January 19, 2026

Granules Life Sciences Private Limited: Rating upgraded to [ICRA]AA(Stable)

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund based – term loan	400.00	400.00	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Stable)
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure-I*

Rationale

While assigning the rating to Granules Life Sciences Private Limited (GLS), ICRA has taken a consolidated view of Granules India Limited (GIL) and its wholly-owned subsidiary, GLS, given the common management and significant operational and financial linkages between them.

The upgrade of GIL's rating factors in its diversifying product portfolio, aided by a healthy pace of new product launches in the US in therapies like central nervous system (CNS) and attention deficit and hyperactivity disorder (ADHD). The new product launches have offset the impact of the price erosion and low demand of some of the key legacy molecules of GIL (like paracetamol) after Covid-19. In FY2025, the legacy molecules generated 62% of GIL's consolidated revenues, decreasing from 84% in FY2023. Considering the revenue has remained rangebound at around Rs. 4,500 crore during this period, the contribution from non-legacy products has increased by around Rs. 1,000 crore during the period, aided by new product launches.

Additionally, the rating action factors in the expected improvement in GIL's financial risk profile, aided by the growth in its revenues and earnings, supported by an improved product mix. GIL generated an operating income of Rs. 2,507.1 crore in H1 FY2026, aided by growth across North America and Europe. Besides, it is expected to continue to grow at a robust rate over the medium term, aided by a heathy pace of new product launches, increasing contribution from the new manufacturing facility at Genome Valley (Telangana) and increasing contribution from the peptides business. GIL's profitability has also remained stable, aided by a strong backward integrated business model with an operating profit margin (OPM) of 20.9% in H1 FY2026 and 21.1% in FY2025. The company is expected to continue to maintain a healthy profitability, going forward, as well. The rating also factors in GIL's comfortable capital structure and coverage metrics. The company has undertaken some debt in FY2024 and FY2025 to partially fund its capex towards developing the finished dosage (FD) manufacturing facility at Genome Valley, Telangana. Despite this, its overall debt protection metrics have remained comfortable with total debt/OPBDITA of 1.7 times and an interest cover of 9.9 times as on September 30, 2025. Moreover, the indicators are expected to further improve with the likely increase in cash flow generation and no expectation of any major debt-funded capex.

ICRA also notes the approval by the Board of Directors of GIL for the proposal to issue warrants worth Rs. 1,462.5 crore and equity shares aggregating to Rs. 300.0 crore. GIL's 25% of the warrants issue price is payable at the time of the subscription and the balance 75% is payable upon exercise of the entitlement attached to the warrants to subscribe for equity shares (within 18 months from the date of allotment of warrants). While the fund infusion is expected to aid the improvement in the credit profile of the company, both the proposals remain subjected to the approval by the special extraordinary general meeting (EGM) scheduled to be held on January 22, 2026.

With North America and Europe driving 85-90% of its revenues over FY2025 and H1 FY2026, GIL remains exposed to regulatory risks and litigations as well as scrutiny by various agencies like the United States Food and Drugs Administration (USFDA). In

September 2024, GIL's FD manufacturing facility at Gagillapur, Hyderabad, received a Form 483 with six observations from USFDA. Later, USFDA issued a warning letter to the facility in February 2025. As a result, the company is not allowed to launch new products in the US from the said facility until a successful resolution of the warning letter. While the remediation measures have led to some disruption in operations and higher costs, GIL has been able to maintain is revenues and profitability, aided by the strong performance of new product launches from its manufacturing facility at Virginia (US). Moreover, with the commissioning of the facility at Genome Valley, the concentration risk has been mitigated to a certain extent. However, a successful resolution at Gagillapur remains a key for GIL's sustained growth over the long-term and thus remains a key monitorable. GIL also remains vulnerable to the intense competition in the industry and the volatility in raw material prices.

The Stable outlook on the rating indicates ICRA's opinion that GIL would continue to maintain its healthy credit profile, supported by its strong market position across its key molecules, healthy pace of new product launches, backward integration of operations and economies of scale translating into healthy internal accrual generation.

Key rating drivers and their description

Credit strengths

Established operational track record and business position in the pharmaceutical industry, supported by global leadership in paracetamol and other key molecules – GIL is an established player in the pharmaceutical industry, with a leadership position in some of the first line of defence, mature generic molecules like paracetamol, metformin and ibuprofen. For these molecules, GIL has a strong market position in the US with established relationships with several reputed players. The company is also trying to improve its market share in these molecules in Europe and the rest of world markets.

Margins supported by backward integration and economies of scale – GIL benefits from its significant backward integration with in-house manufacturing of four out of five key active pharmaceutical ingredients (APIs). Besides the economies of scale arising from its sizeable manufacturing capacities at the Gagillapur and Bonthapally (Telangana) facilities, this results in stable and healthy profitability (with OPM in the range of 19-21% over the past 4-5 years).

Comfortable capital structure and coverage metrics – GIL has a healthy financial profile with strong credit metrics and an adequate liquidity position. As on September 30, 2025 it has a total debt/OPBDITA of 1.7 times, net debt/OPBDITA of 1.1 times and total debt/TNW of 0.5 times. The interest cover stood at 9.9 times during H1 FY2026. Moreover, ICRA expects gradual improvement in the financial profile of GIL, aided by its robust cash flows and expectations of a gradual reduction in debt levels. The credit profile will improve further if the proposal for fund infusion is approved at the EGM.

Improving product concentration, aided by increase in R&D spends – Over the past few years, GIL has shifted its focus to new product launches, including limited competition products, especially in high potential therapies like CNS, ADHD, oncology and diabetes. This has been commensurate with an increase in its R&D spending to 5.5% of its operating income in H1 FY2026 and 5.3% in FY2025 against 4.4% in FY2024 and 2.6% in FY2023. The resulting new product launches have been able to offset the loss of sales and/or profitability on account of the factors like price erosion in legacy molecules and remediation expenses at Gagillapur. Moreover, a sustained new launch momentum is expected to further aid in diversification of GIL's product profile while also supporting its revenue growth and improving its profitability.

Credit challenges

Profitability vulnerable to volatility in raw material prices – GIL's profitability continues to be vulnerable to volatility in raw material prices, though its backward-integrated operations provide some comfort. ICRA notes GIL's capex plan in Kakinada (Andhra Pradesh) for manufacturing key starting materials of its key products like paracetamol and metformin, which might support its profitability against volatility in raw material prices. However, the company is progressing with the projects at a calibrated pace and the benefits are only expected to become substantial over the medium-to-long term.

Exposure to regulatory risks and litigations, however, GIL has a successful track record of inspections – Like its peers, GIL remains exposed to regulatory risks and litigations, including scrutiny by agencies like USFDA. Considering that the US contributed around 77% to its revenue in FY2025 and H1 FY2026, scrutiny by USFDA continues to be important for its overall operations. GIL's Gagilapur (Telangana) facility received a warning letter from USFDA in February 2025. While the same has not impacted the sale of existing products, the launch of new products filed from the manufacturing facility will be impacted till the resolution of the warning letter. While the commissioning of facility at Genome Valley and increasing contribution from the facility at Virginia have offset the impact from Gagillapur in the past, a timely resolution of the warning letter remains key for GIL.

Liquidity position: Adequate

GIL's liquidity position is adequate, supported by healthy cash flow generation, cash, cash equivalents and liquid investments of Rs. 619 crore and undrawn working capital limits of around Rs. 396 crore as on September 30, 2025. GIL has planned capex of around Rs. 600-700 crore in FY2026 (in addition to the acquisition of Senn Chemicals) and Rs. 500-600 crore in FY2027. It has term loan repayments of around Rs. 50 crore in FY2026 and Rs. 20 crore in FY2027. ICRA expects GIL's existing liquidity and cash flow generation to be largely sufficient to meet its obligations.

Rating sensitivities

Positive factors – The rating could be upgraded if the company demonstrates a healthy product and geographical diversity, resulting in a healthy growth in its revenues and accrual generation and strengthening its liquidity position and coverage metrics.

Negative factors – The rating of the company is likely to be downgraded if there is any significant weakening of its profit margins or an increase in its working capital intensity, resulting in a deterioration in its liquidity profile or an increase in its leverage levels, leading to a total debt/ OPBDITA of more than 1.5 times on a sustained basis. Any regulatory development pertaining to its products and/or manufacturing facilities, impacting its product launches and thus materially impacting its revenues and profitability, would also be a negative rating trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology –Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GIL. The subsidiaries and step-down subsidiaries of TPL are listed in Annexure-II.

About the company

GIL was incorporated as a private limited company in 1991 and was later converted into a public limited company in 1993. It started as a merchant exporter of bulk drugs like paracetamol, guaifenesin and chloro pheniramine maleate. At present, GIL manufactures APIs, pharmaceutical formulation intermediates (PFIs) and FDs, which are marketed to more than 300 customers across more than 80 countries, primarily in North America, Europe, Asia and Latin America.

GIL has manufacturing plants across Hyderabad, Visakhapatnam and Virginia (US), and R&D centres in Hyderabad and Virginia, with an installed manufacturing capacity of 39,360 TPA of APIs, 24,640 TPA of pharmaceutical formulation ingredients (PFIs) and 39.4 billion dosages of FDs.

GLS is a wholly-owned subsidiary of GIL. It has a manufacturing facility in Genome Valley for manufacturing pharmaceutical formulations. The manufacturing facility has two production blocks with a total capacity of 10 billion tablets per annum. As it is located in Genome Valley, GLS benefits from tax incentives under Section 115BAB.

Key financial indicators (audited)

GIL – Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	4,506.4	4,481.6	2,507.1
PAT	405.3	501.5	243.2
OPBDIT/OI	19.1%	21.1%	20.9%
PAT/OI	9.0%	11.2%	9.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.7	0.7
Total debt/OPBDIT (times)	1.5	1.5	1.7
Interest coverage (times)	8.1	9.2	9.9

*Source: Company, ICRA Research; *based on provisional results for H1 FY2026; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current rating			Chronology of rating history for the past 3 years							
	Type	Amount rated (Rs. Crores)		FY2026		FY2025		FY2024		FY2023	
			Jan 19, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long term	400.00	[ICRA]AA (Stable)	June 26, 2025	[ICRA]AA- (Stable)	-	-	Mar 31, 2024	[ICRA]AA- (CE) (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - fund based - term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan**	January 2024	NA	March 2033	400.00	[ICRA]AA (Stable)

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	GIL Ownership	Consolidation Approach
Granules USA Inc	100.00%	Full Consolidation
Granules Consumer Health, Inc.	100.00%	Full Consolidation
Granules Pharmaceuticals Inc	100.00%	Full Consolidation
Granules Europe Limited	100.00%	Full Consolidation
Granules Lifesciences Private Limited	100.00%	Full Consolidation
Granules CZRO Private Limited	100.00%	Full Consolidation

Source: FY2025 Annual Report

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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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