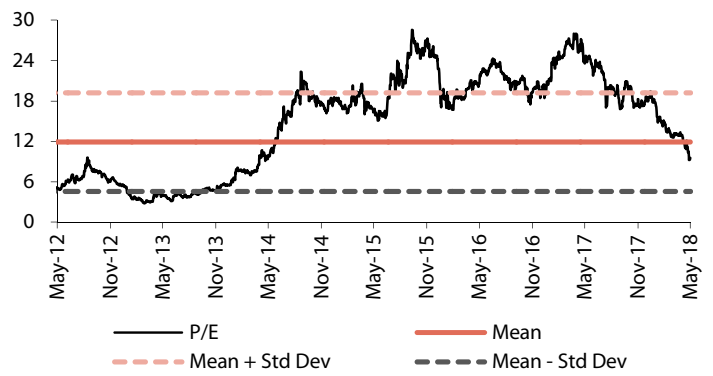
Source: Company, Centrum Research Estimates

Exhibit 5: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 6: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 7: Comparative Valuations

Sector	Mkt Cap (Rs mn)	CAGR FY17-FY19E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E	FY17	FY18	FY19E
Granules India	20,828	19.2	13.0	12.7	20.8	16.5	18.7	19.5	25.1	10.0	11.0	14.4	7.5	21.0	12.0	15.0	0.9	0.9	2.0
Aarti Drugs	12,272	11.2	14.5	17.4	15.6	16.0	16.6	16.0	16.1	10.9	9.5	9.3	7.0	21.6	19.2	22.7	2.2	2.1	2.5
Laurus Labs*	49,485	13.5	15.1	15.0	21.9	21.1	22.5	23.7	26.1	20.0	15.2	13.2	11.2	17.9	13.0	15.3	0.3	0.3	0.3
Strides Shasun*	37,456	(6.6)	(13.6)	(37.0)	18.8	14.5	16.1	21.2	21.2	21.4	17.1	11.2	11.8	16.6	4.9	6.7	0.4	1.4	0.9

Source: Company, *Bloomberg Estimates, Centrum Research Estimates, Prices as on 29th May 2018

Quarterly financials, Operating Metrics and Key Performance Indicators

Exhibit 8: Quarterly Financials -Consolidated

Particulars (Rs mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Total Revenues	3,498	3,638	3,595	3,622	3,847	3,926	4,107	5,038
Materials Cost	1,746	1,820	1,663	1,562	1,800	1,977	2,089	3,097
Personnel expenses	339	340	361	362	390	423	415	424
Other expenses	728	736	785	924	897	757	862	1,081
Total Expenditure	2,813	2,896	2,809	2,848	3,087	3,157	3,366	4,602
EBIDTA	685	742	786	774	760	769	741	436
Other income	30	39	19	12	13	68	9	97
PBDIT	715	781	805	786	773	837	750	533
Depreciation	163	185	187	180	176	186	196	204
Interest	79	83	84	77	82	104	82	62
Forex exchange gain / (loss)	-	-	-	-	-	-	-	-
PBT	473	513	534	529	515	547	472	267
Tax	154	156	176	166	177	193	169	95
Net profit	319	357	358	363	338	354	303	172
Profit of ass./ Minority interest	71	51	32	94	30	49	48	32
Net profit after minority	390	408	390	457	368	403	351	204
Growth Rates %								
Sales	8.4	3.1	10.6	(3.6)	10.0	7.9	14.2	39.1
EBIDTA	9.3	8.4	20.4	(1.9)	10.9	3.6	(5.7)	(43.7)
Net profit	36.7	26.4	33.6	38.1	(5.6)	(1.2)	(10.0)	(55.4)
Margin %								
EBIDTA margin	19.6	20.4	21.9	21.4	19.8	19.6	18.0	8.7
PBT margin	13.5	14.1	14.9	14.6	13.4	13.9	11.5	5.3
Net margin	9.1	9.8	10.0	10.0	8.8	9.0	7.4	3.4

Source: Company, Centrum Research

Exhibit 9: Key performance indicators

Key performance indicator	FY16	FY17	FY18	FY19E	FY20E
API gr. rate %	(5.4)	1.1	21.0	16.0	13.0
PFI gr. rate %	24.7	(11.1)	20.7	17.0	20.0
Finished products gr. rate %	10.7	19.5	13.0	27.6	14.6
Material cost %	52.4	47.4	53.0	52.0	51.3

Source: Company, Centrum Research Estimates

Financials -consolidated

Exhibit 10: Income Statement

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Revenues	13,829	14,352	16,918	20,380	23,495
Material cost	7,252	6,796	8,962	10,590	12,060
% of revenues	52.4	47.4	53.0	52.0	51.3
Employee cost	1,176	1,402	1,652	1,905	2,155
% of revenues	8.5	9.8	9.8	9.3	9.2
Other Expenses	2,638	3,166	3,519	4,068	4,568
% of revenues	19.1	22.1	20.8	20.0	19.4
EBIDTA	2,763	2,988	2,785	3,817	4,712
EBIDTA margin (%)	20.0	20.8	16.5	18.7	20.1
Depreciation & Amortisation	584	715	762	874	958
EBIT	2,179	2,273	2,023	2,943	3,754
Interest Expenses	371	323	331	370	400
PBT from operations	1,808	1,950	1,692	2,573	3,354
Other income	52	99	108	150	180
PBT	1,860	2,049	1,800	2,723	3,534
Tax provision	611	652	634	855	1,085
Effective tax rate (%)	32.9	31.8	35.2	31.4	30.7
Net profit	1,249	1,397	1,166	1,868	2,449
Minority interest/ Sh. Of asso.	-	247	160	220	270
Reported net profit	1,249	1,644	1,326	2,088	2,718
Adj. Net profit	1,249	1,644	1,326	2,088	2,718

Source: Company, Centrum Research Estimates

Exhibit 11: Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Growth Ratios (%)					
Revenues	7.0	3.8	17.9	20.5	15.3
EBIDTA	32.4	8.2	-6.8	37.1	23.4
Adj. Net Profit	37.4	31.7	-19.3	57.5	30.2
Margin Ratios (%)					
EBIDTA margin	20.0	20.8	16.5	18.7	20.1
PBT from operations margin	13.1	13.6	10.0	12.6	14.3
Adj. PAT margin	9.0	11.5	7.8	10.2	11.6
Return Ratios (%)					
RoCE	13.6	11.3	7.1	8.9	10.5
RoE	22.8	21.0	12.0	15.0	17.2
RoIC	14.5	11.6	7.1	9.0	10.6
Turnover ratios (days)					
Gross Block Turnover (x)	1.7	1.6	1.6	1.6	1.6
Debtors	99	106	133	112	124
Creditors	48	58	54	52	42
Inventory	67	70	60	70	61
Cash Conversion Cycle	118	119	139	131	143
Solvency Ratio					
Debt-Equity	0.9	0.7	0.7	0.6	0.6
Net Debt-Equity	0.7	0.6	0.6	0.5	0.5
Current Ratio	3.2	2.7	3.6	2.9	3.2
Interest Coverage Ratio	0.2	0.1	0.2	0.1	0.1
Gross Debt/EBIDTA	2.1	2.0	3.4	2.4	2.1
Per Share (Rs)					
FDEPS (adjusted)	4.8	6.5	5.2	8.2	10.7
CEPS	7.1	9.3	8.2	11.7	14.5
Book Value	30.5	39.5	51.3	57.9	66.7
Dividend	0.6	0.9	1.0	1.4	1.6
Dividend Payout (%)	13.0	14.7	22.6	20.1	17.6
Valuations (x) (Avg Mkt Cap)					
PER	23.0	19.5	25.1	10.0	7.7
P/BV	3.6	3.2	2.6	1.4	1.2
EV/EBIDTA	10.4	11.0	14.4	7.5	6.3
Dividend Yield (%)	0.7	0.9	0.9	2.0	2.3
5-yr Avg AOCF/EV yield(%)	2.7	1.5	1.7	1.2	2.7

Source: Company, Centrum Research Estimates

Exhibit 12: Balance Sheet

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Share capital	217	229	254	254	254
Share warrants	0	0	0	0	0
Reserves & surplus	6,401	8,807	12,788	14,456	16,695
Total shareholders Funds	6,618	9,036	13,042	14,710	16,949
Total Debt	5,766	5,980	9,582	9,224	9,840
Minority interest	-	-	-	-	-
Deferred tax Liab.	568	565	473	580	593
Total Liabilities	12,952	15,581	23,097	24,514	27,382
Gross Block	8,229	9,836	11,921	13,300	15,470
Less: Acc. Depreciation	2,630	3,392	4,154	5,028	5,986
Net Block	5,599	6,444	7,767	8,272	9,484
Capital WIP	766	2,605	5,145	5,500	5,600
Net Fixed Assets	6,365	9,049	12,912	13,772	15,084
Investments	700	1,081	1,568	2,086	2,156
Inventories	2,536	2,760	2,799	3,920	3,930
Debtors	3,754	4,176	6,171	6,280	8,000
Loans & Advances	422	324	147	475	590
Cash & Bank Balance	1,303	500	1,156	1,586	1,041
Other assets	546	874	1,617	1,030	1,250
Total Current Assets	8,561	8,634	11,890	13,291	14,811
Trade payable	1,818	2,273	2,522	2,900	2,700
Other current Liabilities	840	893	647	1,270	1,360
Provisions	16	16	104	465	610
Net Current Assets	5,887	5,452	8,617	8,656	10,141
Total Assets	12,952	15,581	23,097	24,514	27,382

Source: Company, Centrum Research Estimates

Exhibit 13: Cash Flow

Y/E March	FY16	FY17	FY18	FY19E	FY20E
CF before WC changes	2,353	(609)	4,497	(929)	5,490
Working Capital Changes	(915)	(368)	(2,509)	391	(2,030)
CF from Operations	1,438	(977)	1,988	(538)	3,460
Adj OCF (OCF-Interest)	1,039	(1,300)	1,657	(908)	3,460
Change in fixed assets	(1,335)	(3,399)	(4,625)	(1,734)	(1,312)
Adj. FCF (AOCF-Capex)	(296)	(4,699)	(2,968)	(2,642)	2,148
CF from Investing	(1,281)	(3,780)	(5,112)	(2,252)	(1,382)
CF from Financing	609	1,074	3,328	(778)	616
Net change in Cash	766	(3,683)	204	(3,568)	2,694

Source: Company, Centrum Research Estimates

Appendix A

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Ranjit Kapadia, research analyst and and/or any of his family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

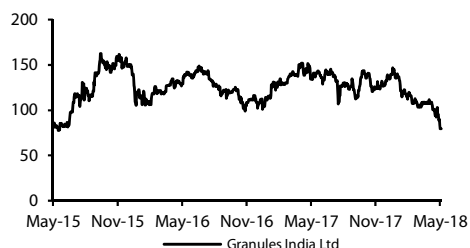
While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Granules India price chart



Source: Bloomberg, Centrum Research

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	Ranjit Kapadia is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001352)

		Granules India	Aarti Drugs
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No	No

Rating Criteria

Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
Buy	Upside > 20%	Upside > 15%	Upside > 10%
Hold	Upside between -20% to +20%	Upside between -15% to +15%	Upside between -10% to +10%
Sell	Downside > 20%	Downside > 15%	Downside > 10%

Member (NSE and BSE)

Regn No.:

CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239
 CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233
 DERIVATIVES SEBI REGN. NO.: NSE: INF231454233
 (TRADING & CLEARING MEMBER)
 CURRENCY DERIVATIVES: MCX-SX INE261454230
 CURRENCY DERIVATIVES:NSE (TM & SCM) – NSE 231454233

Depository Participant (DP)

CDSL DP ID: 120 – 12200
 SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Kavita Ravichandran
 (022) 4215 9842; Email ID: Compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000