

# Granules India Limited



**Investor Presentation**  
Q1FY21





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## Q1FY21: Business Highlights

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- 
- ❑ Milestone quarter, ***the highest ever in the history of the company*** with a quarterly revenue of INR 7,356 Mn, an EBITDA margin of 25%, 503 bps improvement from Q1FY 20 and a PAT margin of 15.2% a 93% growth YoY
  - ❑ Strong growth momentum witnessed in ROE and ROCE which stood at 24.4% and 26.9%, respectively
- 
- ❑ Major growth contribution was due to a significant increase in production to cater to new product launches and increase in market share of existing products across the three verticals
  - ❑ Launched Colchicine tablets and Butalbital APAP caffeine tablets through GPI during the quarter
- 
- ❑ Completed the buyback during the quarter with a total spend INR 1,420 Mn this quarter (excluding taxes) Taxes of INR 329 Mn will be paid in Q2
  - ❑ Release of 12.95% pledged shares during the quarter; 3.64% of the total shareholder's equity is currently pledged
  - ❑ Successfully cleared the EU GMP inspection for Unit 5
- 
- ❑ COVID-19 : Focus continues to be the safety of employees. Implemented various protection measures; a spend of INR 130 Mn during the quarter
  - ❑ Voluntary nationwide Class 2 recall of Metformin Hydrochloride Extended-Release Tablets USP, 750 mg due to the Detection of N-Nitrosodimethylamine (NDMA) Impurity out of abundance of caution; current estimate of impact provided for at INR 150 Mn this quarter
- 
- ❑ **ANDA filings: The company filed 3 ANDAs/Dossiers in North America and European markets and received 6 ANDAs approval (including 1 tentative approval) from the USFDA during the quarter**
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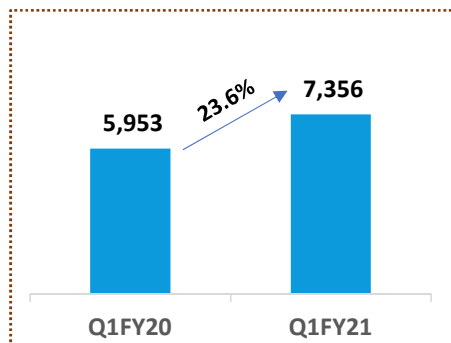


## Financial Highlights: Best financial quarter in the history of Granules

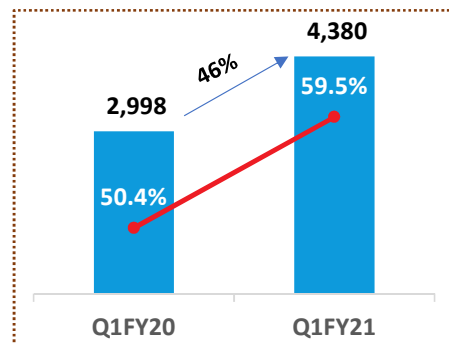
2

(₹ Mn)

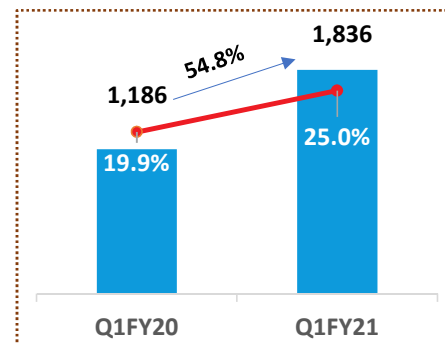
Revenue



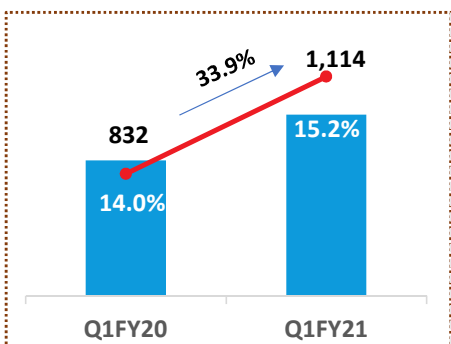
Gross Profit and Gross Profit Margins



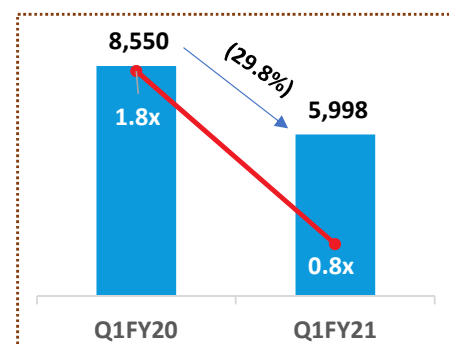
EBITDA and EBITDA Margins



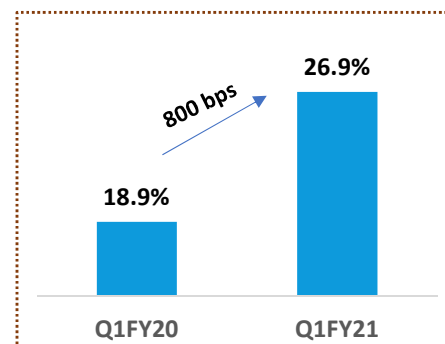
PAT and PAT Margins incl. JVs



Net Debt and Net debt to EBITDA



ROCE



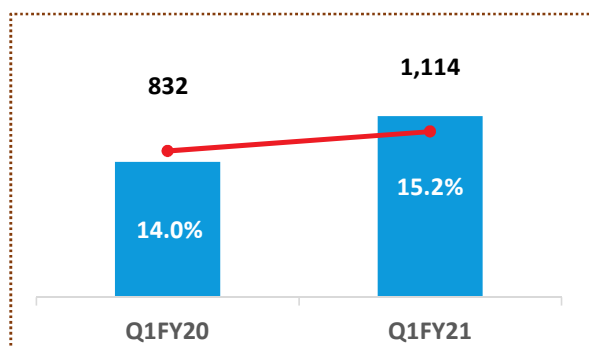
- Revenue from operations in Q1FY21 grew by 23.6% YoY
- EBITDA for the quarter grew at 54.8% with a 503 bps YoY EBITDA margin improvement
- PAT for the quarter stood at INR 1,114 Mn
- Net Debt down by 29.8% YoY and Net debt to EBITDA at 0.8x



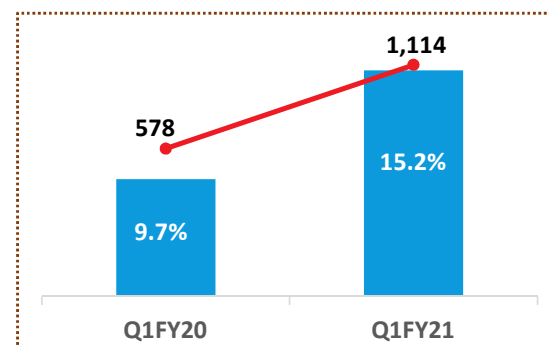
## Q1FY21: PAT & PAT margin

(₹ Mn)

PAT and PAT Margins with JVs profit share



PAT and PAT Margins without JV profit share



Particulars (Rs in Mn)	Q1FY20	Q1FY21
PAT with JV's profit share	832	1,114
JV's share	(255)	
<b>PAT without JV profit share</b>	<b>578</b>	<b>1,114</b>



PAT for the quarter excluding JVs stood at INR 1,114 Mn up 93% YoY

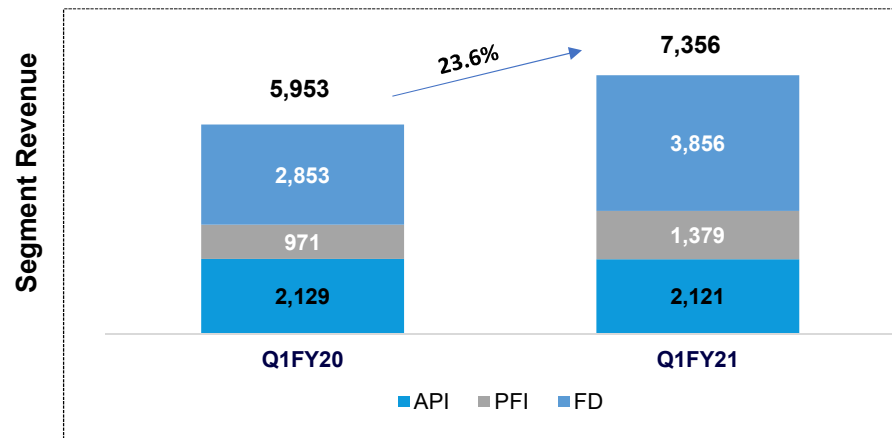
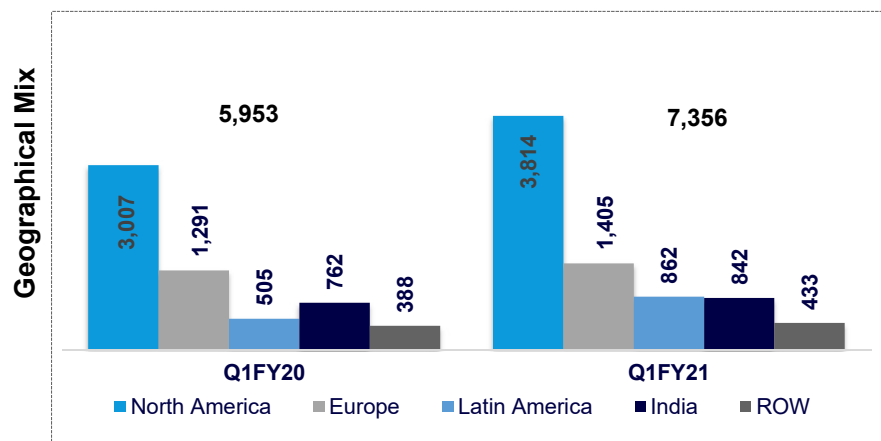


## Increasing contribution from higher-margin Finished dosages

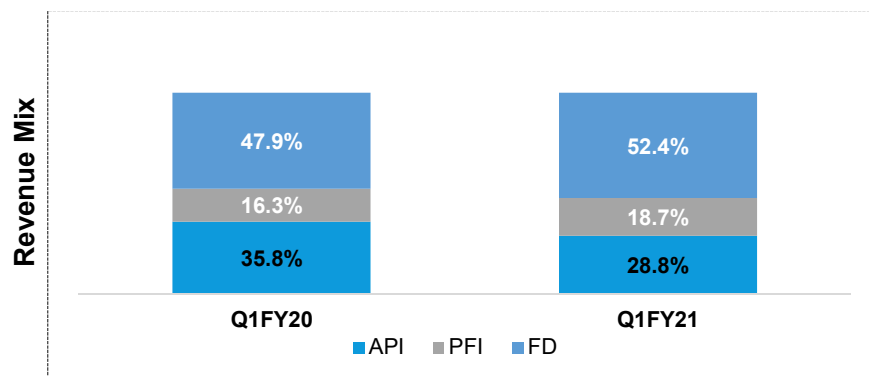
(₹ Mn)

Strong growth momentum witnessed across geographies

Finish Dosage and PFI segment grew by 35% and 42% YoY respectively



Contribution from FD increased to 52.4% from 47.9% YoY



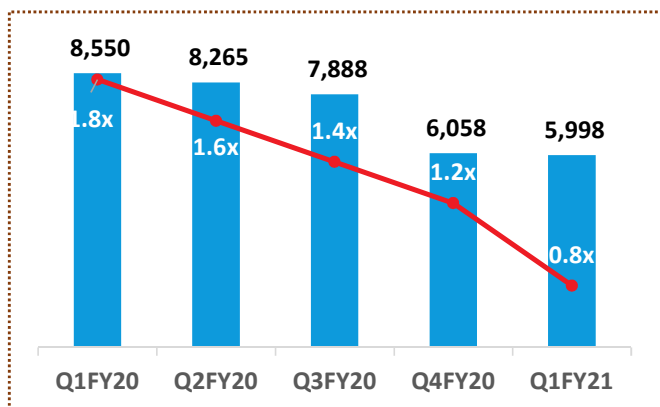
Growth led by new product launches in finished dosages and increased market penetration of PFIs



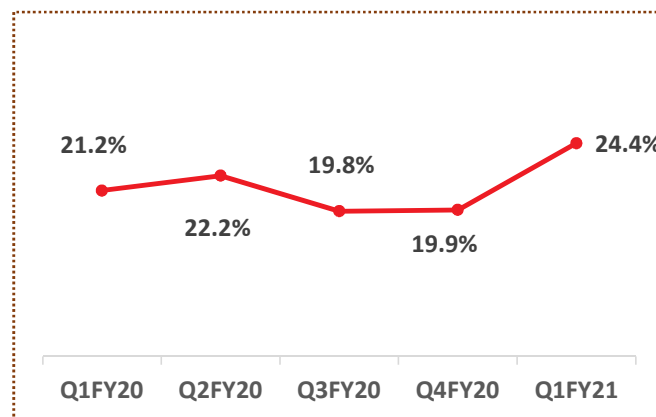
## Continuous improvement on stated financial goals (1/2)

(₹ Mn)

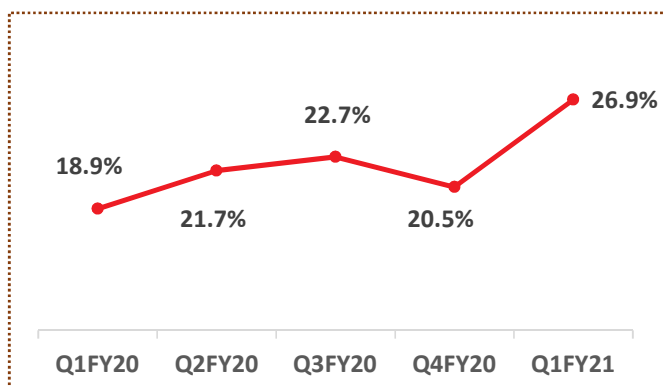
Net Debt & Net debt-to-EBITDA (x)



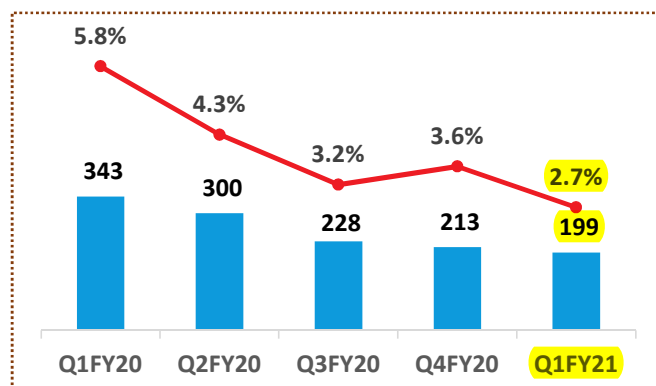
ROE (%)



ROCE (%)



R&D and R&D % of sales



Note: ROCE = [EBIT/Avg. Capital Employed]

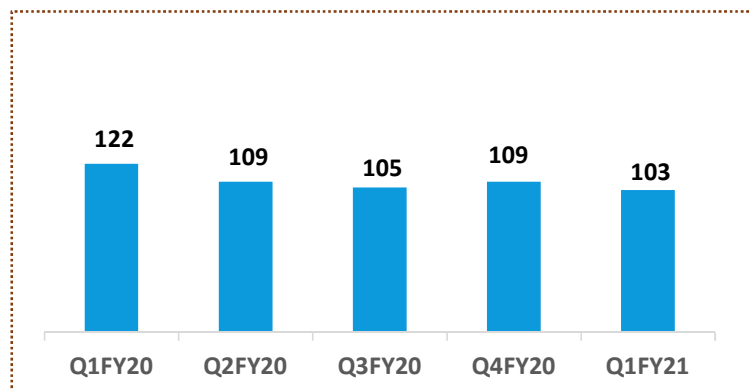
Granules India Limited.





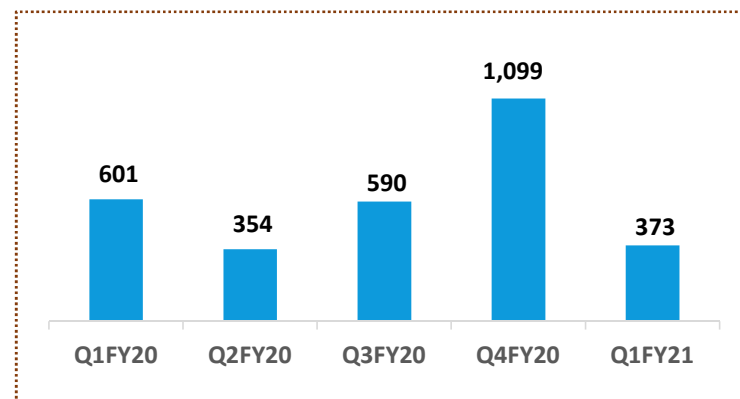
## Continuous improvement on stated financial goals (2/2)

Cash to Cash cycle (days)



Free Cash Flow

(₹ Mn)



Free cash flow this quarter decreased due to an increase in working capital on account of increased sales

Note: Free cash flow=operating cash flow – Capex

Cash conversion cycle (CCC)= Days inventory outstanding (DIO) + Days sales outstanding(DSO) – Days payable outstanding(DPO)

DIO= (Average inventory/Cost of Goods manufactured)\*365

DSO=(Average trade receivables/Sales)\* 365

DPO= (Average trade payables/Cost of goods manufactured)\*365



## Multiple Growth drivers provide visibility for long-term growth\*

3



Expanding base  
Business

- ❑ Expanding base business by entering into new geographies (Europe, Canada, South Africa)
- ❑ Adding new molecules to the base business
- ❑ Focus on operational efficiencies and process innovation through R&D
- ❑ Focus on volume-based products and large scale manufacturing with sustained competitive advantage & secured supply source for the customers



US  
Generics

- ❑ Fully integrated infrastructure including R&D, manufacturing and marketing to enable "Make in America"



Multi APIs/  
Oncology

- ❑ Focus will be to build the Multi-API platform for strengthening integration of the formulation business
- ❑ 30% of current asset book value of INR 2,800 Mn is attributable to Oncology
- ❑ Oncology business will primarily focus on CDMO & CMO models with strategic partners



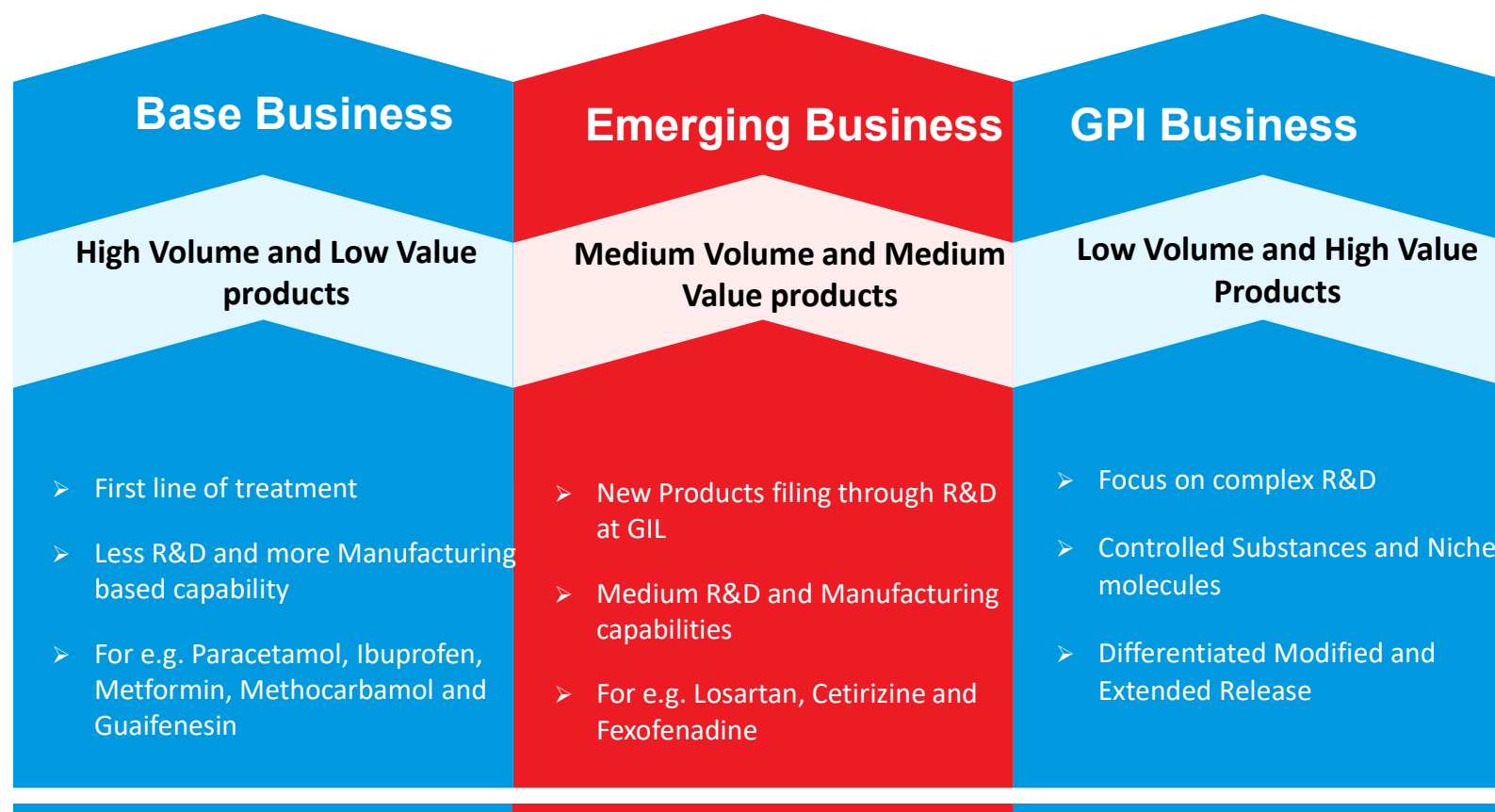
R&D

- ❑ Filing new ANDAs (7- 8 ANDAs/2-4 dossiers per year and value added DMFs/CEPs/EDMFs)
- ❑ Focus on developing controlled substances and niche/differentiated modified and extended-release products in varied dosage forms
- ❑ Average launches 7- 8 ANDAs/Dossiers per year
- ❑ Focus on operational efficiencies and process innovation through R&D

Note: \* Long term growth is 4-5 years from current date



## Evolving Business Strategy for R&D



**~70% of the R&D spend will go towards Base and Emerging Business  
and ~30% will go towards products developed at GPI**



## Key focus areas for FY21

4

1

To ensure timely launches of 9 products expected in FY21 while also increasing the market share of existing products by passing on cost benefits realized through operational efficiencies

2

To ensure employee safety while increasing productivity and improve regulatory compliance

3

To focus on Cash conservation and liquidity management  
To focus on Free cash flow generation and ensure reduction in gross debt

4

To focus on Working capital management with high focus on inventory management to ensure supply security

5

To focus on profitability through better capacity utilization and by enhancing product mix and operational cost efficiencies

6

To continue to rationalizing R&D portfolio and building it sustainability  
To ensure timely progress of the completion of new block construction in Gagillapur and other expansion activities



## Strong Regulatory Compliance history



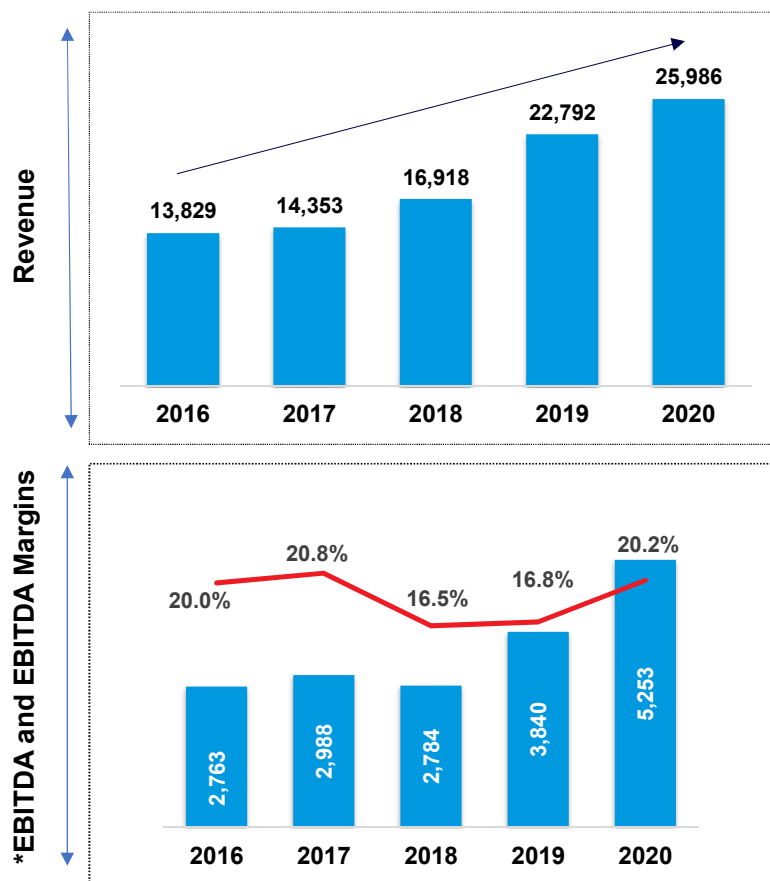
Value chain	Facility location	Installed capacity	Approvals	Inspection Date	Outcome
API	Bonthapally	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED	July-19	Clear
	Jeedimetla	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO	March-18	Clear
	Vizag (Unit IV)	290 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM	Dec-15	Clear
	Vizag (Unit V)		EU GMP	April-20	Clear
PFI	Gagillapur	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED	Feb-20	Clear
	Jeedimetla	1,440 TPA	WHO GMP, COFEPRIS, INFARMED	March-18	Clear
FD	Gagillapur	21.8 Bn	US FDA, MCC, COFEPRIS, TGA, INFARMED	Feb-20	Clear
	Virginia, USA	1.5 Bn	US FDA, DEA	August-19	Clear
API Intermediates	Bonthapally	61.5 KL			



## Building on solid base and value unlocking underway: 5 year trajectory

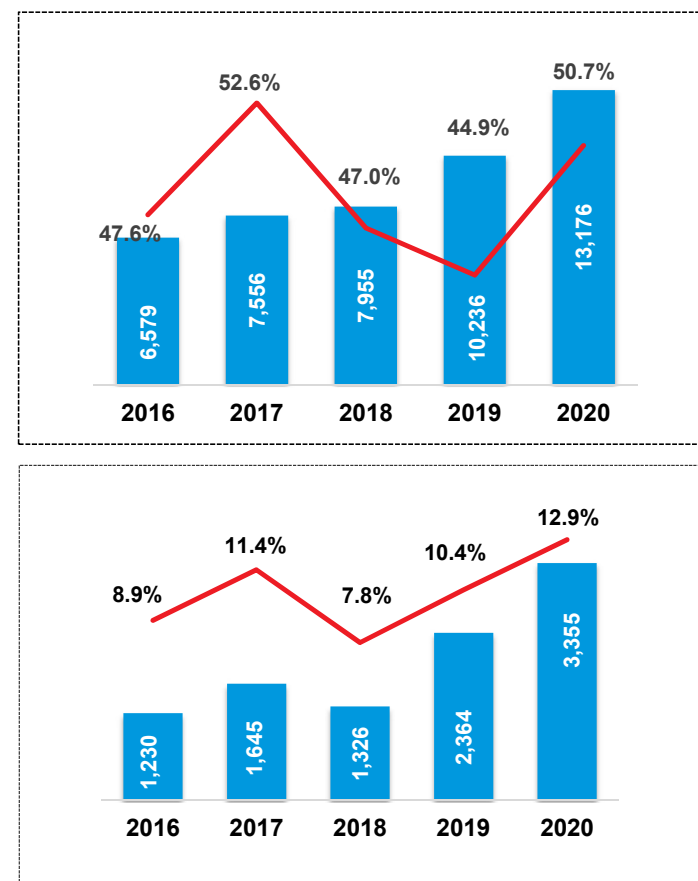
(₹ Mn)

5



Gross Profit and Gross Profit Margins

PAT and PAT Margins



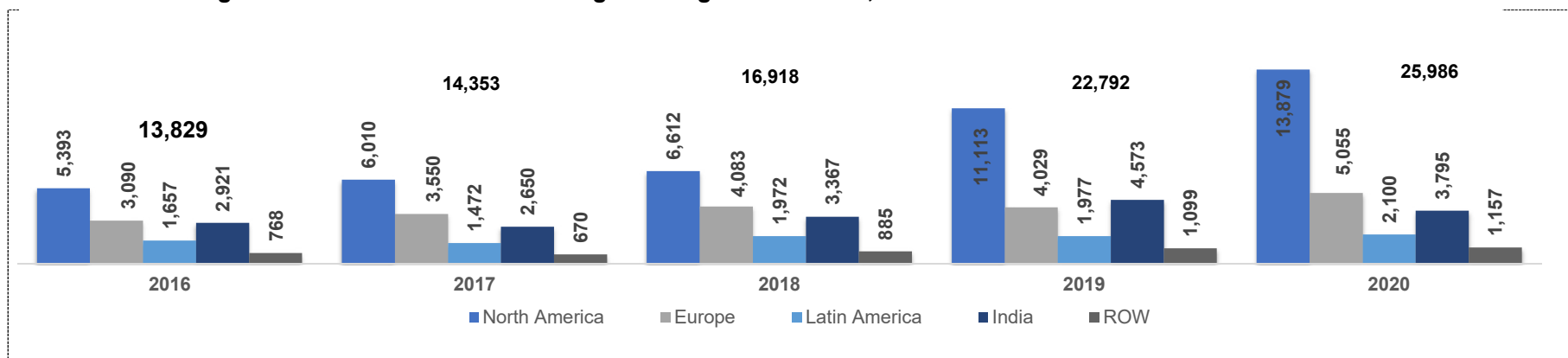
Note:-\*FY20 EBITDA includes one time expense of INR 217 Mn for impairment of investment in the US



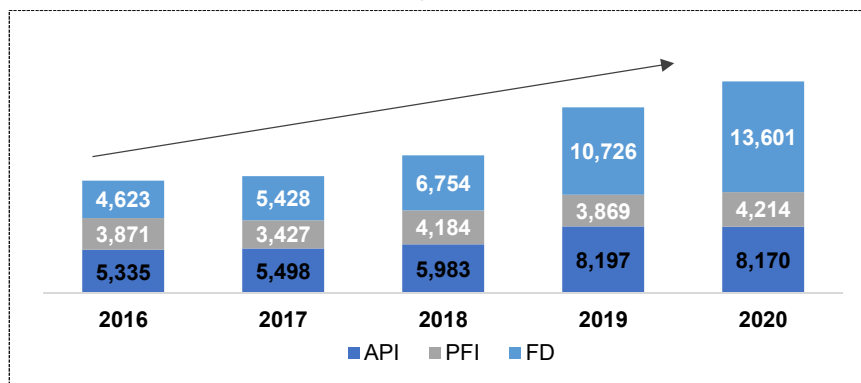
## Increasing contribution from FDs while remaining backward integrated in APIs : 5 years trajectory

Higher revenue contribution coming from regulated market, which contributed 73% to total revenue

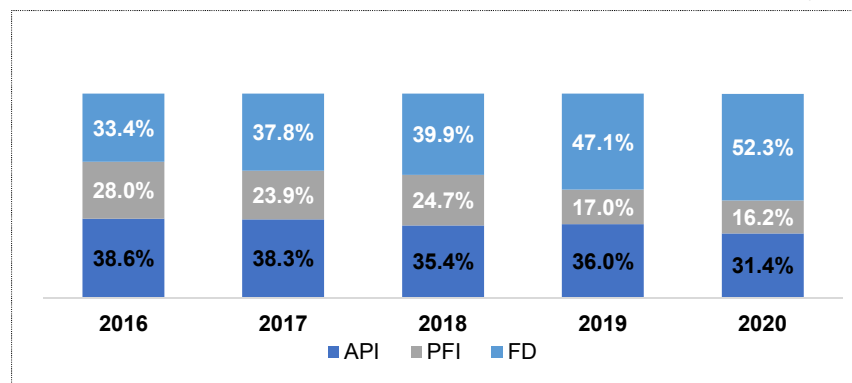
(₹ Mn)



Finish Dosage: 5Y CAGR 35%



Revenue contribution increased in FDs to 52% from 33% in last 5yrs

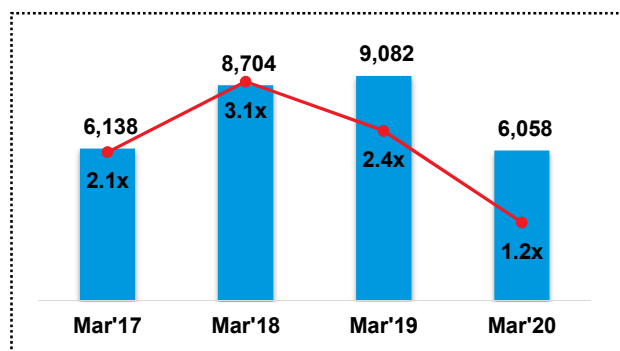




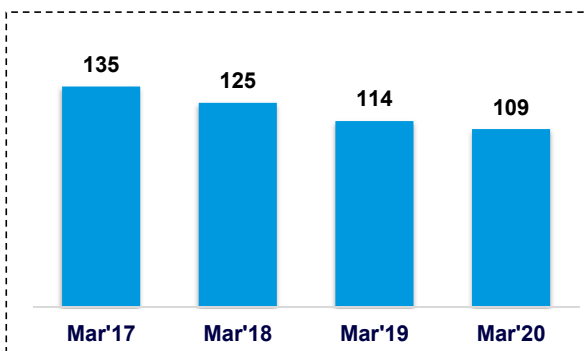
## Improving returns; focus on FCF generation: 5 year trajectory

(₹ Mn)

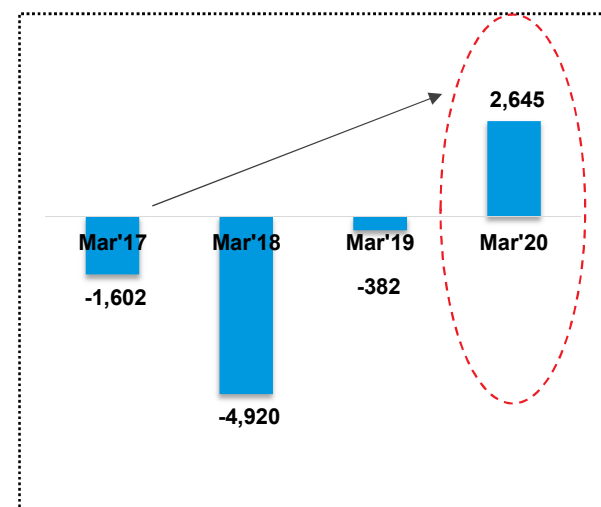
Net Debt & Net debt-to-EBITDA (x)



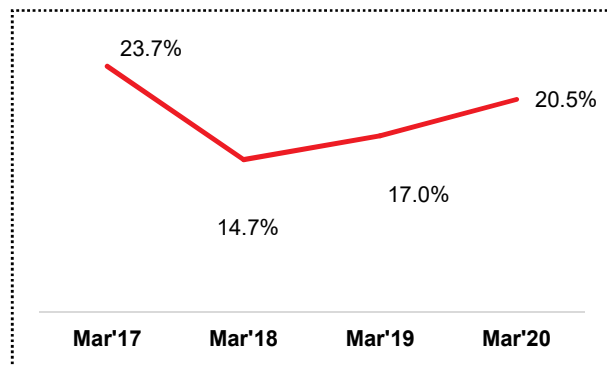
Cash-to-Cash cycle (days)



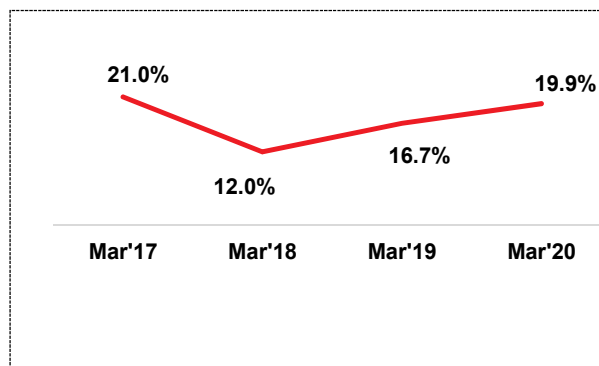
Free Cash Flow (FCF)



ROCE (%)



ROE (%)



Note: 1. Nos excluding multi API/ oncology business segment

2. JV income is not incl. in Mar'19 and Mar'20 ROCE = [EBIT/Avg. Capital Employed (Total assets-current liabilities)]

3. FCF= Cash flow from operating activities - Capex





## Leadership Team

6



**C Krishna Prasad**

*Chairman and Managing Director*

Mr Prasad's journey as pharma entrepreneur began in 1984, when he set up a paracetamol API manufacturing facility that focused on capital and process efficiency. Pharmaceutical formulations intermediates (PFIs) as a cost efficient product for global formulations manufacturer is a concept pioneered and popularized by Mr Prasad



**Uma Devi Chigurupati**

*Executive Director*

Experienced over 30 years in various fields, Ms Uma cofounded with Mr Prasad Triton Laboratories in 1984, which was later amalgamated with Granules. Currently, she heads Granule's CSR activities and HR initiatives



**Priyanka Chirugupati**

*Executive Director , GPI*

Responsible for the US Generics business including commercial and strategic initiatives. Ms Chigurupati's numerous roles in her 6 years at Granules' divisions in the US and India include the Core Business, Emerging Business and Consumer Health



**Harsha Chigurupati**

*Executive Director*

Responsible for Manufacturing Operations of Granules India Limited (standalone division) and marketing of regions other than United States. He will drive business performance through operationalising Company strategy into business plan, conducting periodic operations reviews and driving corrective - preventive measures to bridge gap or enhance performance



**Sandip Neogi**

*Chief Financial Officer*

Chartered Accountant and Cost Accountant with post qualification experience of 28 years. Worked in areas of Strategic Financial Planning and Analysis, Business Valuations, Risk Management, SEC Environment, Mergers & Acquisitions, Treasury, US and Indian GAAP Accounting and Internal Controls



**GSR Prasad**

*Chief Operating Officer*

Responsible for all the manufacturing operations of GIL. He will continue to lead Projects related responsibilities too. He is a Masters in Pharmacy and with more than 30 years of rich experience in Manufacturing, Engineering, SCM and Projects. Earlier, he worked with various pharmaceutical companies like Astra Zeneca, Themis, Sangfroid Granules, Pharmeng, Biovail, and Novast Laboratories in India, US, Canada and China



**Atul Dhavle**

*Chief Human Resources Officer*

In his over 26 years with reputed organizations such as Mahindra & Mahindra, DuPont, Welspun and Dr Reddy's, Mr Dhavle has handled various responsibilities in human resources and operational excellence, He is a graduate in production engineering from Nagpur University and has a postgraduate certificate in business management from XLRI



# GRANULES

## Thank you

### Granules India Ltd

Floor 2 Block 3 My Home Hub Madhapur  
Hyderabad 500081

CIN: L24110TG1991PLC012471

Voice: +91 40 30660000/30663600 Fax: +91 40  
23115145/30663602

[www.granulesindia.com](http://www.granulesindia.com)

### Granules India Investor relations team

#### Sandip Neogi (CFO)/ Krishna Raghunathan (VP Finance/IR)

Granules India Ltd

[Sandip.Neogi@granulesindia.com](mailto:Sandip.Neogi@granulesindia.com)

[krishna.raghunathan@granulesindia.com](mailto:krishna.raghunathan@granulesindia.com)

#### Richa Singh

Consulting, E&Y Investor Relations Practice

Voice: +91 9167772135/+912261920000/ Extn. 60850

[www.granulesindia.com](http://www.granulesindia.com) | [richa10.singh@in.ey.com](mailto:richa10.singh@in.ey.com)

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