GRANULES

# Investor Presentation: Q3FY18

# "What we stand for"

**Propelling for enduring growth**

**Key Levers : Technical – Portfolio - IP – Regulatory**
**(Amalgamation of Core and Emerging Business value streams)**

1. **Innovation** (non obvious)
2. **Economies of scale** and scope (Market Leadership)
3. **Customers** intimacy (Long term relationship with Marque customers over 75+ countries )
4. **Sustainability** (with Quality and Regulatory Compliance)
5. **Transformational relationships** (with Our key stake holders)

**Infrastructure (with regulatory accreditations) – Human Capital**

**Reliability with proven results over 33 years**

***Propelling Growth while strengthening and leveraging our core…***

# Company Snapshot

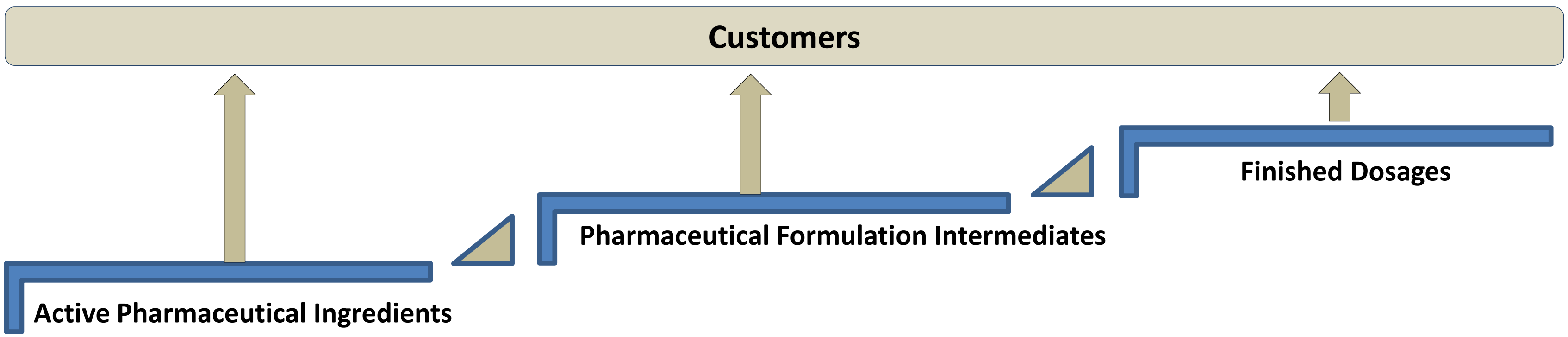
- Present across the entire pharmaceutical manufacturing value chain from active pharmaceutical ingredients (API) to pharmaceutical formulation intermediates (PFI) to finished dosages (FD) manufacturing.
- Manufacturing facilities with approvals from the US, Europe and other regulatory Agencies.

| Listing information : NSE | |
|---|---|
| Market Cap (INR mn) as on Dec'17 | 34,887 |
| Outstanding Equity Shares (mn) | 254 |
| Face value of equity (INR/share) | 1.0 |
| Promoters Group Shareholding (%) as on Dec'17 | 45% |
| Bloomberg code | GRAN:IN |
| Sector | Pharmaceuticals |

- Regulated markets of North America and Europe account for **58%** of overall revenue, while the balance comes from customers in Latin America, India and ROW countries.
- Entered potentially higher margin products through establishing in house API and Formulation research centers located at Hyderabad and in Virginia
- Acquired Auctus Pharma in 2014 with focus on development of new APIs through in-house R&D for organic ANDA filling and customers' formulation development
- Presence in potentially higher margin CRAMS business through 50-50 JV with Ajinomoto Omnichem.
- Acquired Formulation facility in Virginia, USA to introduce value added products
- Started construction of green field manufacturing site in Vizag to enter into Onchology and specialty business

# Core Business Model

- **Vertically integrated** across the entire value chain from active pharmaceutical ingredients (API) to pharmaceutical formulation intermediates (PFI) to finished dosages (FD) manufacturing of **"High Volume Products"**
- Strong presence in '**first line of defense**' products such as such as **Paracetamol, Ibuprofen, Metformin and Guaifenesin.**




- **Future Growth** from existing portfolio
  - **Increasing emphasis on finished dosages** will increase revenue and profitability
  - Improving **efficiencies and yields**
  - Growth will be driven by l**arger wallet share from existing customers** as well as **new customers** additions
  - Enhancing the product basket with **new ANDA filling**
- Capacity augmentation of APIs in base molecules:
  - Addition of **6,000 TPA in Paracetamol capacity** to reach to **24,000 TPA**
  - Addition of **7,000 TPA in Metformin capacity** to reach to **9,000 TPA**
  - Addition of **2,000 TPA in Guaifenesin capacity** to reach **to 3,200 TPA**
- Addition of **6,000 TPA** PFI capacity

GRANULES

# Initiatives for Future Growth

## New API Division

- Auctus Acquisition – High-potential New API business.
- Significant saving; capacities with regulatory approvals for Granules **growth strategy**.
- USFDA approved multipurpose API manufacturing facility in Vizag and an intermediate manufacturing facility in Hyderabad

## Granules Research Centre

- Established in house R&D division in Hyderabad, to develop new generic products
- Presently over **70 scientists** are working

## Granules Pharmaceuticals Inc.

- Acquired Formulation facility in Virginia, USA to introduce value added products.
- Working towards limited competition space.
- Created resources for development of 5-6 ANDAs per year.

## Granules Consumer Health

- Marketing of store brand OTC products with direct relationship with retail outlets in the US (B→B→C)
- Extension of core business with existing products in the initial stage and thereafter continuously increasing product offering by introducing new OTC products .

# Granules OmniChem (CRAMS Business)

- **Foray into Contract Research And Manufacturing Services**
  - Set up in **July 2011 as a 50-50 JV company** with Belgium based Omnichem, a part of the Ajinomoto Group. The JV has set up a facility in Vizag SEZ for manufacturing of high-value APIs for Innovators and Brand Leaders on a contract manufacturing basis.
- **JV strategy**
  - To provide a **cost effective manufacturing base to innovators for their products.**
- **Progress**
  - FY 16-17 is the first full year of operations with INR 2,003 Mn with INR Rs 249 Mn profit
- **Growth from CRAMS business**
  - Healthy Business pipeline with Innovator products

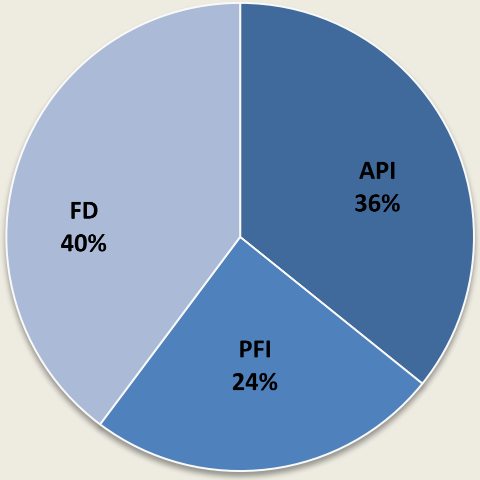
# Group Structure and Manufacturing Capabilities

| | |
|---|---|
| **Granules India** | Incorporated in 1991, this is the only listed entity in the group, with 4 plants located in Hyderabad (Jeedimetla, Bonthapally and Gagillapur) and 1 in Vizag Pharma City |
| Granules USA Inc. | 100% subsidiary, for front-end marketing in the U.S. |
| Granules Pharmaceuticals Inc. | 100% subsidiary with manufacturing setup at Chantilly, USA focused on advanced formulation development. |
| Granules Europe Ltd. | 100% subsidiary, for front-end marketing in Europe |
| Granules OmniChem | A 50-50 joint venture with Ajinomoto OmniChem, to focus on high-value, low-volume APIs and intermediates for the latter's existing customers with a manufacturing facility at Vizag SEZ. |
| Granules Biocause | A 50-50 joint venture with Chinese-based Hubei Biocause. JV has been operational since 2007 and manufactures Ibuprofen API at a plant located in central China (Jingmen). |

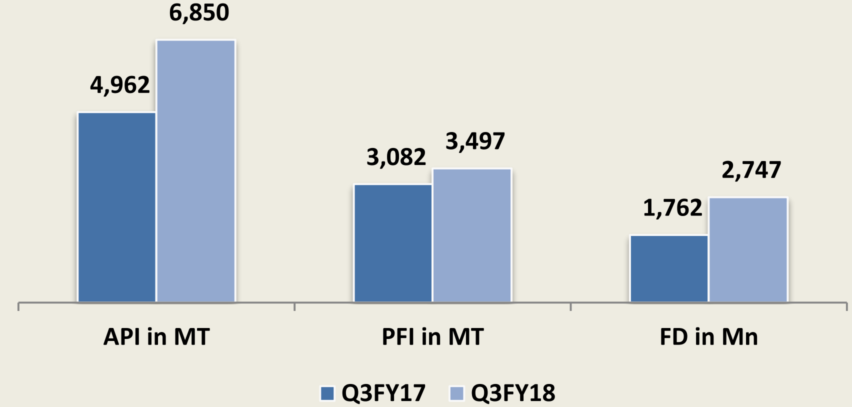
| Value Chain | Facility Location | Installed Capacity | Approvals |
|---|---|---|---|
| **API** | Bonthapally | 18,000 TPA | U.S. FDA, EDQM, WHO GMP |
| | Jeedimetla | 3,560 TPA | U.S. FDA, EDQM, COFEPRIS, WHO GMP, HALAL |
| | Jingmen, China (Biocause JV) | 4,800 TPA | U.S. FDA, MHRA, CFDA |
| | Vizag | 285 KL | U.S. FDA, KFDA, EU GMP, WHO GMP |
| | Vizag SEZ (OmniChem - CRAMs JV) | 152 KL | U.S. FDA |
| **PFI** | Gagillapur | 17,200 TPA | U.S. FDA, COFEPRIS, TGA |
| | Jeedimetla | 1,200 TPA | HALAL |
| **FD** | Gagillapur | 18 Bn | U.S. FDA, MCC, COFEPRIS, TGA |
| | Virginia, USA | 0.5 Bn | |
| **API Intermediates** | Bonthapally | 61.5 KL | |

# Consolidated Revenue Break-up for Q3-FY18

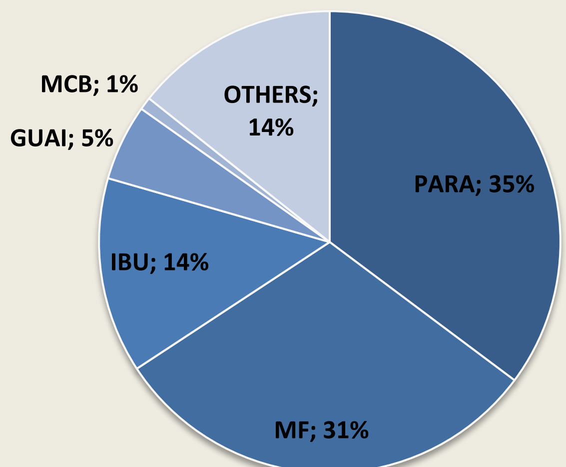
**SEGMENT WISE**



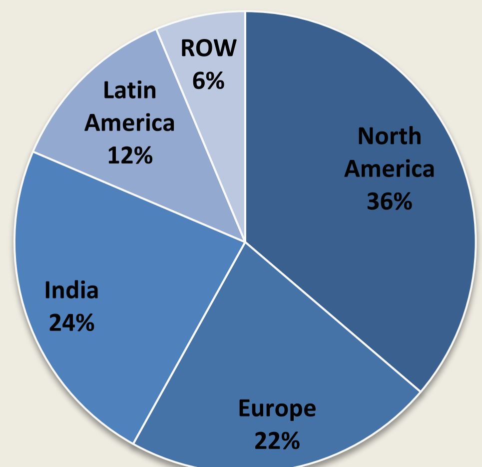

**PRODUCTION DETAILS**




**MOLECULE WISE**




**GEOGRAPHY WISE**



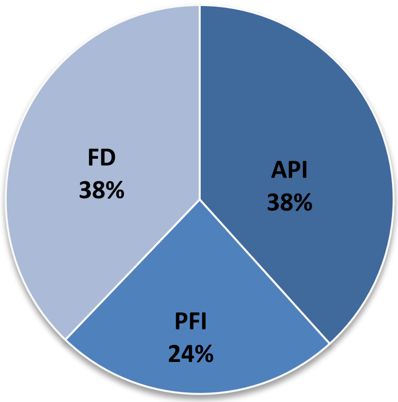

# PARA – Paracetamol; MF – Metformin; IBU – Ibuprofen; GUAI – Guaifenesin; MCB – Methocarbamol;

## Break up of Revenue as per IND AS

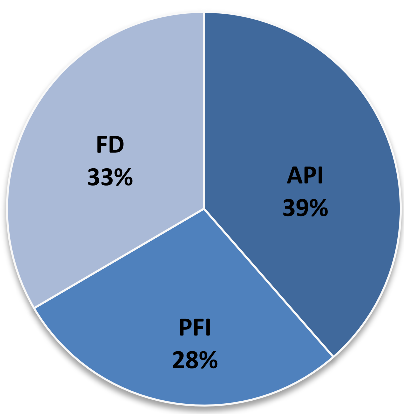
# Comparison of yearly Revenue Break-up

## SEGMENT WISE

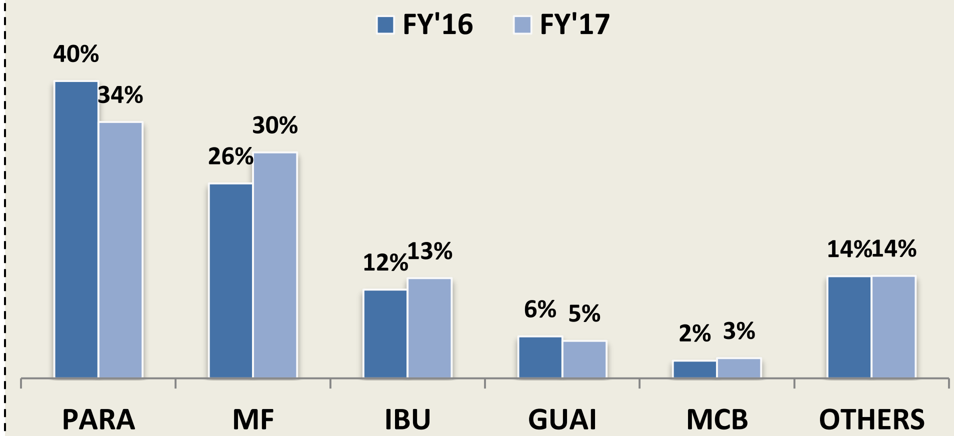
### FY17




### FY16




## MOLECULE WISE

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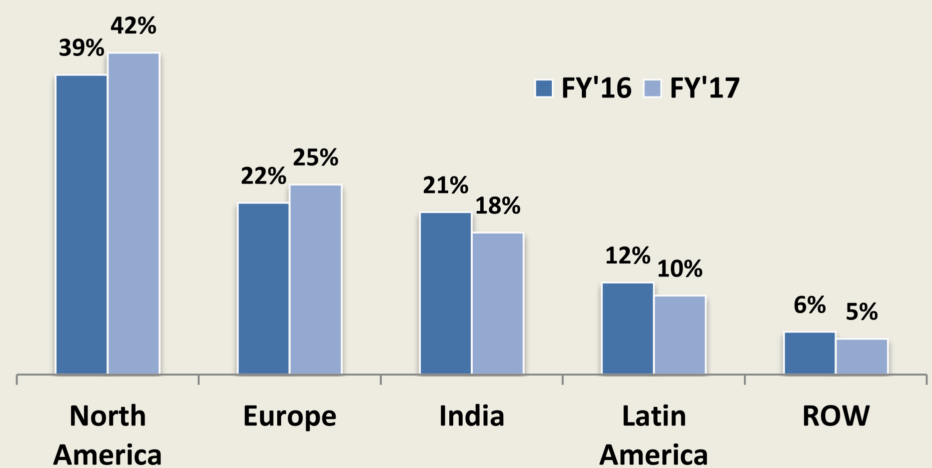
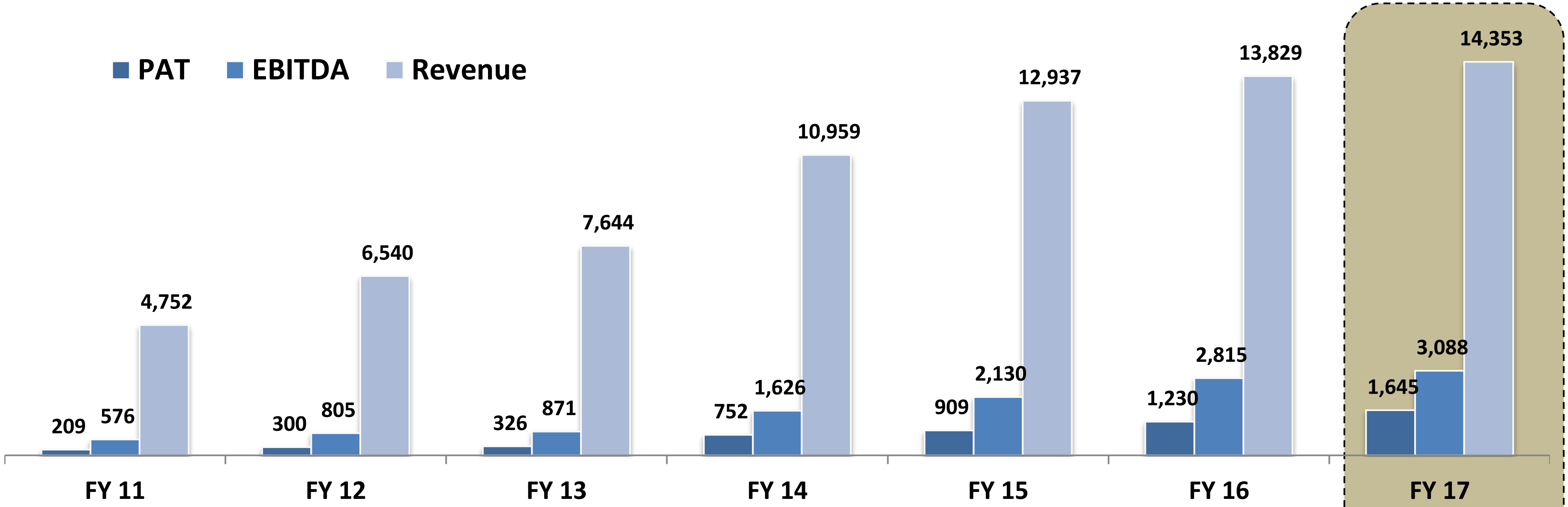
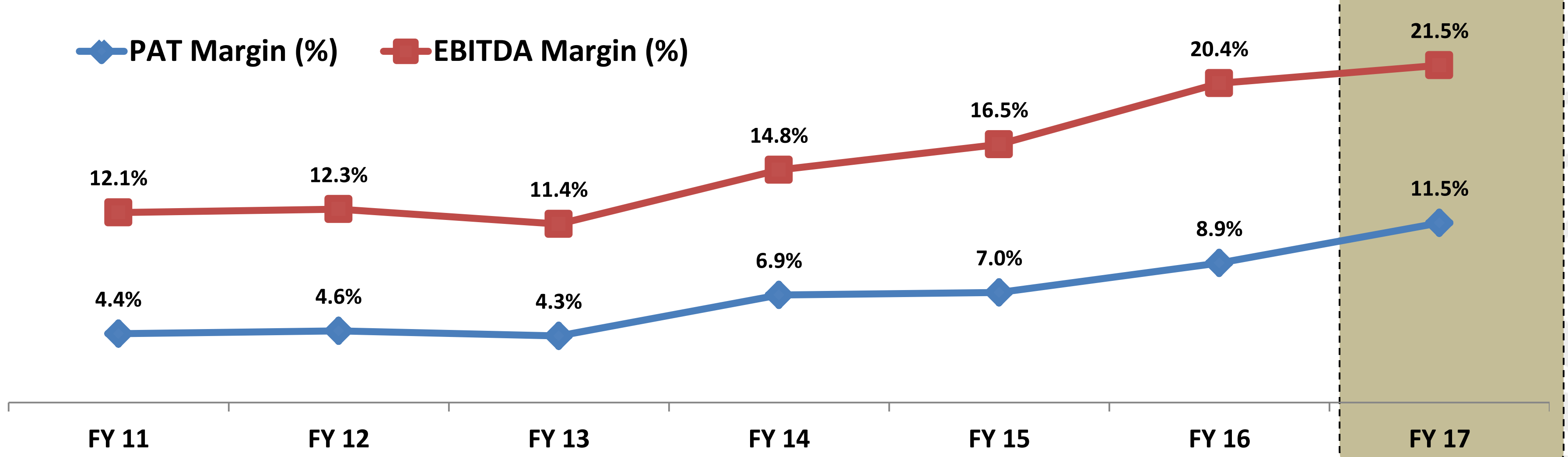



# PARA – Paracetamol; MF – Metformin; IBU – Ibuprofen; GUAI – Guaifenesin; MCB – Methocarbamol

## Break up of Revenue as per IND AS

# Financial Overview – Trends



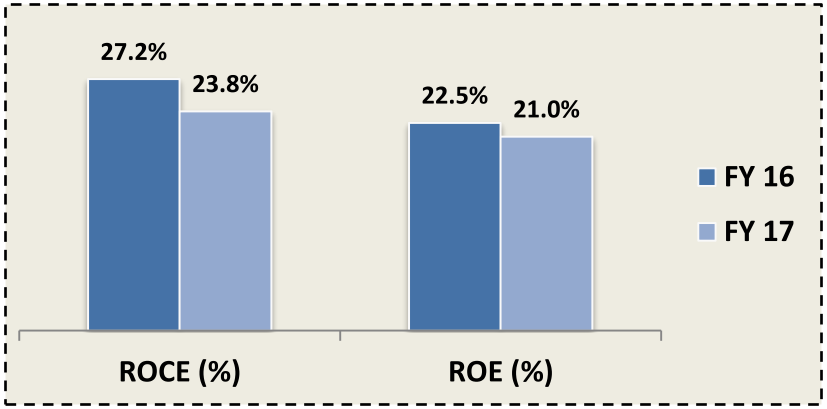



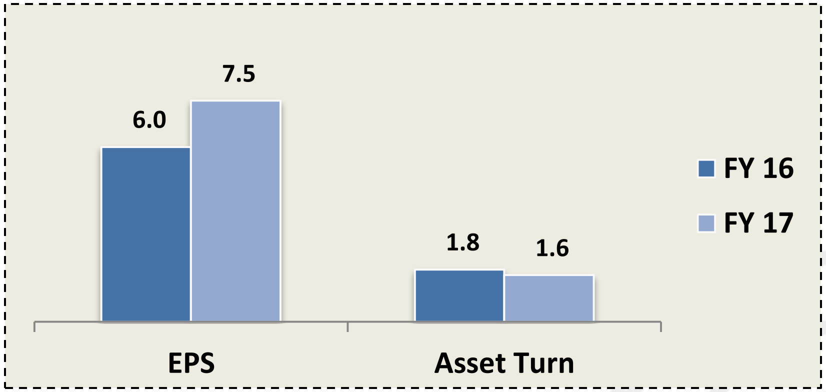

# All numbers are in INR Mn

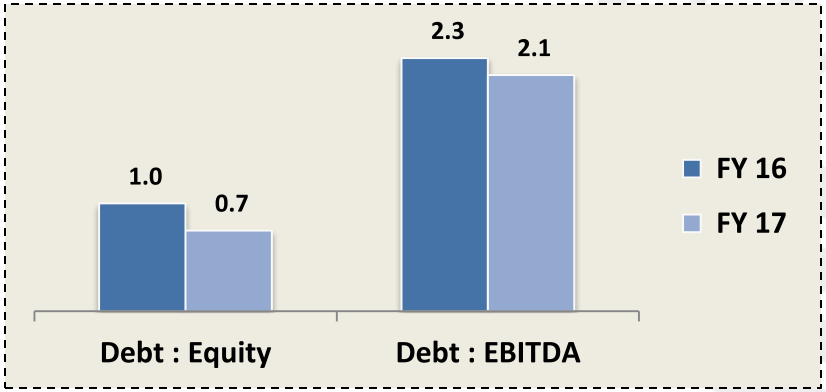
##All the numbers for FY’16 and FY’17 are as per Ind AS. Numbers from FY11 to FY15 are based on I Gaap.

# Consolidated Financial Overview

| Consolidated Financial Snapshot (INR Mn) | | |
|---|---|---|
| | **FY16** | **FY17** |
| Income from Operation | 13,829 | 14,353 |
| Material Cost | 7,250 | 6,796 |
| Other Operating Exp. | 3,816 | 4,568 |
| Other Income | 52 | 99 |
| EBITDA | 2,815 | 3,088 |
| EBITDA Margin (%) | 20.4% | 21.5% |
| EBITDA Growth (Y-o-Y) | | 10% |
| Depreciation | 584 | 715 |
| Finance Cost | 371 | 323 |
| Tax | 611 | 652 |
| PAT | 1,230 | 1,645 |
| PAT Margin (%) | 8.9% | 11.5% |
| PAT Growth (Y-o-Y) | | 34% |
| | **Mar'16** | **Mar'17** |
| Net Worth | 6,616 | 9,036 |
| Debt: | | |
| Long-term Debt | 2,485 | 1,827 |
| Short-term Debt | 3,929 | 4,738 |
| Gross Block | 8,230 | 9,836 |
| CWIP | 766 | 2,605 |
| Total Current Assets | 8,180 | 8,351 |
| Total Current Liabilities | 6,547 | 7,848 |

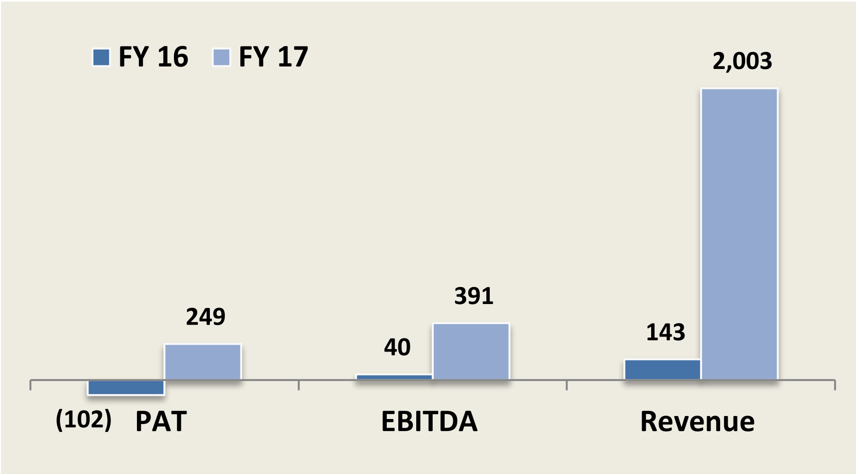


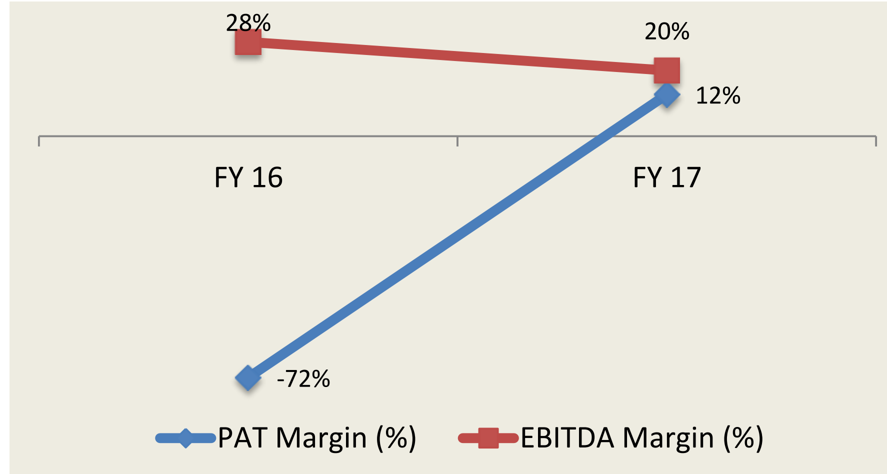



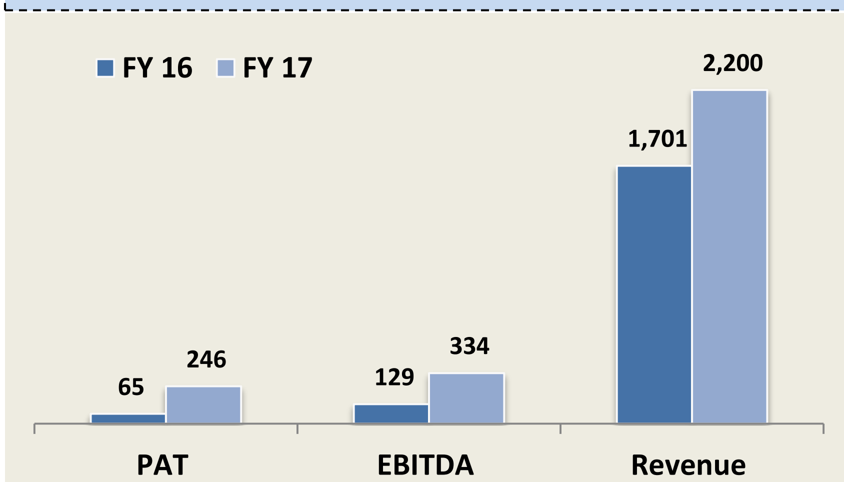
# Financial Snapshots of JVs

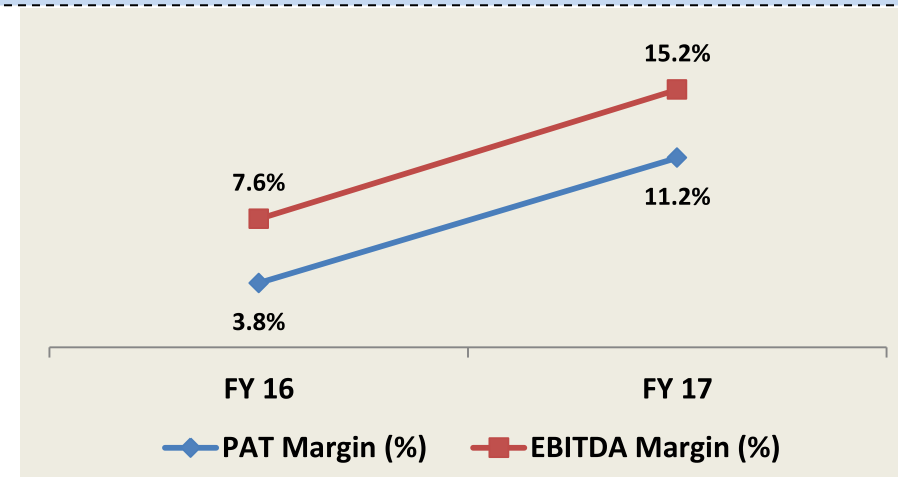
## Granules Omnichem




## Granules Biocause




**Granules has 50% equity share in both the JVs.**

# Core Management Team

**Mr. C. Krishna Prasad** - Chairman and Managing Director

Mr. Prasad is the Founder of Granules and has three decades of experience in the pharmaceutical industry. In 1984, he set up a Paracetamol manufacturing facility, focused on capital and process efficiency. Pharmaceutical Formulations Intermediates (PFIs) as a cost efficient product for global formulations manufacturers, a concept pioneered and popularized by him.

**Mrs. Uma Devi Chigurupati** - Executive Director

Mrs. Uma has rich experience of 30 years in various fields. Mrs. Uma with Mr. C. Krishna Prasad had co-founded Triton Laboratories Private Limited in the year 1984, which was later amalgamated with Granules India Limited. Presently, she is spear heading CSR activities and HR initiatives.

**Dr. Prasada Raju** - Executive Director

Dr. Prasada Raju has over two decades of techno commercial experience in Global pharmaceutical space. His previous experience at Dr. Reddy's encompasses new product development, foster strategic partnerships, drive synergies between Industry and Academia, new geography expansions, IP driven early Product Portfolio Development and Program Management.

**Mr. Karuppannan Ganesh -** Chief Financial Officer

Mr. Ganesh is a Chartered Accountant with post qualification experience of 30 years. He has worked on cross border M&A activities, international treasury & taxation, corporate development and control. Prior to joining Granules India, Mr. Ganesh worked in Dr Reddy's Laboratories as Sr Vice President - Corporate Finance. He also worked with Philips India, Coca Cola, ABB and Manali Petrochemical on various capacities

**Mr. Sreekanth Muttineni -** Chief Operating Officer

Mr Sreekanth Muttineni joined Granules India in September 2016. During nine year tenure with Lupin Ltd, he was responsible for manufacturing operations. Prior to that, Mr. Muttineni had worked at Aurobindo Pharma Ltd as General Manager – Operations and led the establishment of generic pharmaceutical facilities and commercialization.

**Mr. Stefan Lohle** - Chief Marketing Officer

Mr. Lohle has over two decades of experience in the Pharmaceutical industry. Mr Lohle has been associated with Granules since 2001 and previously was Head of Latin American Operations, where he primarily focused on the PFI Business. Mr Lohle previously served at Kimberly Clark Corporation for New Project Development.

# Disclaimer

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