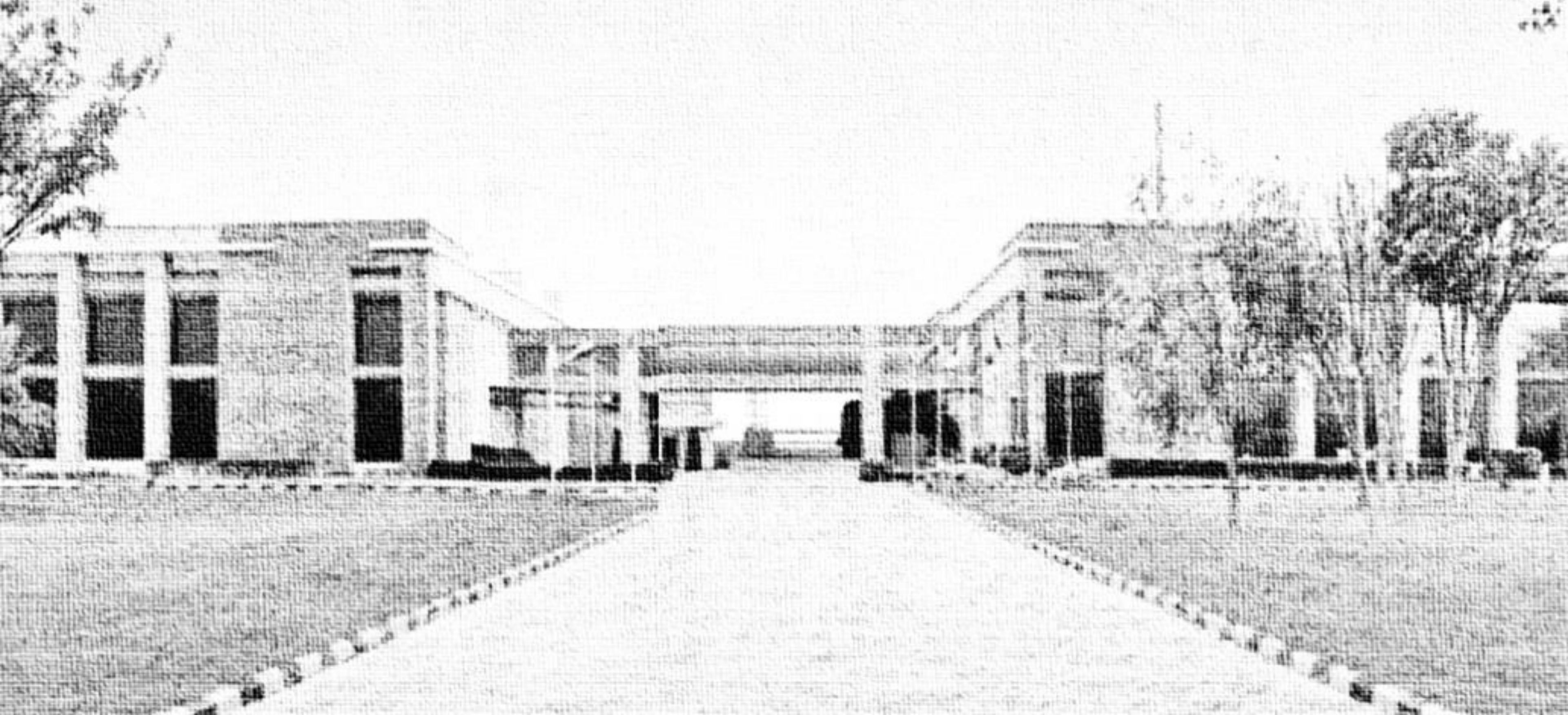
GRANULES INDIA LIMITED
Investor Presentation - Q1-FY2016



Disclaimer

This presentation may include certain “forward looking statements”, based on current expectations, within the meaning of applicable laws and regulations. Actual results may differ and the Company does not guarantee realization of these statements. The Company also disclaims any obligation to revise any forward-looking statements. The readers may use their own judgment and are advised to make their own calculations before deciding on any matter based on the information given herein.

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Company Snapshot

- Present across the entire manufacturing value chain from active pharmaceutical ingredients (API) to pharmaceutical formulation intermediates (PFI) to finished dosages (FD) manufacturing.
- Strong presence in 'first line of defense' products such as Paracetamol, Ibuprofen, Metformin and Guaifenesin.
- Manufacturing facilities with approvals from the U.S. FDA, EDQM and other regulators.
- Regulated markets such as North America and Europe account for ~63% of overall revenue, while the balance comes from quality conscious customers in Latin America, India and ROW countries.
- Delivered robust growth in revenue (23% CAGR), EBITDA (28% CAGR) and PAT (25% CAGR) over 5 years (FY10-FY15).
- World's single largest molecule manufacturing API plant. PFI plant with 6 MT batch size.
- Entered potentially higher margin products through Auctus Pharma acquisition in 2014 with focus on development of new APIs through in-house R&D.
- Presence in potentially higher margin CRAMS business through 50-50 JV with Ajinomoto Omnichem.

Listing information : BSE/NSE	
CMP (INR) as of 24th July	108
Market Cap (INR mn)	22,114
Market Cap (USD mn)	345
Outstanding Equity Shares (mn)	204.7
Face value of equity (INR)	1.0
52 weeks high/low (INR)	109/57
Bloomberg code	GRAN:IN
Sector	Pharmaceuticals

Share Holding Pattern	**Mar-15**	**Jun-15**
Promoters and Group (%)	48.6	48.4
Institutions (%)	4.1	3.1
Others (%)	47.3	48.5
Total	**100.0**	**100.0**

(INR Mn)

Particulars	**FY13**	**FY 14**	**FY 15**
Sales	7,644	10,959	12,929
Growth (%)	17	43	18
Net profit	326	752	909
Growth (%)	9	130	21

Group Structure and Manufacturing Capabilities

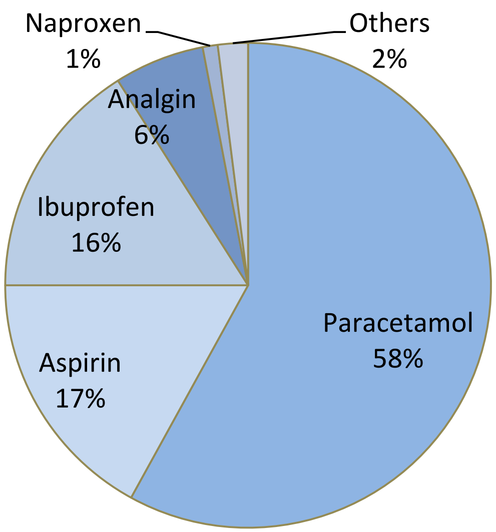
Granules India	Incorporated in 1991, this is the only listed entity in the group, with 4 plants located in Hyderabad (Jeedimetla, Bonthapally and Gagillapur) and 1 in Vizag Pharma City
Granules USA Inc.	100% subsidiary, for front-end marketing in the U.S. market
Granules Biocause	A 50-50 joint venture with Chinese-based Hubei Biocause. JV has been operational since 2007 and manufactures Ibuprofen API at a plant located in central China (Jingmen).
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 Pharmaceutical Inc.	100% subsidiary with manufacturing setup at Chantilly, USA focused on advanced formulation development.

Value Chain	Facility Location	Approvals
API	Bonthapally	U.S. FDA, EDQM, WHO GMP, ISO 14001:2004, OHSAS 18001:2007
	Jeedimetla	U.S. FDA, KFDA, TGA, EDQM
	Jingmen, China (Biocause JV)	U.S. FDA, MHRA, EDQM, TGA, KFDA, Health Canada
	Vizag (Auctus)	U.S. FDA, EDQM, KFDA, WHO GMP, Health Canada
	Vizag SEZ (Omnichem JV - CRAMs)	Awaited
PFI	Gagillapur	U.S. FDA, EDQM, TGA, GHCA
	Jeedimetla	HHA (Germany)
FD	Gagillapur	U.S. FDA, TGA, GHCA
API Intermediates	Bonthapally (Auctus)	N.A.

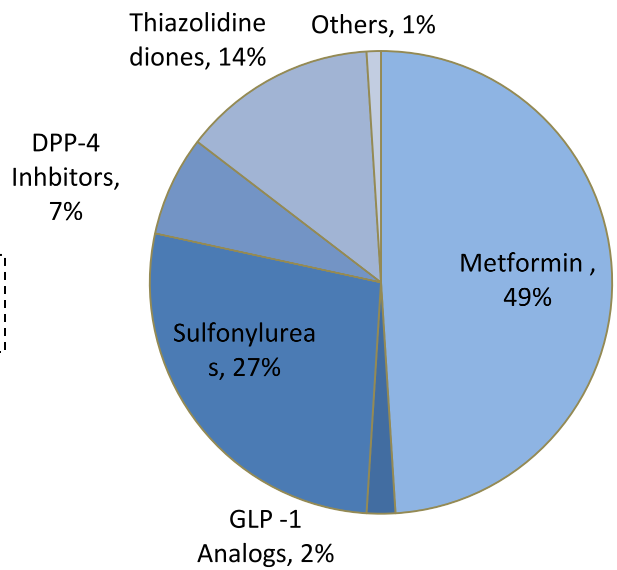
Dominant share in first line of defense molecules

Paracetamol Suppliers (TPA)	
Mallinckrodt	25,000
Granules	14,400
Novocel	6,000
Ibuprofen Suppliers (TPA)	
Shasun	6,000
IOL Chemicals	6,000
Albemarle	5,200
BASF	5,000
Granules Biocause	4,800
Metformin Suppliers (TPA)	
Granules	2,000
USV	10,100
Wanbury	9,000
Harman	6,000
Methocarbamol Suppliers (TPA)	
Granules	360
Synthochem	250
Guaifenesin Suppliers (TPA)	
Granules	1,200
Synthochem	800
Market Demand Growth	
Paracetamol	4 %
Ibuprofen	2%
Metformin	9%

Analgesics Molecule-wise share



Anti-diabetes Molecule-wise share

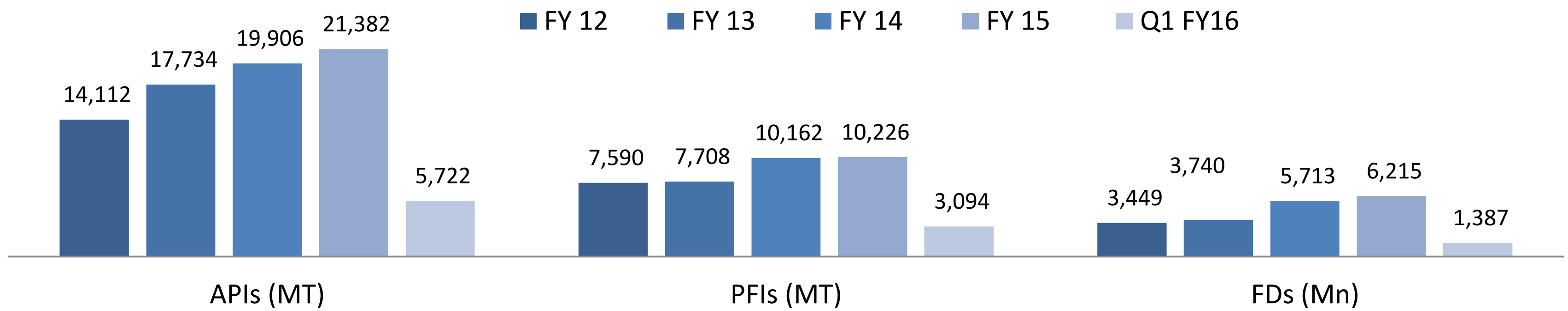


Granules plays in 76% of the overall analgesics and 49% of the overall diabetes market; PARA and MF respectively have maintained their status as first line of defence for these segments and have no direct replacement in the pipeline.

Source: Company Estimates

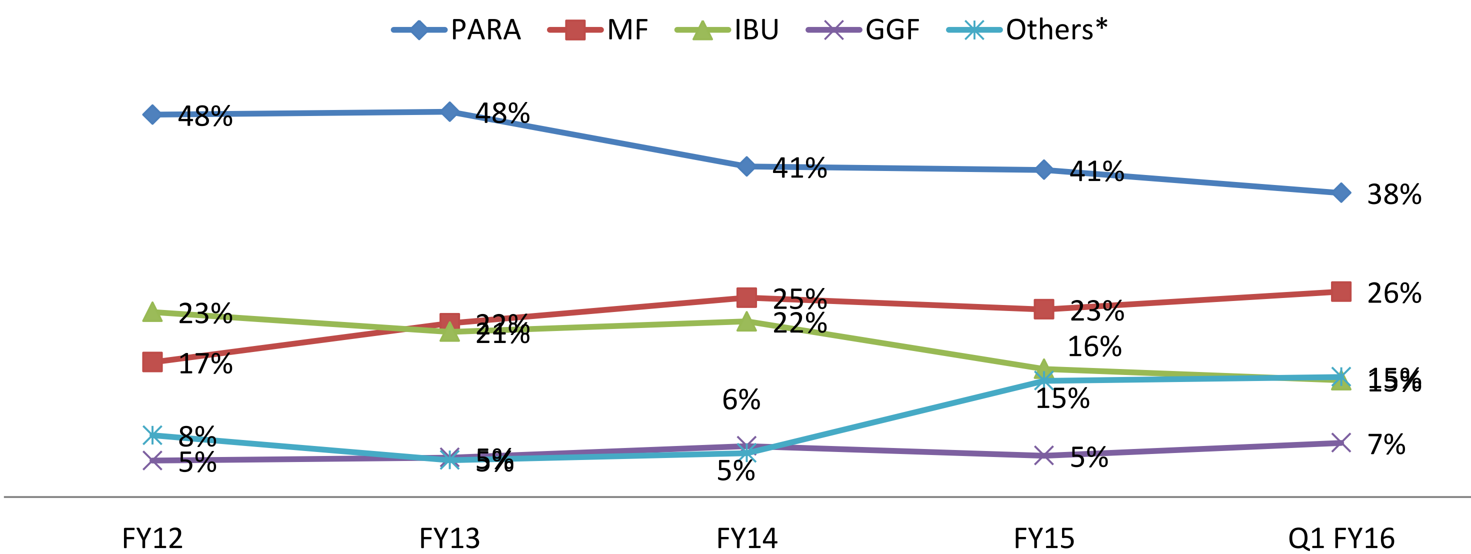
Capacity ramp up progressing well

***Actual production of API, PFI and FD**



<u>PFI Capacity Expansion</u> : - Construction of an additional PFI capacity of 4,000 TPA at Gagillapur has been completed, total PFI capacity at Granules to 18,400 TPA. This module will contribute to revenue in the current year.

Molecule wise sale break up

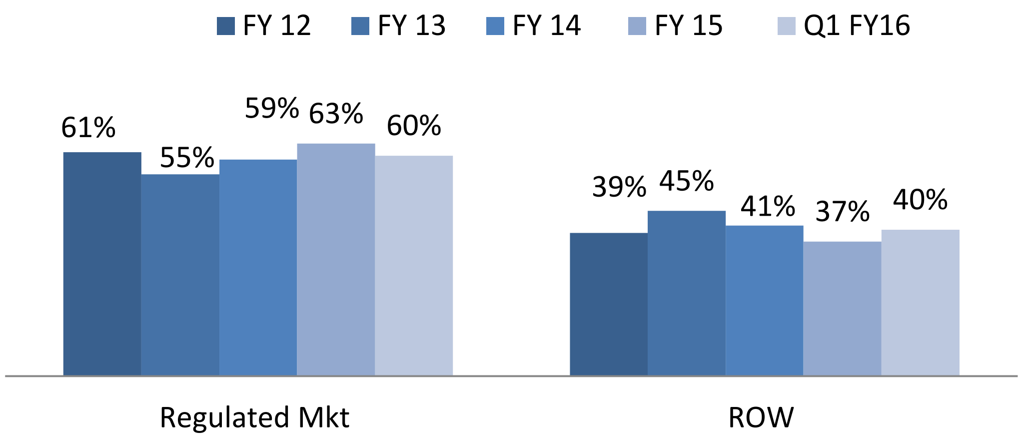


PARA – Paracetamol,
GGF – Guaifenesin,
IBU – Ibuprofen,
MF – Metformin,
*Others -Methocarbamol, Naproxen, Ciprofloxacin etc.

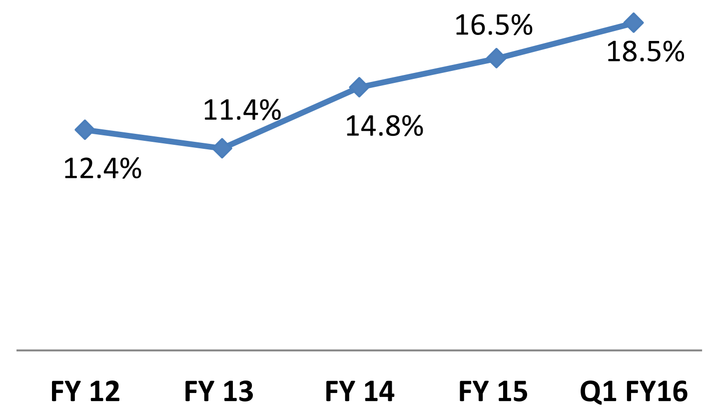
*Note: Production of Biocause has been considered on 100% basis

Growth drivers in recent times

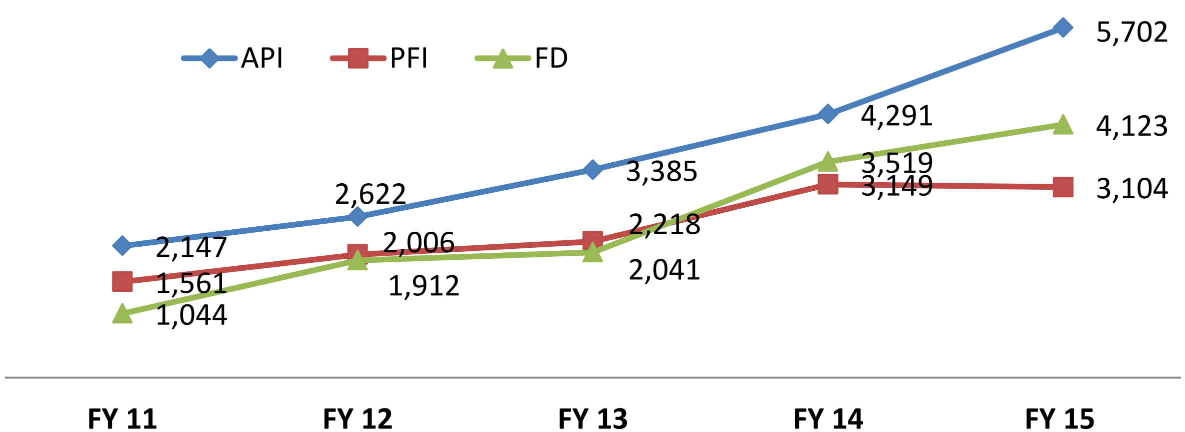
Strong presence in regulated markets

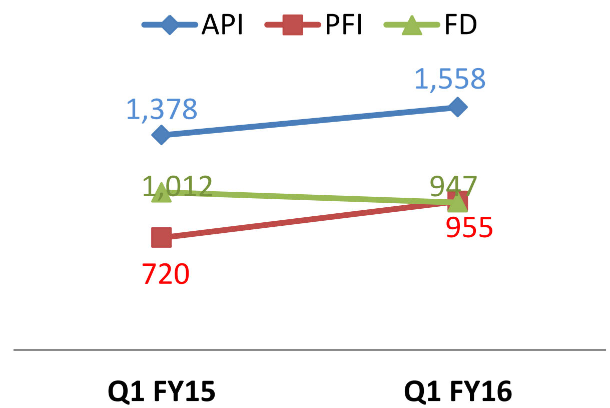


EBITDA Margin



Revenue breakup (INR mn)





- Robust growth in FD sales driven by higher capacity and customer approvals.
- API sales growth led by de-bottlenecking of capacity.

Growth drivers going ahead

Growth from existing portfolio

- Increasing emphasis on finished dosages will increase revenue and profitability
- Addition of 4,000 TPA in the PFI capacity. Existing facilities are sufficient to sustain volume growth in FD sales over the next several quarters
- Growth will be driven by larger wallet share from existing customers as well as new customers

Growth from higher margin molecules

- Profitability improvement by focusing on API sales to the regulated markets
- Development of new products through in-house R&D. First new product Abacavir, an anti-retroviral launched in FY15. Also launched Etoricoxib, an anti arthritis and Rececodatril, an ant diarrheal. These two products are just commercialized and the sales would be picking up slowly. Total 3-4 APIs expected to be launched in FY16.
- Forward integration into FDs, once ANDAs are filed (based on existing DMFs) to contribute from FY18

Growth from CRAMS business

- Facility partially commissioned this quarter and USFDA / EDQM approvals expected by FY17
- Omnichem’s established customer base to be major contributor to revenues

Auctus Acquisition - Long-term value creation

Granules – Auctus Acquisition

- Auctus was a loss-making yet high-potential integrated API business with facilities that has approvals for exports to various regulated markets.
- Significant saving in time to market for Granules on product diversification strategy
- Brought 12 molecules to the table in therapeutic areas such as antihistaminic, anti-hypertensive, antithrombotic, anticonvulsant and 22 regulatory filings
- Acquisition formally closed in Feb'14 and merger with Granules completed w.e.f. Apr 1st 2013

Turnaround strategy (already under implementation)

- Granules will improve the hitherto poor process efficiency at Auctus, based on its standards of operational excellence
- Granules will look at predominantly focusing on regulated market exports, thereby boosting both topline and bottom-line (in comparison to Auctus' hitherto largely domestic customer base)

Foray into FDs to be long-term kicker

Granules' strategy is to obtain cost leadership in manufacturing of APIs for quality conscious customers and thereafter shifting them to FDs in a phased manner. In line with this, Granules will bank on the assured API supply from Auctus to file ANDAs for some of the molecules. The acquisition will thus be a continuation of Granules' existing business model and will merely add new molecules to a validated business strategy.

Business opportunity from new APIs

Global Market Volume, Value and Growth
Global value for overall portfolio of product pegging around USD 37bn, indicating potential opportunity. The market for these is registering strong growth.

Product	Val - $bn	Vol – MT
Valsartan	8.7	1,054
Clopidogrel	5.2	572
Pregabalin	4.8	342
Olmesartan	4.5	97
Pantoprazole	3.4	338
Losartan	3.2	662
Telmisartan	3.1	259
Cetrizine	1	58
Fluconazole	1	87
Rifaximin	0.8	85
Levocetrizine	0.6	15
Doxylamine	0.6	40

These APIs catering to therapeutic areas such as Antihistamine, Antihypertensive, Platelet aggregation inhibitor, Analgesic, Systemic Antifungal, Anti-ulcerative, Neuropathic Pain Agent, Anti-infective, Antiviral.

The Company's 22 regulatory filings include 8 European filings, 4 USDMFs, 3 South Korean DMFs, 3 IDL China, 2 Health Canada, 1 Italy and 1 Spain.

Short-term strategy
Focus on operational efficiencies, optimization of consumption coefficients, procurement improvisation and changing customer mix

Medium-term strategy
Supply APIs to customers in the regulated markets and convert them into Finished Dosage customers.

Longer-term strategy
Forward integration into finished dosages and improvements in technology.

Location	Area in Acres
Vizag	6.0
Bonthapally	1.5

Foray into Contract Manufacturing

Granules Omnichem JV

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.

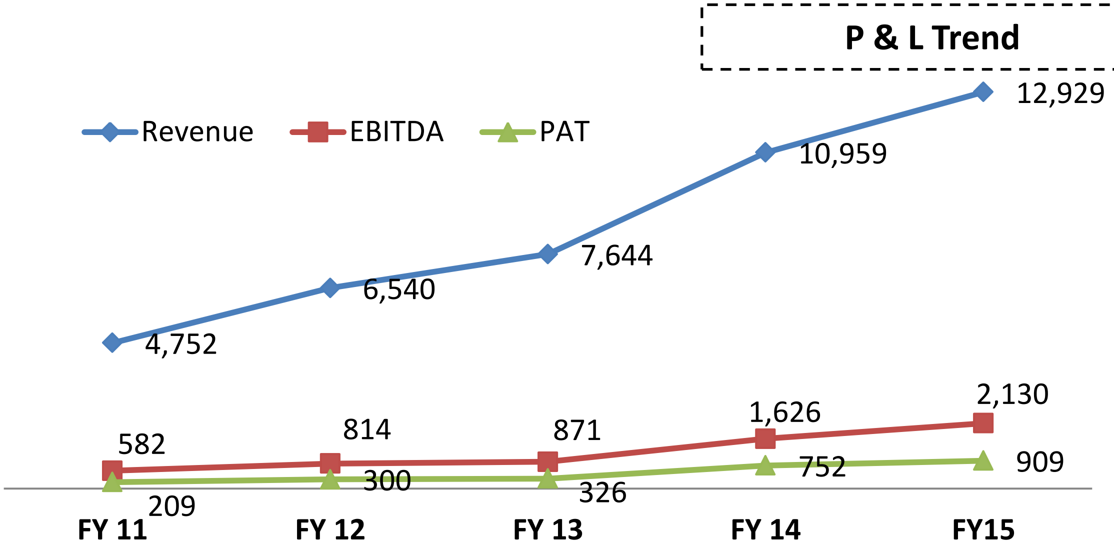
JV strategy

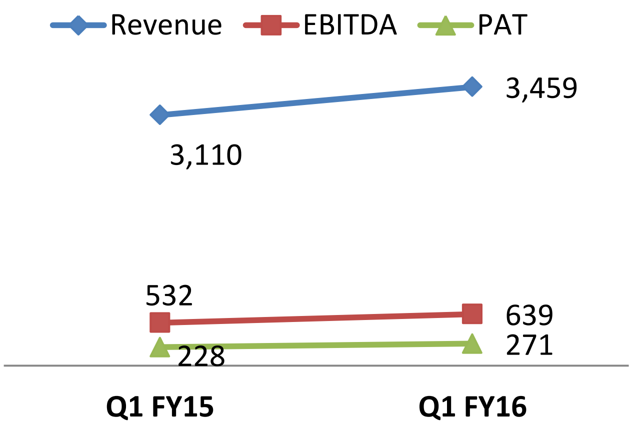
- To provide a cost effective manufacturing base to innovators for manufacturing their products when they go off patent due to continuous price erosion – this will help some of Omnichem's existing customers decelerate loss of market share for their brands

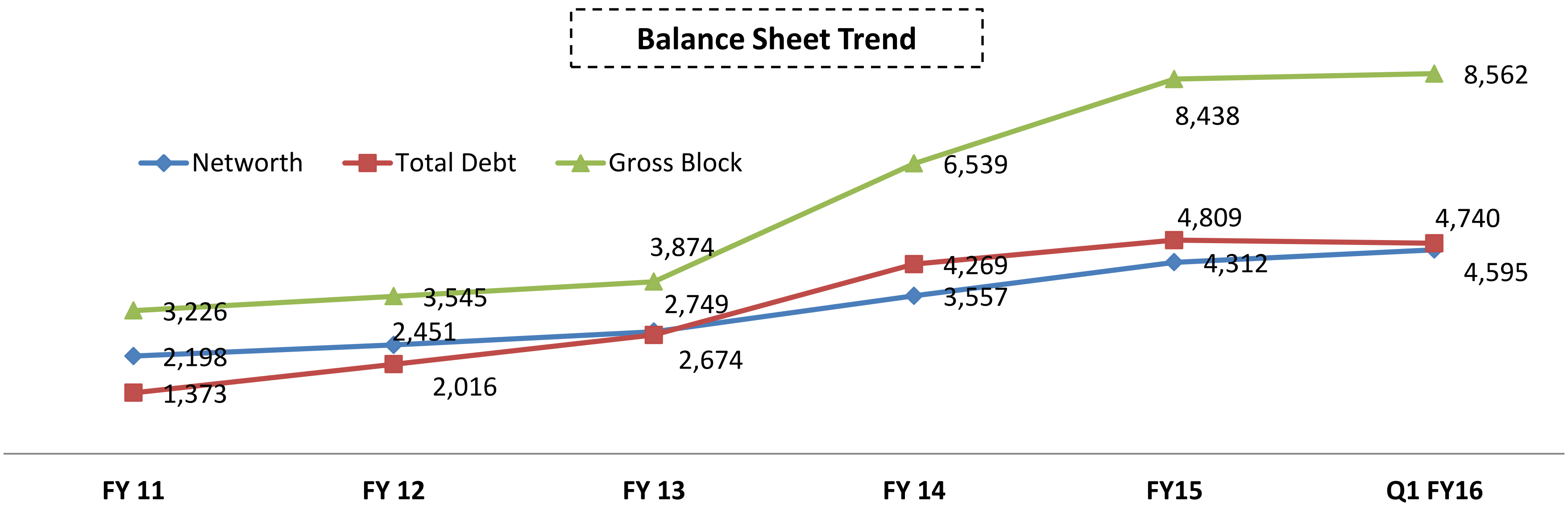
Progress and timelines

- Construction of manufacturing facility is over. The
- Supply of API intermediates to Omnichem (JV partner) on opportunistic basis has started

Financial Trend







Consolidated Financial Statements

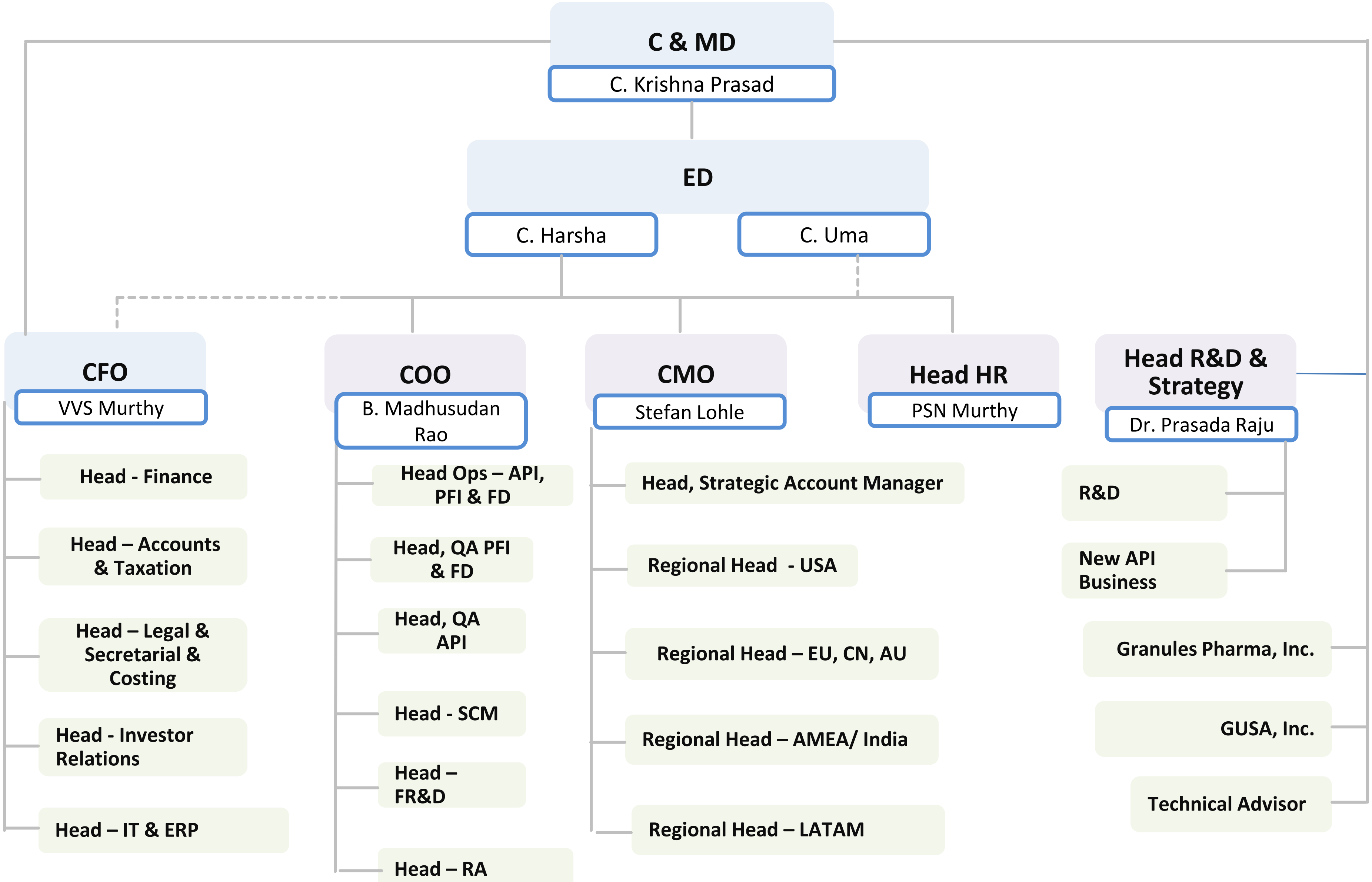
Income Statement - INR mn

Particulars	FY 13	FY 14	FY15	Q1 FY16
Net Sales	**7,644**	**10,959**	**12,929**	**3,459**
Growth	16.9%	43.4%	18.0%	11.2%
Cost	6,783	9,361	10.843	2841
EBITDA	**871**	**1,626**	**2,130**	**639**
EBITDA Margin	**11.4%**	**14.8%**	**16.5%**	**18.5%**
Depreciation	231	298	527	147
PBIT	640	1,328	1,603	492
PBIT margin	**8.4%**	**12.1%**	**12.4%**	**14.2%**
Interest	177	204	323	83.1
PBT	463	1,124	1,280	409
Tax	138	371	371	138
PAT	**326**	**752**	**909**	**271**
Growth	8.7%	131.0%	20.8%	18.7%
PAT %	**4.3%**	**6.9%**	**7.0%**	**7.8%**

Balance Sheet – INR mn

As on	31/3/13	31/3/14	31/3/15
Share Capital	201	203	204
Reserves and Surplus	2,547	3,357	4,107
Networth	**2,749**	**3,560**	**4,312**
Long term borrowings	1,844	3,408	3,622
Deferred Tax liability	245	303	493
Other long term liabilities	6	-	-
Long term provisions	21	40	52
Current liabilities			
Short term borrowings	855	1,009	1,250
Other current liabilities	1,108	1,600	2,243
Total Liabilities	**6,827**	**9,920**	**11,971**
Net Block + CWIP	**3,723**	**6,070**	**6,786**
Non current investments	2	2	2
Other non-current assets	214	79	236
Current Assets			
Cash and bank balances	328	417	653
Other current assets	2,560	3,352	4,294
Total Assets	**6,827**	**9,920**	**11,971**

Organization Structure



Management Team

Mr. C. Krishna Prasad – Chairman & 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 and his company became only the 2nd Indian company to export to the US after Dr.Reddy's. This facility which supplies APIs for reputed Paracetamol brands in Regulated Markets, is now part of Granules, a company Mr. Prasad set up to manufacture Pharmaceutical Formulations Intermediates (PFIs) as a cost efficient product for global formulations manufacturers, a concept pioneered and popularized by him.

Mrs. Uma Chigurupati – Executive Director

Mrs. Uma has rich experience of 29 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. She was Director (Quality Control) of Triton Laboratories and was involved with Triton on a full time basis in its day to day working. Presently, she is spear heading CSR activities and HR initiatives.

Mr. Harsha Chigurupati – Executive Director

Mr. Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010. As CMO, Mr. Chigurupati was instrumental in commercializing the Company's Finished Dosage Division and also changed the Company's focus to marquee customers in the regulated markets. As the Executive Director, Mr. Chigurupati is responsible for the standalone operations of Granules India including the P&L.

Mr. Madhusudan Rao – Chief Operating Officer

Mr Madhusudan has over two decades of experience with global pharmaceutical companies. He previously served as COO of Global Generics at Orchid Pharmaceuticals where he was responsible for entire operations of Global generics and CRAMS businesses. Prior to that, Mr Rao worked at Dr. Reddy's where he held various positions in Global Generics Portfolio Management, Global Regulatory Affairs and Compliance, API - New Product Development and Corporate Quality Assurance.

Mr. VVS Murthy – Chief Financial Officer

Mr. Murthy has three decades of finance experience across various industries including nearly two decades in Pharmaceuticals. Mr. Murthy previously was Group Chief Financial Officer at Dishman Pharmaceuticals which encompassed Indian operations and 9 international operations. Prior to that, Mr. Murthy was VP – Finance at Dr. Reddy's where he had extensive roles including several international M&A transactions.

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.

Directors

Mr. L.S. Sarma – Independent Director

Mr. L.S.Sarma, is a retired bank executive. Mr. Sarma was a General Manager at the Industrial Development Bank of India (IDBI), as well as the Director of ECGC and Dena Bank. He worked for International Trade Centre, Geneva, ITC (UNCTAD/GATT) as an Export Credit Consultant. He is on the Board of several companies including Hexaware Technologies Limited.

Mr. A.P. Kurian – Independent Director

Mr. Kurian served as the Chairman of the Association of Mutual Funds in India. Mr. Kurian has a rich career in the financial services area spread over four decades. Starting as Research Officer in Reserve Bank of India, he grew up to the rank of Advisor - Economics Department. During 1975-1993, Mr. Kurien was with Unit Trust of India and held several positions including Director-Investments, Director-Planning and Development and as Executive Trustee.

Mr. C. Parthasarathy - Independent Director

Mr. C.Parthasarathy is one of the founders of Karvy. As the Chairman of Karvy, he has been responsible for building Karvy as one of India's truly integrated financial services organizations. He is the fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law.

Dr. Krishna Murthy Ella – Independent Director

Dr. Krishna Murthy Ella founded and established Bharat Biotech International Limited in 1996 along with his wife Suchitra Ella. The company today, is on the forefront of Indian Biotechnology engaged in R&D, manufacturing and marketing of vaccines and bio-therapeutics. Dr. Ella was awarded his doctorate from the University of Wisconsin-Madison in Molecular Biology.

Mr. Arun Rao Akinepally - Independent Director

Mr. Akinepally Arun Rao is a qualified chemical engineer from the University of Madras with a post graduate degree from the Illinois Institute of Technology, Chicago, USA. He is the Executive Director of Akin Laboratories Pvt Ltd., a formulation manufacturing Company.

Mr. K. B. Sankara Rao - Director

Mr. K. B. Sankara Rao is post graduate from Andhra University and has rich experience of about 33 years in various domains. He was associated with various reputed organization like Warner Hindustan, Cipla Limited and Dr. Reddy’s Laboratories Limited. He has varied experience in the filed of production, quality, formulations, R&D, supply chain, development & launch of API and finished dosages for global markets and business strategy.

Thank You