NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Earnings Presentation Q2FY21

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Safe Harbour

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Q2 & H1 FY21 Highlights

Management Speak

- **Sucheth Davuluri**

Vice-Chairman & Chief Executive Officer

"We are pleased to report a record quarterly revenue of Rs.242 crores. The revenue growth of 29.6% was powered by both the Prime and CMS verticals. We believe this sets us up firmly on the growth path for the rest of this year while providing a strong base for the next fiscal as well. We are also pleased to report that Unit III has commenced revenue generation which will act as a further tailwind going forward."

- **Saharsh Davuluri**

Vice-Chairman & Managing Director

"The CMS business is continuing to drive growth with good performance from the baseline projects. We are seeing our efforts over the years pay off as more molecules are progressing in the pipeline towards commercialization. Our focus will continue to be on adding products in GDS & CMS that will drive long-term growth."

Operational Highlights – YoY

H1 FY21

- Total income increased by 21.7% led by growth in all 3 segments
- EBITDA margins increased by 480 bps to 16.9%
- PBT margins increased by 550 bps and PAT margins increased by 430 bps

Q2 FY21

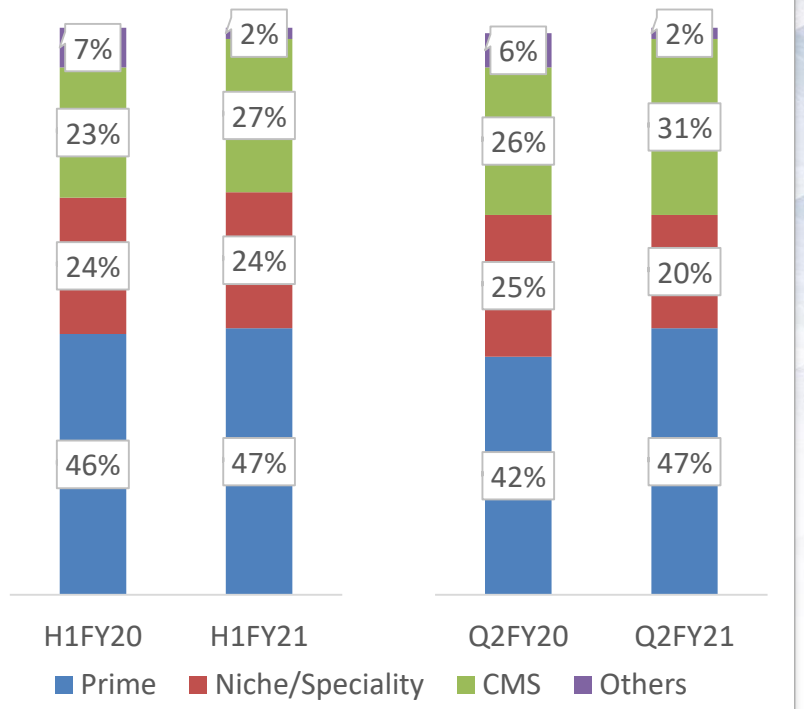
- Total income increased by 29.6% in Q2FY21 on account of balanced growth in GDS and CMS
  - Prime segment witnessed high growth on account of Levetiracetam along with the continued growth of Mirtazapine and Labetalol
  - Speciality business had a stable quarter led by Deferasirox, Entacapone and Ezetimibe
  - CMS business witnessed volume growth in baseline projects
- Increase in Profitability margins
- EBITDA margin increased from 13.6% to 17.1% in Q2FY21
- Increase in PBT margins by 520 bps and PAT margins by 420 bps
- Unit III started revenue generation at the quarter end
- Filed DMF for Edaravone with USFDA

Profit & Loss Statement (Standalone)

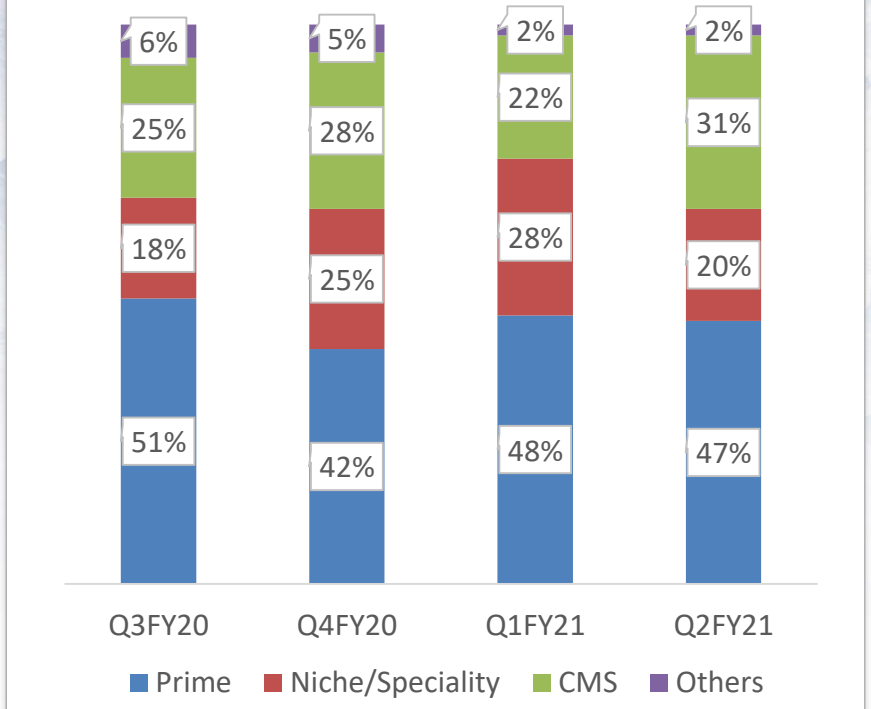
Particulars (Rs. Cr)	Q2FY21	Q1FY21	QoQ (%)	Q2FY20	YoY (%)	H1FY21	H1FY20	YoY (%)
Total Income	**242.0**	206.1	*17.4%*	186.8	*29.6%*	**448.1**	368.3	*21.7%*
EBITDA	**41.4**	34.4	*20.1%*	25.4	*62.8%*	**75.8**	44.5	*70.4%*
EBITDA Margin	**17.1%**	16.7%	*40 bps*	13.6%	*350 bps*	**16.9%**	12.1%	*480 bps*
Profit Before Tax	**28.6**	20.2	*41.5%*	12.3	*131.7%*	**48.8**	19.8	*145.9%*
Profit Before Tax Margin	**11.8%**	9.8%	*2.0%*	6.6%	*5.2%*	**10.9%**	5.4%	*5.5%*
Profit After Tax	**21.3**	15.1	*41.7%*	8.6	*148.9%*	**36.4**	14.2	*156.5%*
Profit After Tax Margin	**8.8%**	7.3%	*150 bps*	4.6%	*420 bps*	**8.1%**	3.9%	*430 bps*
Earnings Per Share (Rs.)	**16.63**	11.74	*41.7%*	6.68	*148.9%*	**28.37**	11.06	*156.5%*

Key Operating Metrics

YoY Analysis

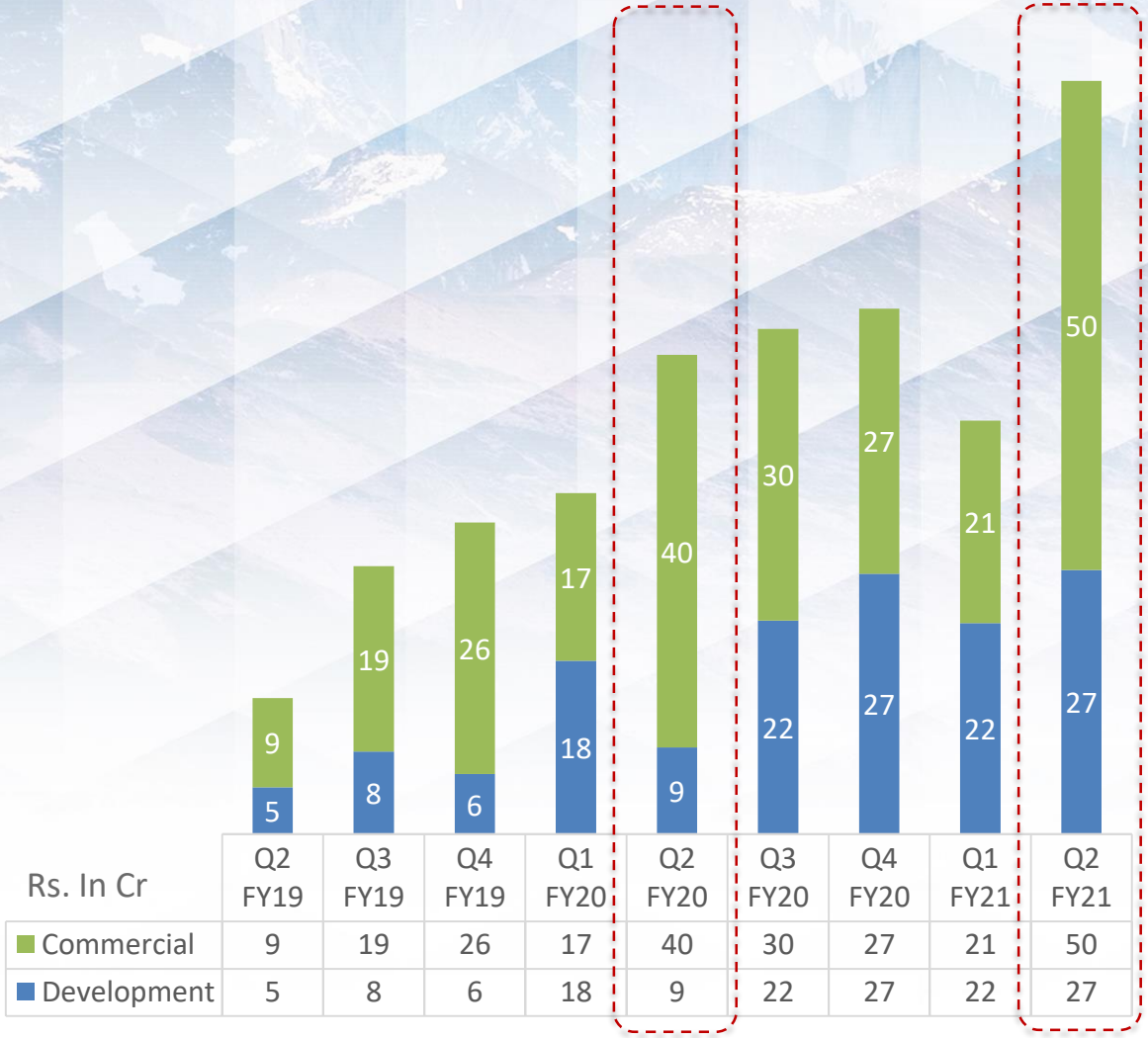


Quarter on Quarter Movement

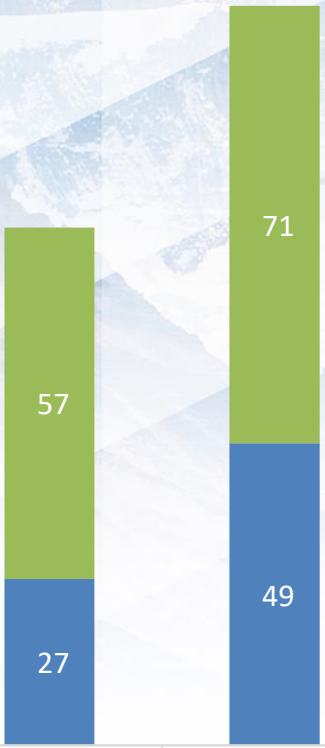


Q1FY21 figures adjusted for rollback of government export incentives and change in accounting policy
H1FY20 and H1FY21 figures are unadjusted

Key Operating Metrics - CMS Revenue Split



Rs. In Cr	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Commercial	9	19	26	17	40	30	27	21	50
Development	5	8	6	18	9	22	27	22	27



Rs. In Cr	H1FY20	H1FY21
Commercial	57	71
Development	27	49

No of CMS Active Projects Increasing

Q2 FY21	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	14	4	6	3	10	6	43
Intermediate	7	4	2	5	8	9	35
Grand Total	**21**	**8**	**8**	**8**	**18**	**15**	**78**
Q1 FY21	**Pre-Clinical**	**P-1**	**P-2**	**P-3**	**Development**	**Commercial**	**Grand Total**
API	12	4	5	4	9	6	40
Intermediate	7	4	2	6	8	9	36
Grand Total	**19**	**8**	**7**	**10**	**17**	**15**	**76**
Q2 FY20	**Pre-Clinical**	**P-1**	**P-2**	**P-3**	**Development**	**Commercial**	**Grand Total**
API	11	4	6	6	4	6	37
Intermediate	1	3	1	5	11	10	31
Grand Total	**12**	**7**	**7**	**11**	**15**	**16**	**68**

Well placed for a post COVID world

- Shortening the supply chain and de-risking the vendor base
- Placed reserve manpower in Manufacturing and Quality functions to meet customer requirements
- Ready to meet changing regulatory requirements via online audits
- Continued focus on Business Development and engagement with customers
- Effective team communication using technology for operational effectiveness as well as engagement

Business Overview

Company Overview

Legacy

Expertise: 36+ years backed by robust quality systems, regulatory & compliance framework

Generic Drugs Substance(GDS) & Custom Manufacturing Solutions(CMS)

Scale

Mfg. Facilities: 3 regulatory approved with 731 KL capacity

R&D: US FDA approved with best in class infrastructure

Capability

Product portfolio: 75+ across 10 therapeutic categories

Regulatory filings: 898+

Team: 1200+ incl. ~282 scientists

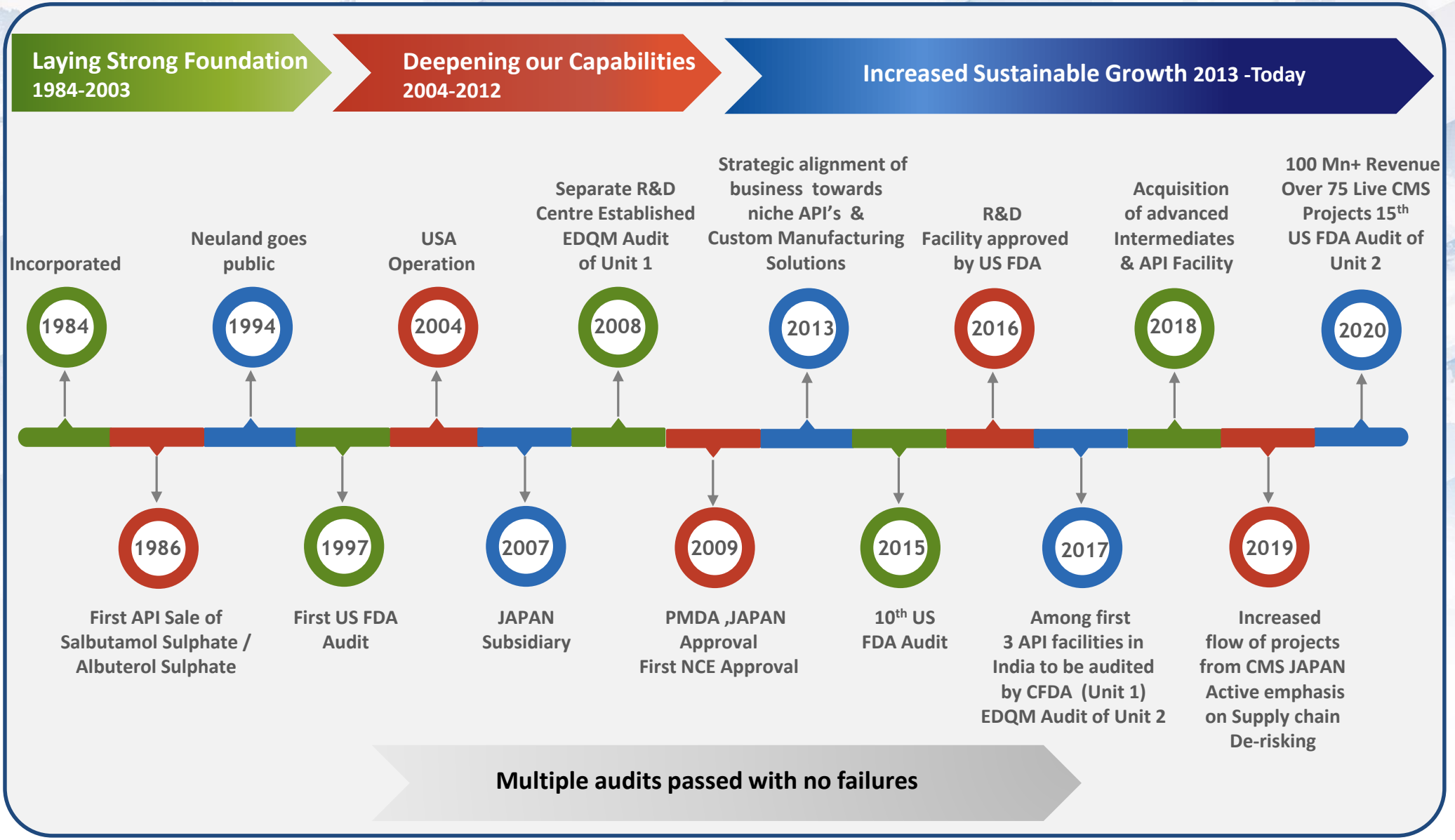
Reach

Presence : 80+ countries

Export revenues: 75%

Regulated markets revenue: 93%

Our Journey - Key Milestones



Business Verticals

Work executed exclusively for the customers on products at various phases of their life-cycle

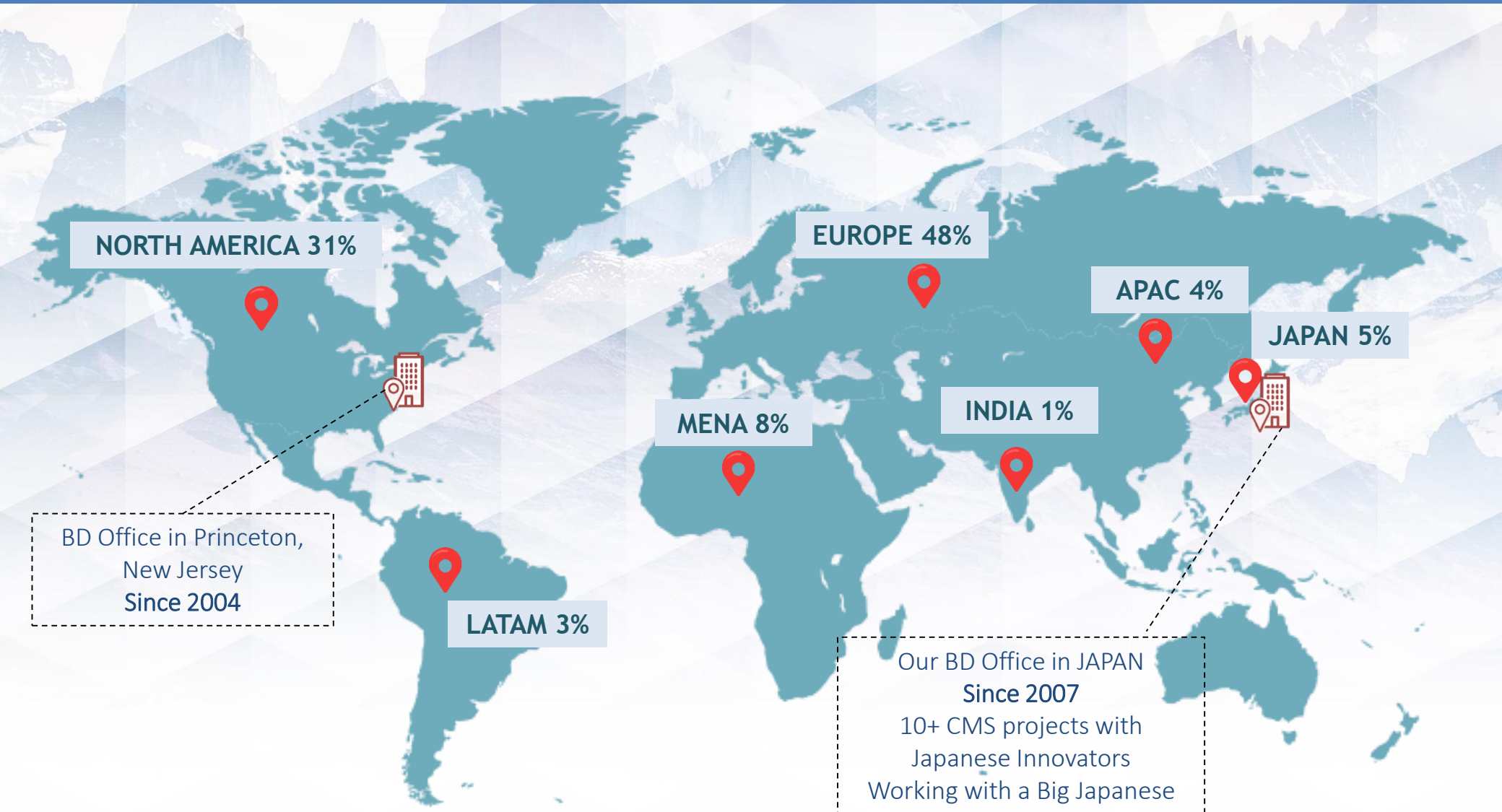
Mature APIs, typically with high competition in the API space

Prime APIs and Specialty APIs collectively form **Generic Drugs Substance (GDS)** for Neuland

APIs with complex processes and niche presence

(1)The classification of products as Less-differentiated/Niche is based on Neuland's understanding of the product and market. The classification of a product is liable to change based on changing market dynamics

Our Global Presence



* % Refers to FY20 Sales by end market

Generic Drug Substance(GDS)

Prime APIs

Capability	Business Approach	Strategy Forward
▪ 3 US FDA and EU GMP compliant manufacturing facilities ▪ Collective capacity: ~731KL	▪ Work on molecules either with a business leadership approach or partnership with client on COGS ▪ Ensure uninterrupted supply with quality commitment	▪ Maintain leadership position in key molecule ▪ Work on process optimization to improve yields, productivity and thus margins

Speciality APIs

Capability	Business Approach	Strategy Forward
▪ High end complex chemistry capabilities ▪ Backend support by R&D department ▪ Experience of hurdle free scale up	▪ Work with leading companies and help them to meet their technical requirements while being competitive	▪ Focus on niche APIs with complex chemistry ▪ File IP for non infringing processes

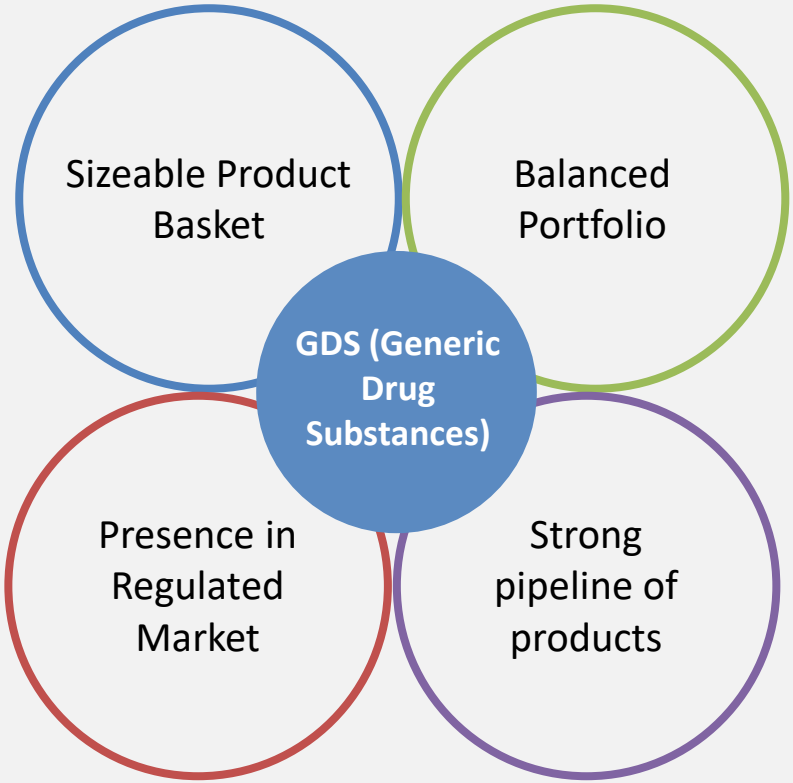
Robust manufacturing base placed on the foundation of quality and pureplay API commitment

Custom Manufacturing Solutions(CMS)

Services	Business Approach	Strategy Forward
▪ Manufacturing API to customer specifications ▪ Designing and developing manufacturing processes ▪ Process optimization for competitiveness ▪ Filing of DMF/CMC for the API ▪ Patent protection for processes	▪ Local presence in US and Japan with technical as well as commercial employees ▪ Consultative approach on customer relationships ▪ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction	▪ Add depth in technical capabilities ▪ Investment in QBD labs, process engineering and foray into new areas of customer solutions ▪ Work effectively on customer relationships and leverage on portfolio expansion ▪ Targeting molecules in the later stages of the clinical cycle

Create a sustainable CMS business that is driven by technology and strong customer relationships

Competitive Advantage



Capabilities

Neuland Manufacturing Facilities

Unit	U1, Bonthapally, Hyderabad 222.5 KL	U2, Pashamylaram, Hyderabad 310.2 KL	U3, Gaddapotharam, Hyderabad 197 KL
Year of establishment	1986	1994	2017
Key products	Mirtazapine, Sotalol Hcl, Levetiracetam, Levofloxacin, Salmeterol, Salbutamol, NCE APIs, Peptide APIs, Vitamin D2 analogues	Ciprofloxacin Hcl, Entacapone, NCE APIs, Intermediates & RSMs	Products including Key Intermediates
Regulatory	USFDA, EDQM, CFDA, PMDA	USFDA, EDQM, PMDA, ANVISA	Inspected by USFDA in 2015

Adding capacities for backward integration and new business

State-of-the-art R&D Centre

R&D Facility, Hyderabad

Neuland's R&D facility had been inspected by USDFA in February 2016 without any observations

Infrastructure

- 15 Development Labs with space for expansion
- 60 Fume hoods
- Analytical Labs
- Dedicated kilo Lab for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

Significant R&D Achievements:

- Several NCE APIs added in NDA or commercial stage drugs
- Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates
- Generic API business:
  - 898+ DMFs filed
  - 300+ API processes developed
  - 204+ patents filed. Received USPTO patent for improved process synthesis of Paliperidone Palmitate

Regulatory Filings

55
DMFs with USFDA

30
Filings with Health Canada

10
Japanese DMF

19
China DMF filed

18
filings with KFDA Korea

22
filings with TGA

213
ROW filings including Turkey, Mexico, Brazil etc

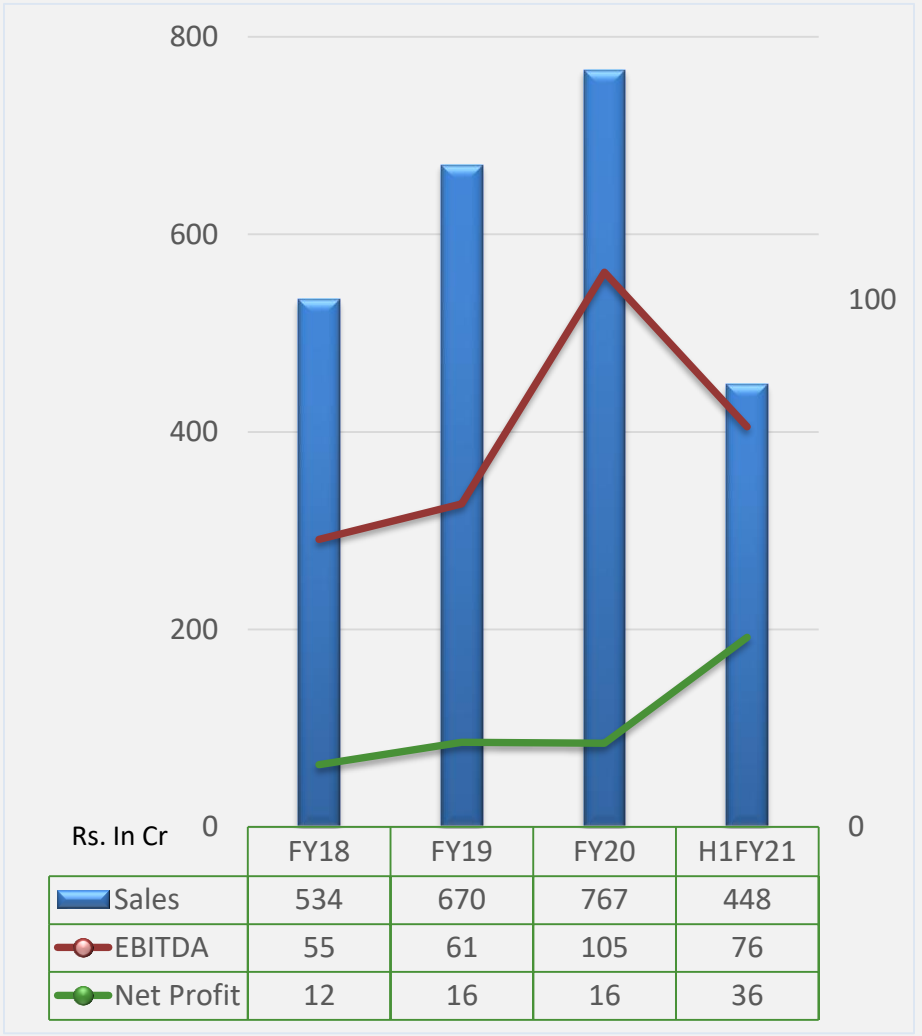
~489
EUDMF filings across Germany, France, Poland, Italy etc

24
CEPs Received for different products

898+
Filings till date

Financials

Income Statement



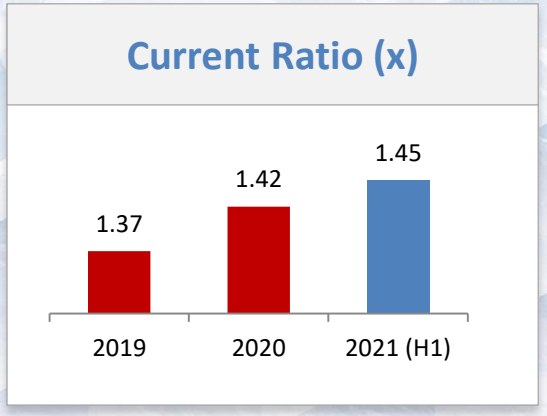
Rs. In Cr	FY18	FY19	FY20	H1FY21
Sales	534	670	767	448
EBITDA	55	61	105	76
Net Profit	12	16	16	36

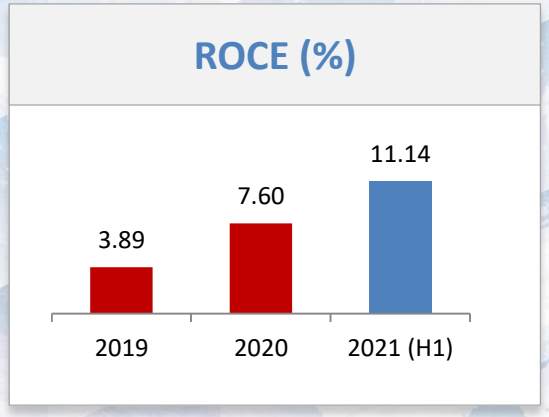
Financial Performance Highlights

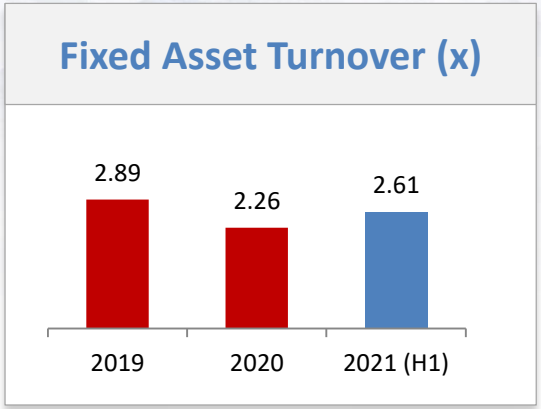
- Revenue CAGR of 19.8% for FY 18-20 led by growth in all 3 businesses
- EBITDA growth of 38.9% CAGR in FY 18-20 due to high margin CMS business and increase in GDS contribution
- Change in business mix with increasing amount of margins coming from CMS business and certain Specialty products and cost optimization measures helped improve profitability

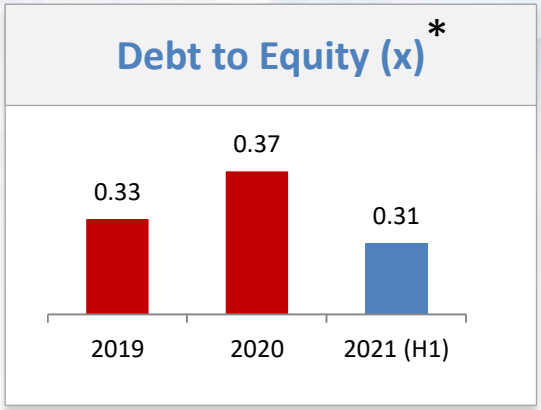
Balance Sheet

Particulars (Rs. Cr)	Mar-19	Mar-20	Sep-20
Shareholders' funds	696	706	742
Net Debt	194	214	194
Investments	8	8	8
Tangible Assets	367	391	423
Intangible Assets (Excluding Goodwill)	2	2	2
Working Capital	233	289	317









*Some earlier presentations had Net-Debt/Tangible Networth ratios

Outlook

Growth Strategy for Business

Business

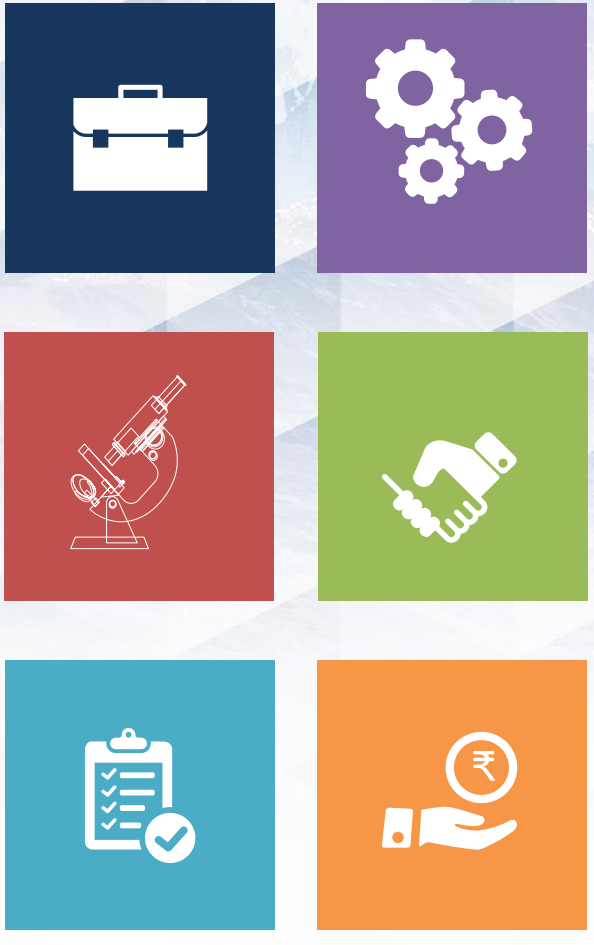
Extend capabilities to organically build a sustainable GDS and CMS business

Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio

Quality

Develop techniques like QBD to stay ahead of the curve & set precedents for “no quality compromise”



Scale

Invest into capacity to augment sales and accelerate business growth

Relationships

Leverage on Long – standing relationships with leading generic and innovator companies

Financials

Re-aligning revenue portfolio for a profitable growth

Create an organization that results in value for all stakeholders

Contact us

About Neuland Laboratories Limited

For over 36 years, **Neuland Laboratories Ltd.** (BSE:524558, NSE: NEULANDLAB) has been at the forefront of manufacturing APIs through its cGMP manufacturing facilities, working with customers in close to 80 countries. Neuland Labs has developed more than 300 processes and 75 APIs and has filed over 898+ Regulatory filings in the US (55 active US DMFs), the European Union (EU) and other geographies. Its manufacturing facilities are inspected and approved by the U.S. FDA and other leading regulatory agencies. Its record of quality manufacturing and reliability is highlighted by cGMP certifications that include the U.S. FDA, TGA (Australia), EDQM (EU), German Health Authority, ANVISA (Brazil), EMA (EU), Cofepris (Mexico), KFDA (Korea), PMDA (Japan), CFDA (China), FSI "SID &GP" Russia, Health Canada, ISO 9001, ISO14001, OHSAS18001 and ISO 27001.

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NEULAND

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Thank you