



REGISTERED OFFICE

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CIN: L24110TG1991PLC012471

Dated October 20, 2020

To,
National Stock Exchange of India Limited
BSE Limited
Symbol: NSE: GRANULES; BSE: 532482

Dear Sir,
Sub: Presentation to the Analysts/Investors

We refer to Un-audited financial results for the second quarter ended September 30, 2020 submitted to you today i.e., on 20th October 2020.

We are now enclosing the presentation in this regard to the Analysts/Investors which is also being uploaded on our website.

This is pursuant to Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the above information on record.

Thanking you,

Yours Faithfully

FOR GRANULES INDIA LIMITED

J. Chaitanya


**CHAITANYA TUMMALA
COMPANY SECRETARY &
COMPLIANCE OFFICER**



Investor Presentation

Q2FY21

Granules India Limited





The Presentation is to provide the general background information about the Company's activities as at the date of the Presentation. The information contained herein is for general information purposes only and based on estimates and should not be considered as a recommendation that any investor should subscribe / purchase the company shares. The Company makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information contained herein.

This presentation may include certain "forward looking statements". These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements. Important factors that could cause actual results to differ materially from our expectations include, amongst others general economic and business conditions in India, ability to successfully implement our strategy, our research and development efforts, our growth and expansion plans and technological changes, changes in the value of the Rupee and other currencies, changes in the Indian and international interest rates, change in laws and regulations that apply to the Indian and global pharmaceuticals industries, increasing competition, changes in political conditions in India or any other country and changes in the foreign exchange control regulations in India. Neither the company, nor its directors and any of the affiliates or employee have any obligation to update or otherwise 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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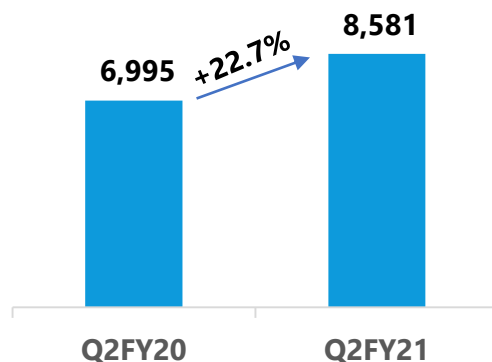


Q2FY21: Consolidated Financial Highlights

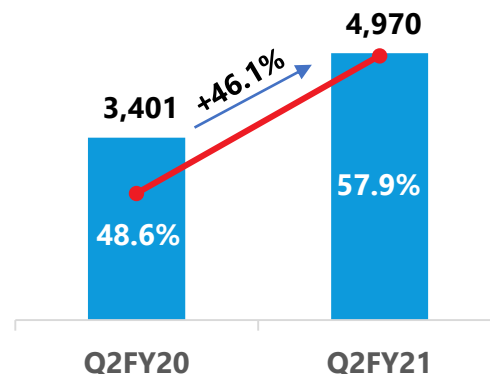
(₹ Mn)

1

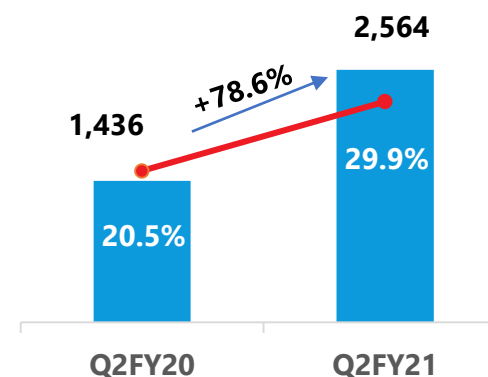
Revenues



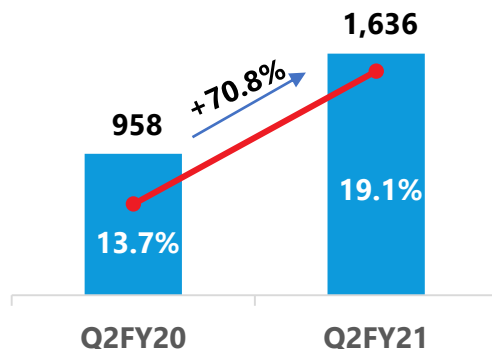
Gross Profit and Gross Profit Margins



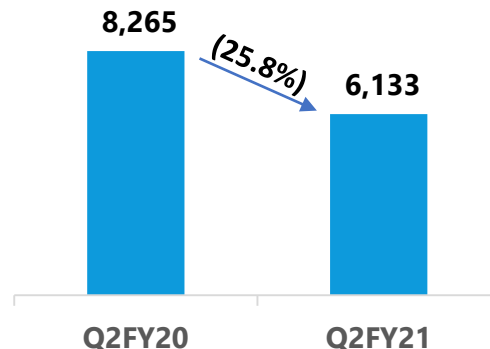
EBITDA and EBITDA Margins



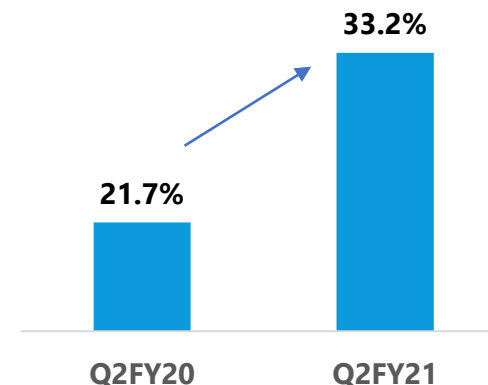
PAT and PAT Margins



Net Debt



ROCE



Revenue from operations in Q2FY21 grew by 22.7% YoY mainly on an account of new launches and increase in market share of existing products across the three verticals

EBITDA for the quarter grew 78.6% YoY, with a +935 bps margin expansion YoY on changing product mix and improved operational efficiencies arising out of higher capacity utilization

PAT for the quarter stood at INR 1,636 Mn, up 70.8% YoY

Net Debt down by 25.8% YoY and Net debt to EBITDA at 0.7x

ROCE stood at 33.2%, on account of higher capacity utilization

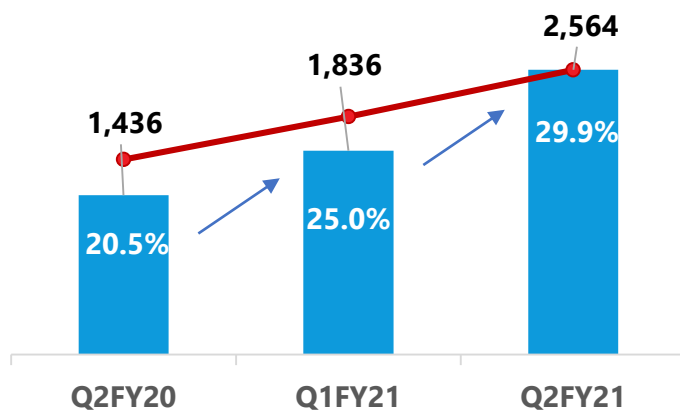
Note: ROCE = EBIT/Avg. Capital Employed (total assets-current liabilities)



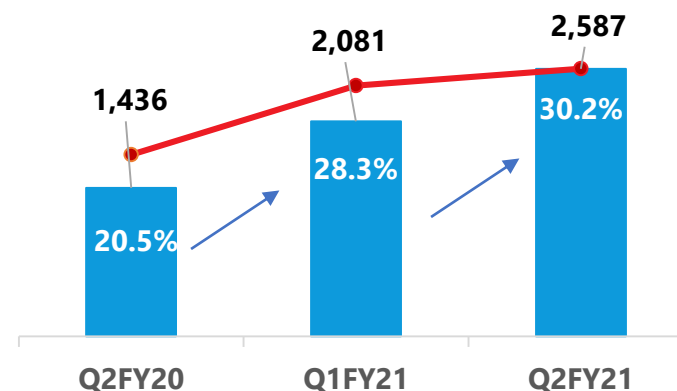
Q2FY21: EBITDA & Adjusted EBITDA

(₹ Mn)

Reported EBITDA and EBITDA Margins



*Adjusted EBITDA and EBITDA Margins

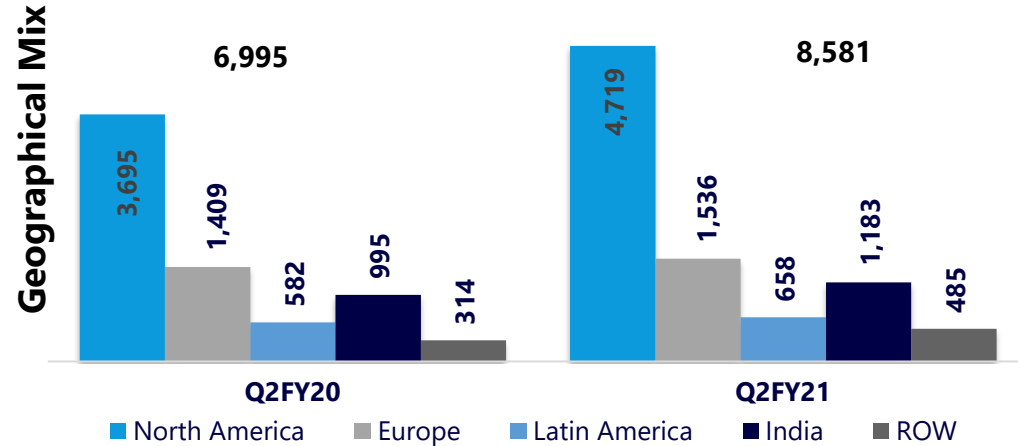


□ *Adjusted EBITDA and EBITDA margin in Q2FY21 and Q1FY21 is excluding COVID 19-related expenses. Metformin recall provision of INR 150 Mn provided in Q1FY21 has been reversed to the tune of INR 75 Mn this quarter



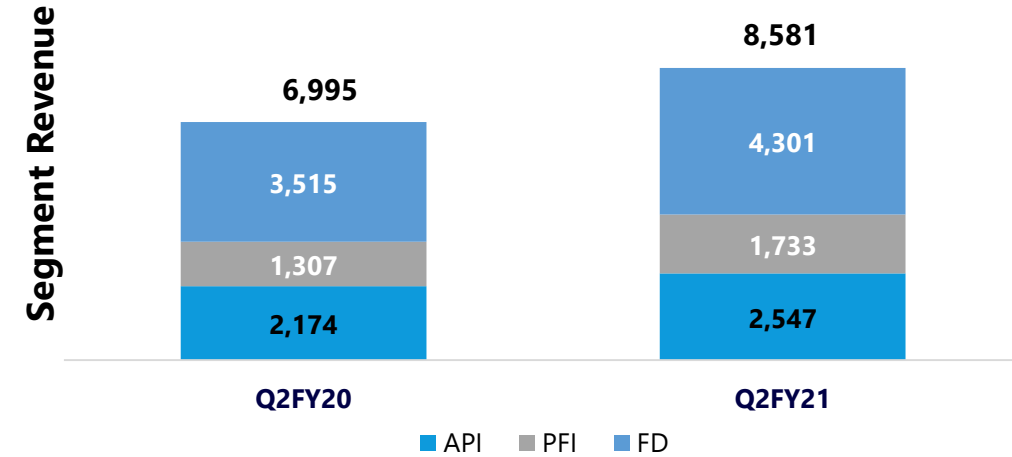
Increasing contribution from higher-margin FDs, generics, while remaining backward integrated in APIs

Strong growth momentum witnessed across geographies

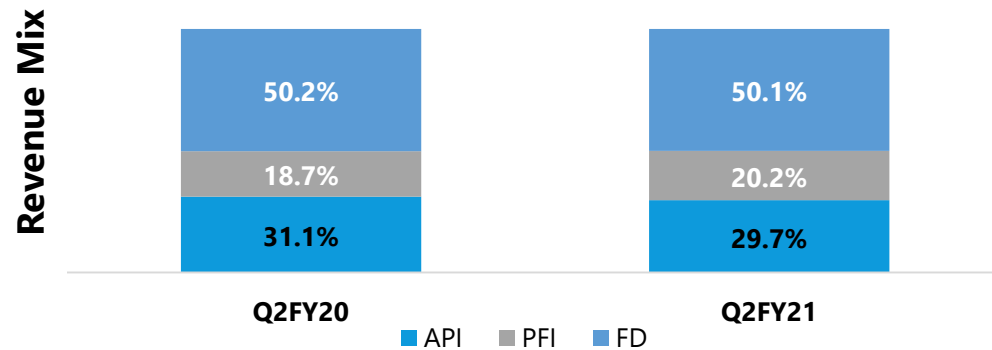


Finish Dosage and PFI segments grew 22% & 33% YOY

(₹ Mn)



Contribution from PFI increased to 20.2% YOY



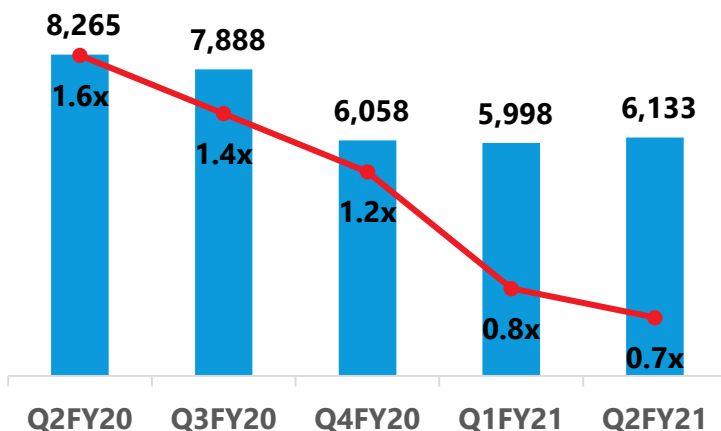
- Higher contribution from FD continues to grow in absolute terms from INR 3,515 Mn to INR 4,301 Mn, up 22% YoY
- PFI is growing at 33% YoY with increasing contribution from 18.7% to 20.2% yoy on account of increasing penetration of PFIs as a category
- API grew 17.2% YoY with acquisition of new customers



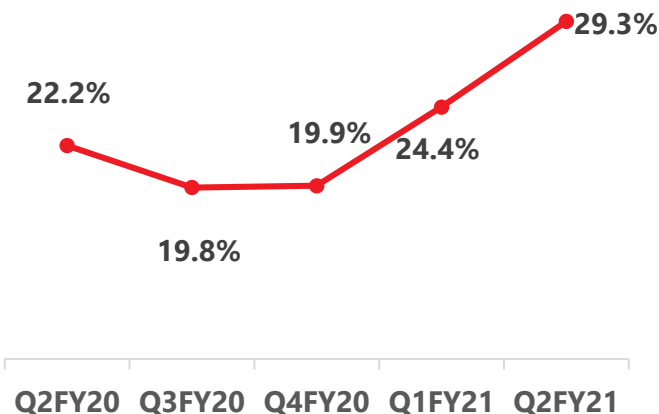
Continuous Improvement In Financial Metrics

(₹ Mn)

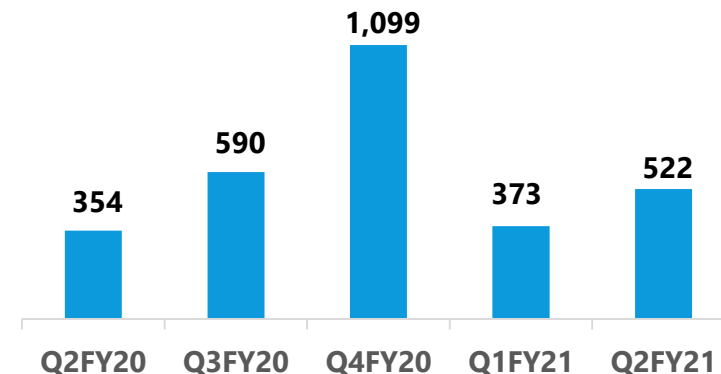
Net Debt & Net debt-to-EBITDA (x)



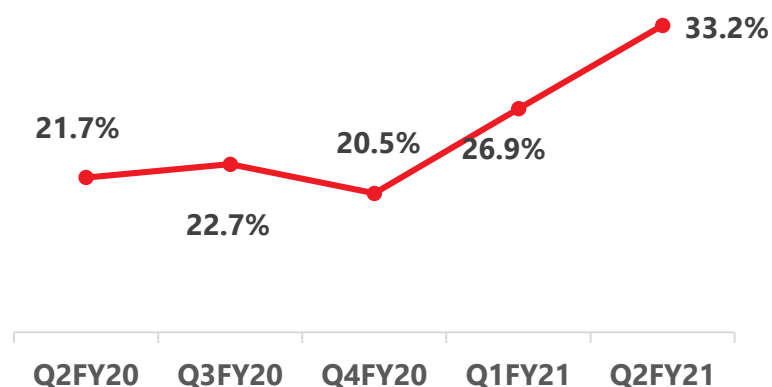
ROE (%)



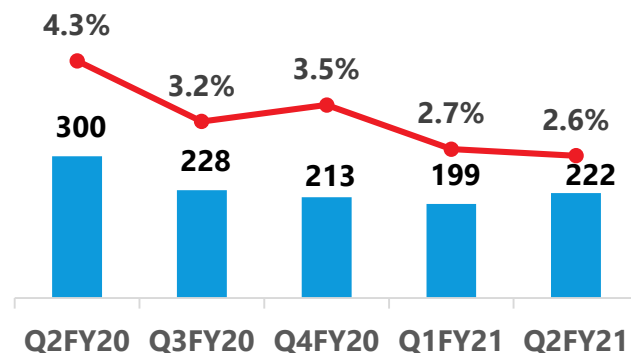
Free Cash Flow



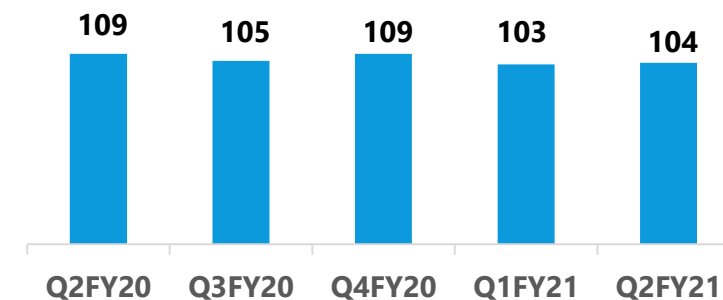
ROCE (%)



R&D and R&D % of sales



*Cash to Cash cycle (days)



Note: ROCE = EBIT/Avg. Capital Employed (Total assets-Current liabilities)

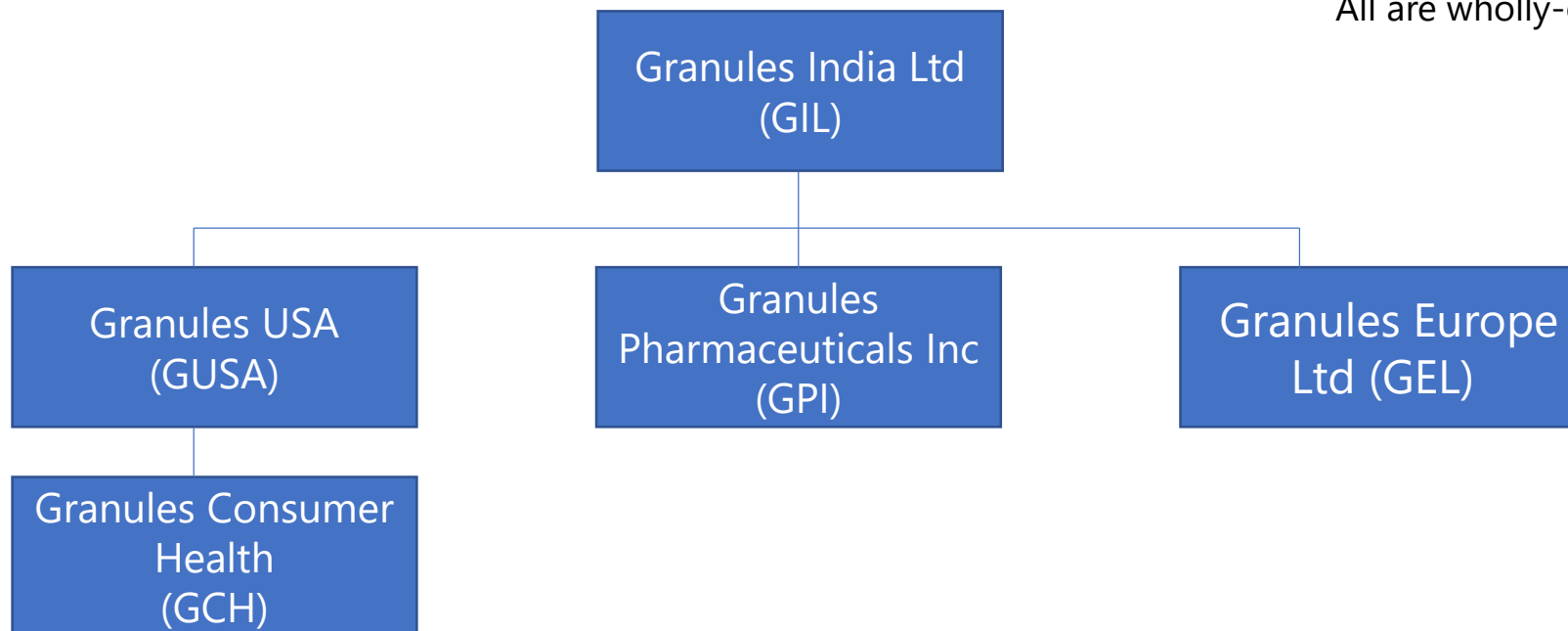
Free cash flow=Cash flow from operating activities –Capex

*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



All are wholly-owned Subsidiaries



- GIL: Presence across the entire pharmaceutical manufacturing value chain from API to finished dosages
- GUSA: B2B Marketing & Distribution arm for APIs, PFIs and FDs (Rx & OTC) from GIL incorporated in 2003
- GCH: B2C Granules Consumer Health; our front end division for private label OTC products incorporated in 2015
- GPI: R&D, manufacturing and front end division for marketing of Rx products in the US incorporated in 2014
- GEL: B2B Marketing & Distribution arm for APIs, PFIs and FDs from GIL incorporated in 2017



Multiple Drivers Provide Visibility For Long-Term Growth

3



Core
Business

- ✓ Focus on volume-based products such as **Paracetamol, Metformin HCl, Ibuprofen (core)**. Other products include **Guaifenesin, Methocarbamol, Gabapentin, Losartan, Cetirizine and Fexofenadine**
- ✓ **Expanding base business by entering into new geographies (Europe, Canada, South Africa)**
- ✓ **Large scale manufacturing with sustained competitive advantage** & secure supply source for the customers
- ✓ **Pioneered the concept of commercializing PFIs** — suits large volume drugs



US
Generics

- ✓ **Fully-integrated infrastructure** including R&D, manufacturing and marketing to enable “Make in America”
- ✓ Business-to-Consumer model (B2C) through Granules Consumer Health (GCH)
- ✓ Focus on developing **controlled substances and niche/differentiated modified and extended-release** products in varied dosage forms



New Products

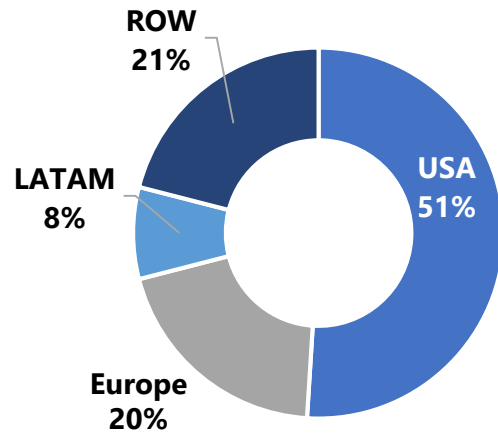
- ✓ **Filing new ANDAs (7-8 ANDAs per year; 2-4 dossiers per year and value added DMFs/CEPs/EDMFs)**
- ✓ Focus on developing controlled substances and niche/differentiated modified and extended-release products in varied dosage forms
- ✓ **Average launches 7-8 ANDAs/Dossiers per year**
- ✓ Focus on operational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

Commissioning of Multi -API facility in Vishakhapatnam to support FD growth through backward integration. Vizag's Unit IV & V (Multi API) is shown as part of Core business, US generics and New Products as its products support all three segments

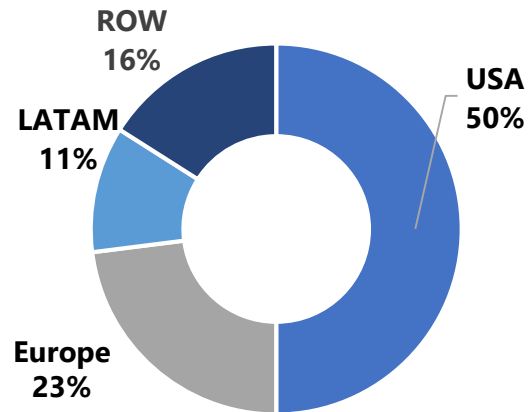


Expanding the Core business to Non US markets

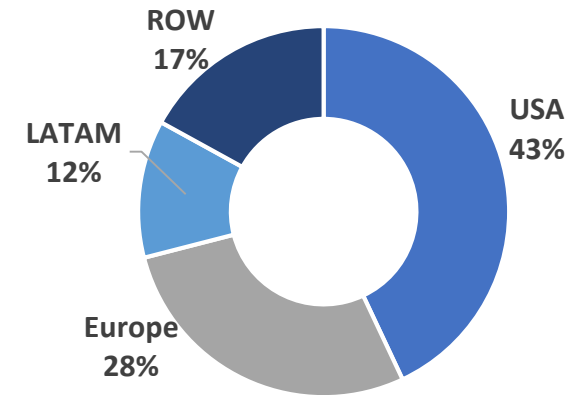
FY20



FY21



FY23



Note: *Core molecules includes Paracetamol, Ibuprofen and Metformin. Core molecules will keep increasing in absolute terms on an account of expanding it to new geographies



US Generics: Granules Pharmaceuticals Inc. (GPI)

Overview

- ✓ **Fully-integrated infrastructure from R&D, manufacturing to sales and marketing enabling "Make in America" (TAA compliance for Govt. business)**
- ✓ **Strategic portfolio selection focusing on limited competition products across oral solids; tablets, capsules, oral solids and powder for oral solutions**
- ✓ **USFDA-approved facility in Virginia, with a team strength of 110**
- ✓ **100,000 sft facility with established R&D and Manufacturing capabilities with all necessary approvals for development and manufacturing of controlled substances**
- ✓ **Business to Consumer — front-end sales and marketing for Rx products**

1

Gained traction with a first to generic product; Methergine in June 2018. Set up a front end sales and marketing division and launched 11 products under the GPI label: "Control your own destiny"

2

GPI revenue in FY20 is at INR 2,960 Mn

3

Received 2 awards from US government for products made in GPI

4

24 Rx ANDAs filed and 16 ANDAs approved currently. 8 products to be approved. 11 products under development between GPI and GIL (Rx)

5

Expect 3 launches in FY21, with an addressable market size of about \$1 Bn based on IQVIA (brand and generic)



US Generics: Granules USA (GUSA)

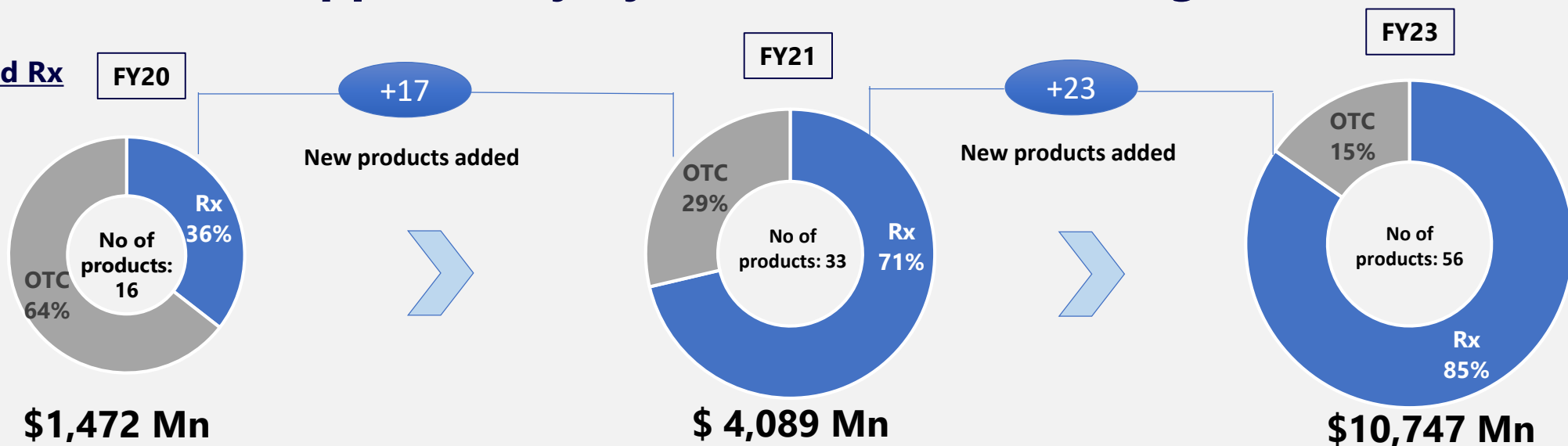
- ❑ B2B: Marketing & Distribution arm for APIs, PFIs and FDs (Rx & OTC) from GIL with a top-line of \$48 Mn in FY20
- ❑ B2C: Granules Consumer Health; our front-end division for private label OTC products
- ❑ Incorporated in 2003 to set up a sales and marketing arm for real time communication with customers
- ❑ Set up to market APIs & PFIs to some of the largest OTC and Rx customers in the US; branded and non branded
- ❑ First FD launched in 2010 to market our first ANDA through a partner in US
- ❑ GCH - our front-end division for private label OTC products incorporated in 2015
- ❑ Supply over 100 SKUs to both B2B and private and home label customers. Supplying to both is a part of our risk mitigation strategy which enables us to focus on our manufacturing capabilities while taking advantage of the partner's distribution capabilities (B2B)
- ❑ 10 OTC ANDA products approved. 1 product has been filed and 5 products are in pipeline



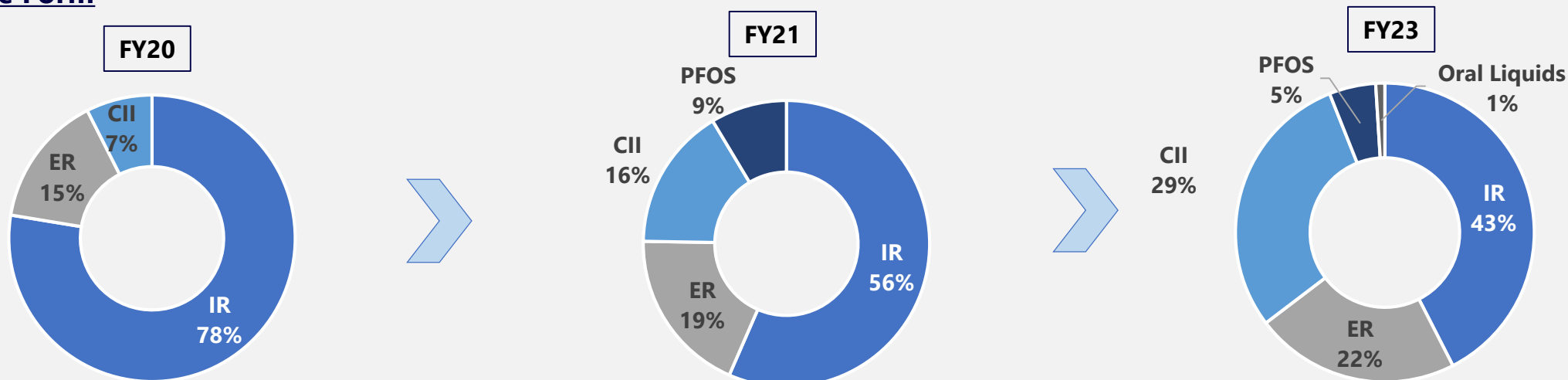


US Generics: Opportunity by market size and dosage form in FDs

By OTC and Rx



By Dosage Form



Note: FY20 assumes all products launched until March 2020 . FY21 and FY23 assume products we estimate to launch by the Fiscal year (value includes Brand and Generics and actual realization will depend on rate of genericization and competitor landscape).

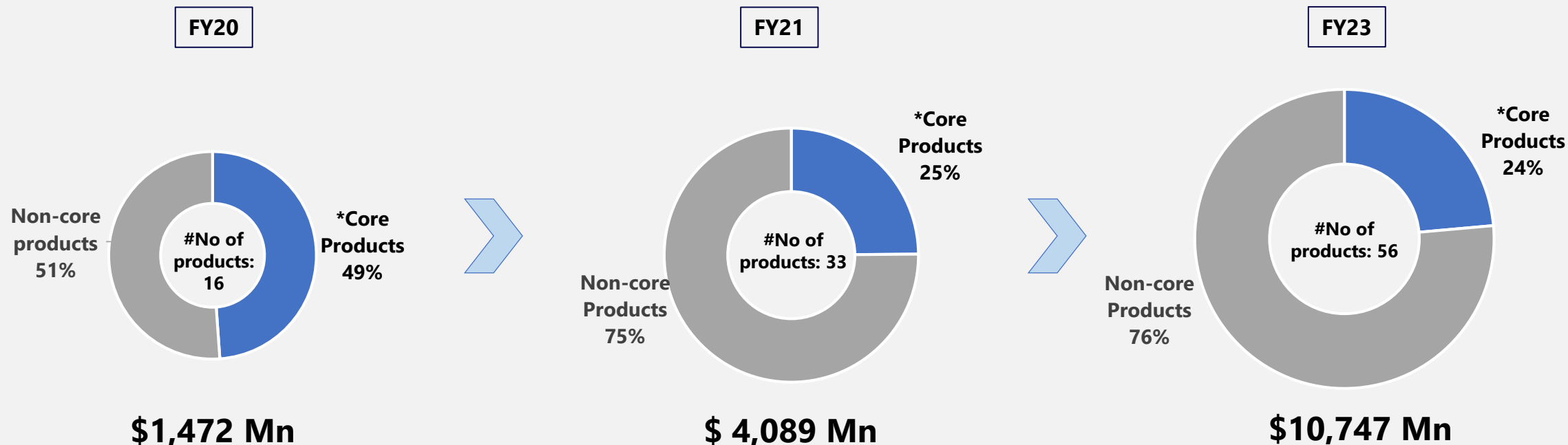
Source: IQVIA MAT Aug 2020

Granules India Limited.



US Generics: Opportunity from Core and Non-core products expansion

By Core and Non-Core



Note: *Core products for US generics includes Paracetamol + Metformin + Ibuprofen only. Combination and variation products are also included.
#No of products includes all products launched/to be launched in FY20, FY21 and FY23

Source: IQVIA MAT Aug 2020



Multi APIs/Oncology

- ❑ Two Multi-product and multi-stage API-to-FD manufacturing facilities in Vizag
- ❑ Unit IV: Directly relates to our core business with ~15 APIs, fully commercialized and profitable



- ❑ Unit V: With special focus on Onco, fully integrated facility to offer a) APIs and FDs in onco therapeutics, a top growth segment and b) Development of new APIs.



1

Multi-product API manufacturing facility with a focus on vertical integration

2

Customer Centricity: Supplying to domestic and international markets with own and customer products

3

Regulatory Record: Unit 4 received approvals for U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM and Unit 5 received EU GMP

4

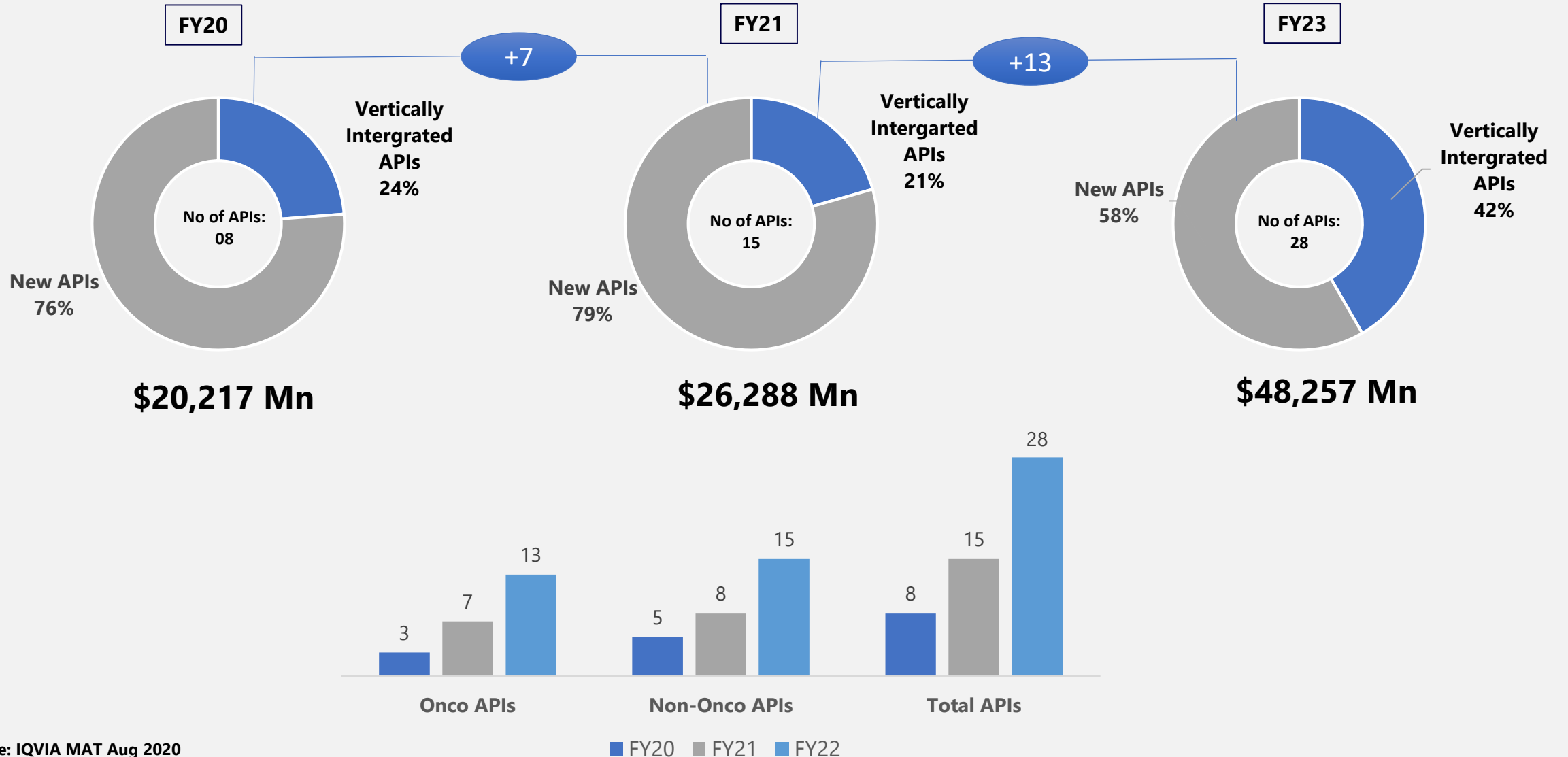
CAPEX: GIL has initiated an investment of INR 960 Mn over 2 years for expansion of the existing Multi API facility. The APIs from this block will primarily be used for integration

5

Infrastructure: IT-enabled infrastructure to ensure efficiency and compliance



Global Opportunity by market size: Unit 4 & 5 Multi-API/Oncology



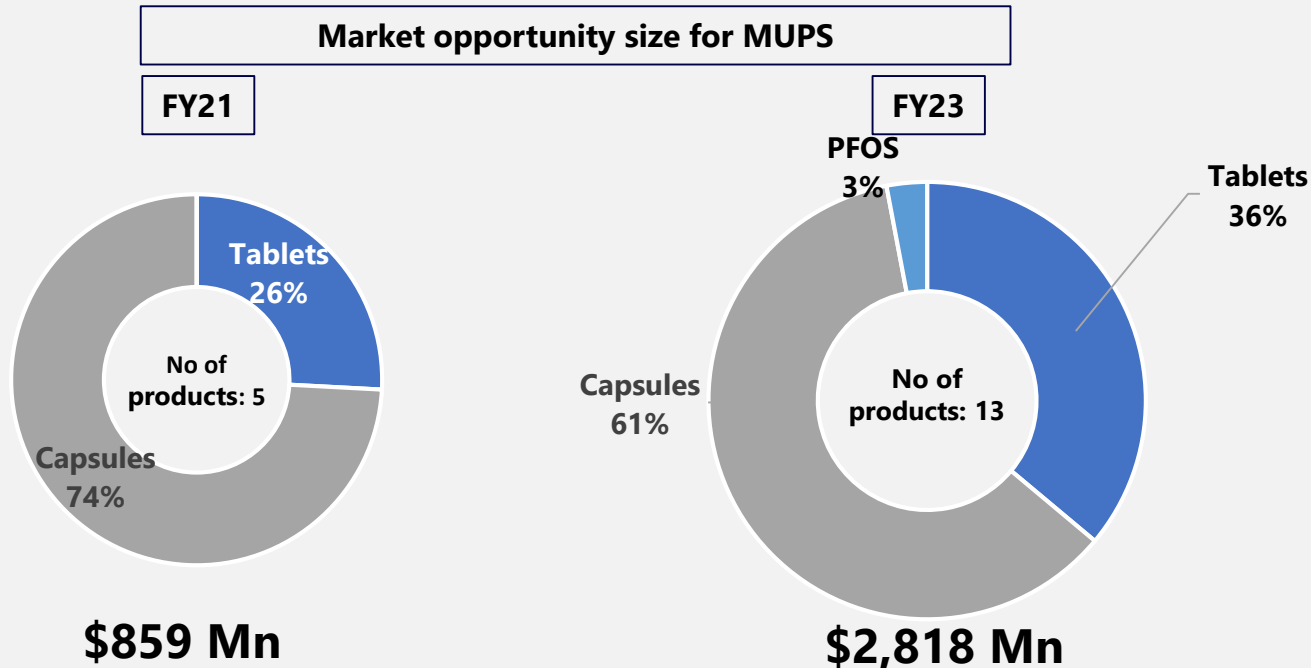
Source: IQVIA MAT Aug 2020



New capacity expansion: MUPS technology

What is MUPS technology?

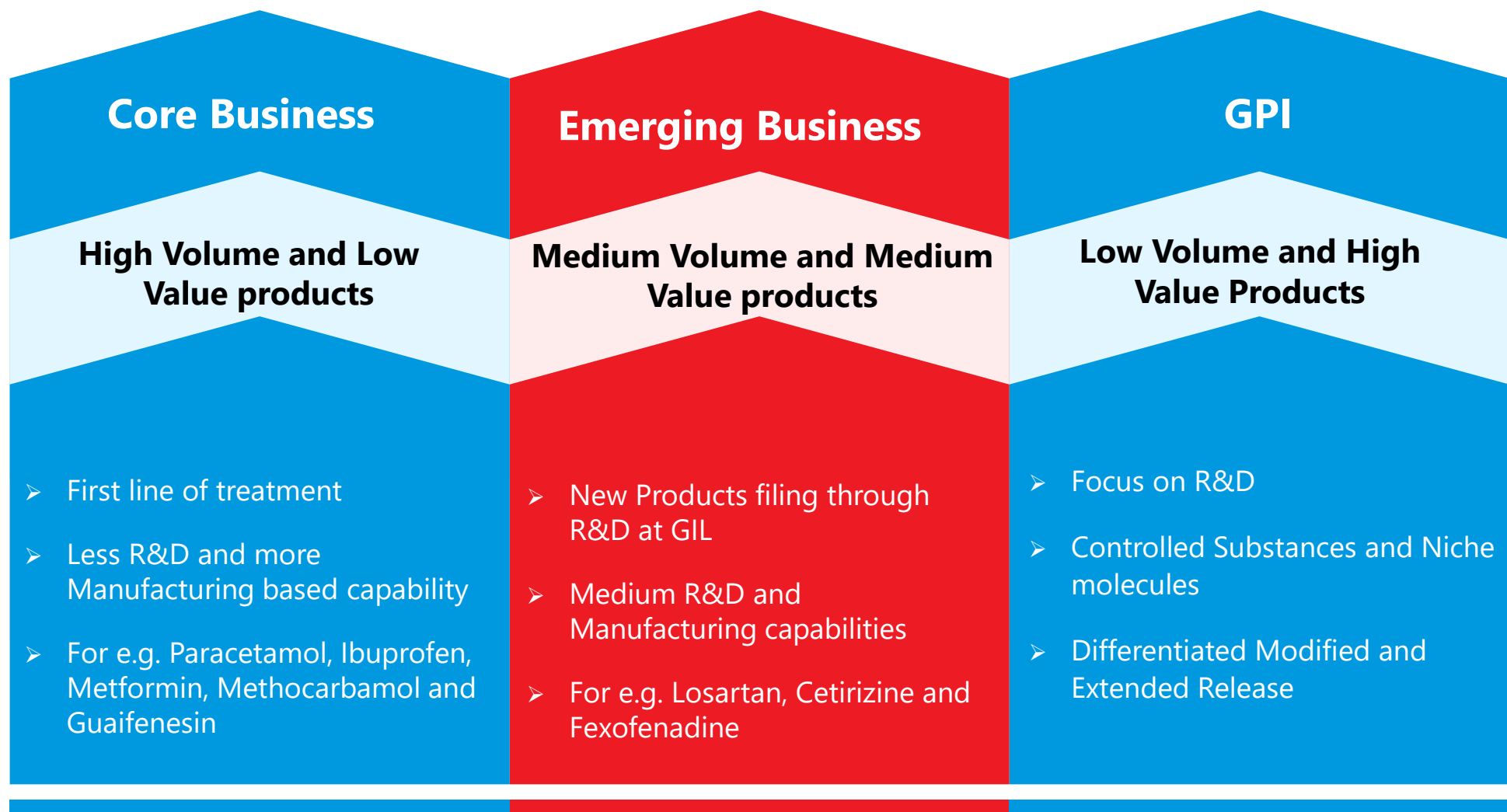
- Tablets, Capsules and other dosage forms which are prepared by compaction, encapsulation or blending of modified release coated pellets are based on **MUPS (multi-unit pellet system) technology**.
- Pellets are produced for the purpose of oral controlled- release dosage form having gastro resistant or sustained- release properties
- For such purposes, coated pellets are administered in the form of MUPS dosage forms. The coating material used is either sustained release or enteric release.
- GIL will invest INR 2,400 Mn over FY21 to FY22; to be funded entirely via internal accruals
- The products that will be manufactured in this block will be integrated with APIs from the Multi API block from Unit 5 in Vizag
- The MUPS block will have a capacity to manufacture **2.5 – 5 Bn FDs per annum will be operational by Q3FY22**
- Expect approval for one product in FY21 which will be launched from the existing facility in Gagillapur, Hyderabad. The addressable market is \$204Mn**



Source: IQVIA MAT Aug 2020



Evolving business strategy for R&D



Total R&D spend majority ~70% will go towards Core and Emerging Business (APIs and FD) and ~30% will go towards the 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

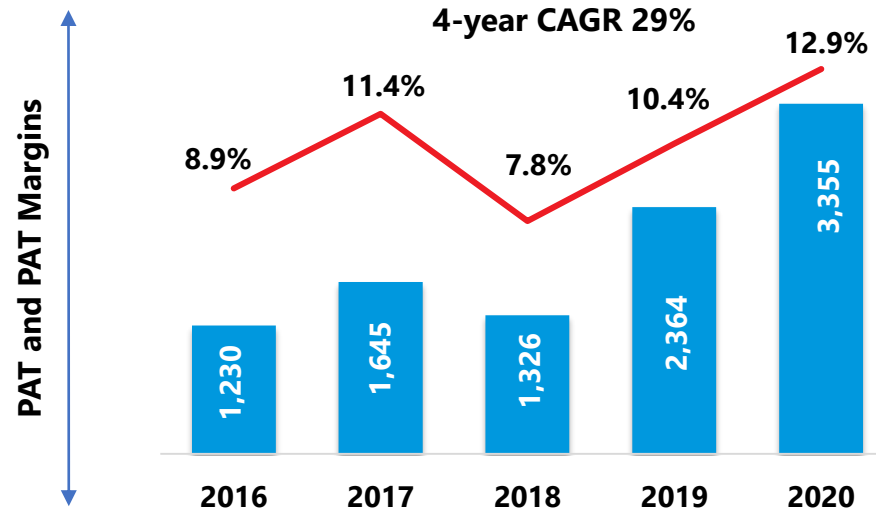
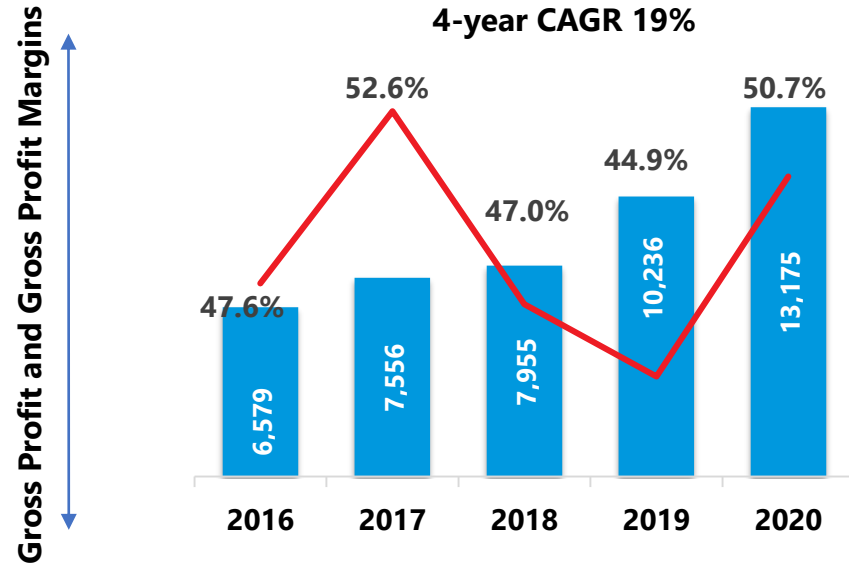
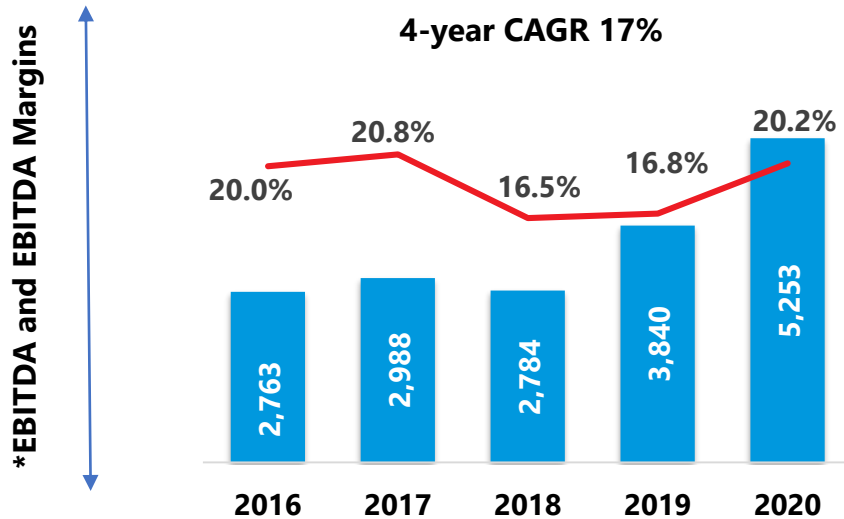
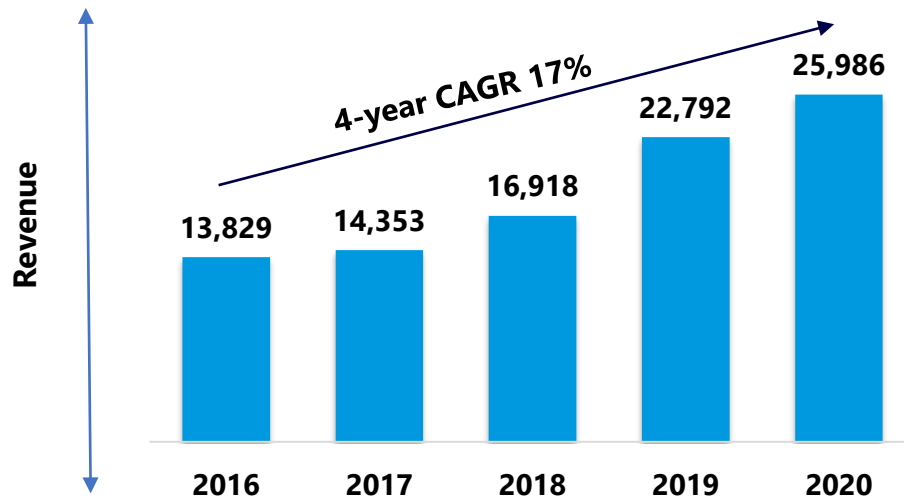
To continue to rationalizing R&D portfolio while building towards sustainability
To ensure timely progress of the completion of new block construction in Gagillapur and other expansion activities



Building on solid base; unlocking value underway: 5-year trajectory

5

(₹ Mn)



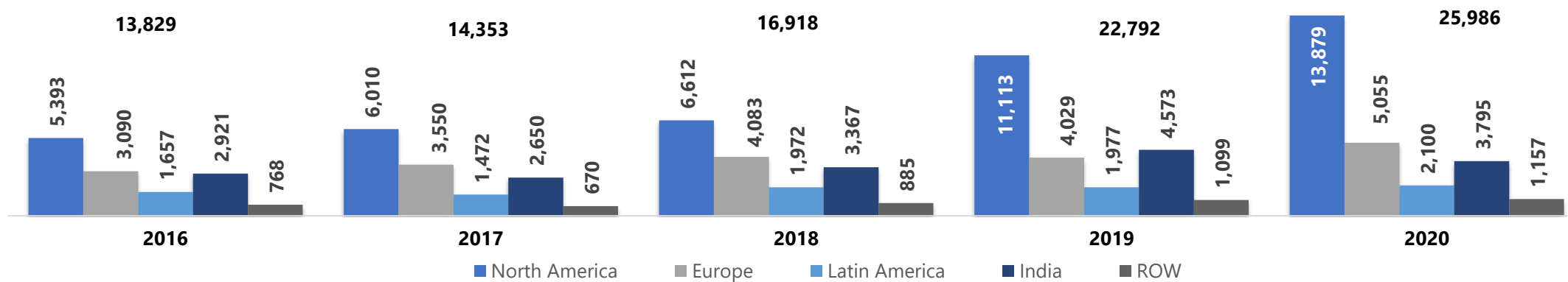
Note:-*FY20 EBITDA includes one time expense of INR 217 Mn for impairment of investment in the US
Granules India Limited.



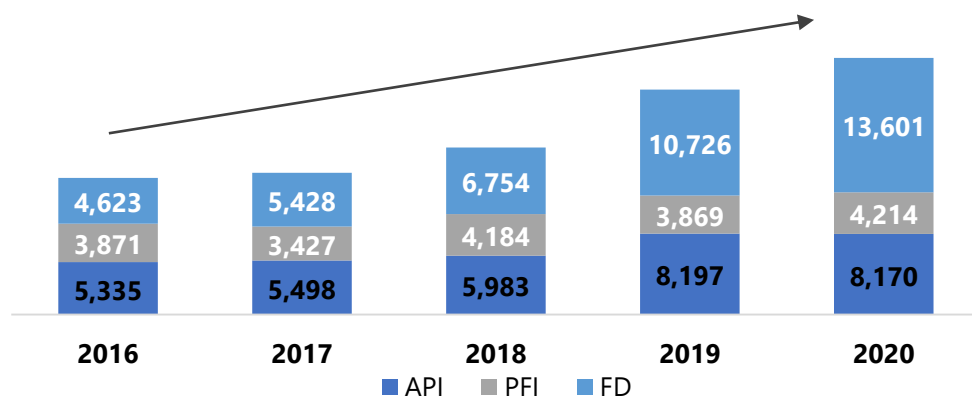
Increasing share from FDs while remaining backward integrated in APIs: 4 year trajectory

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

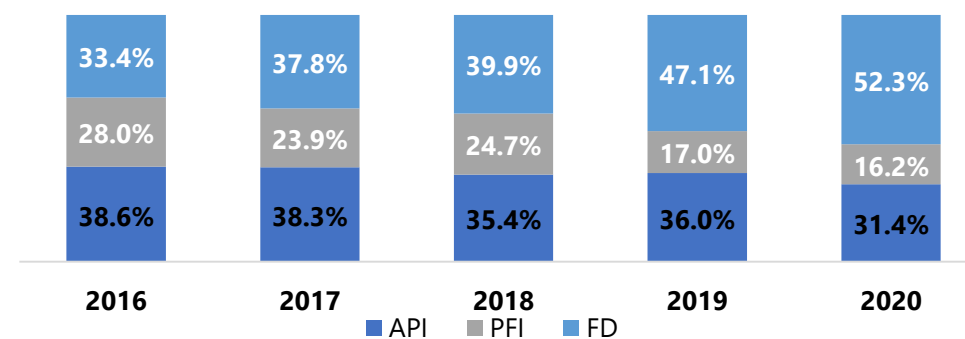
(₹ Mn)



Finish Dosage: 4Y CAGR 35%



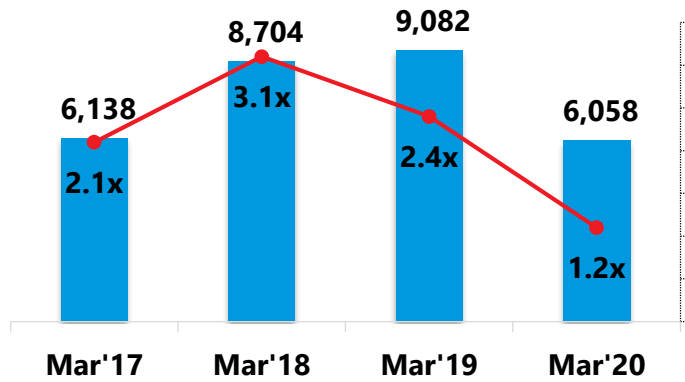
Revenue contribution increased in FDs to 52% from 32% in last 5yrs



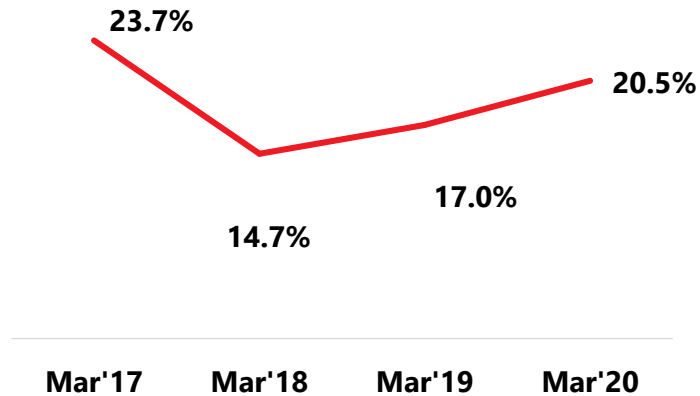


Improving returns; focus on FCF generation: 4 year trajectory

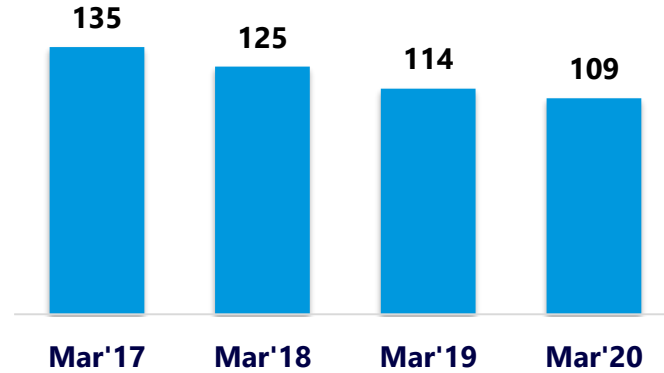
Net Debt & Net debt-to-EBITDA (x)



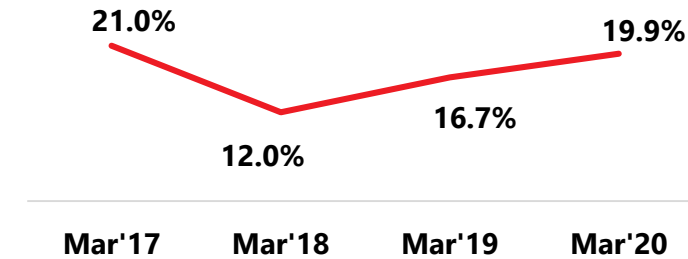
ROCE (%)



Cash-to-Cash cycle (days)

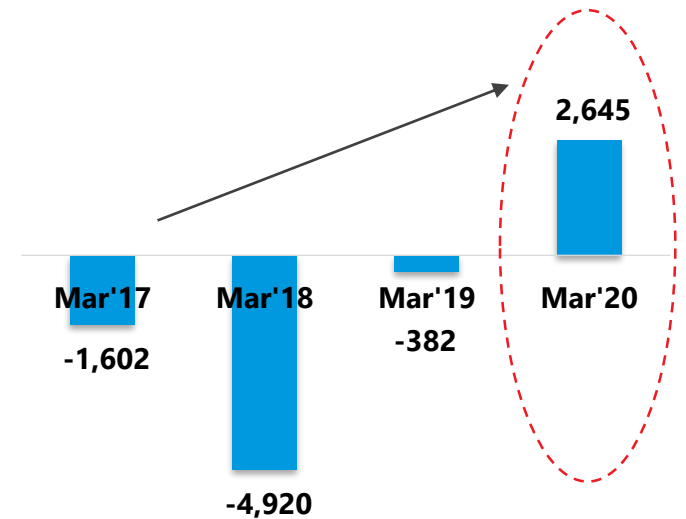


ROE (%)



(₹ Mn)

Free Cash Flow (FCF)



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

2. JV income is not incl. in Mar19 and Mar20 ROCE = [EBIT/Avg. Capital Employed (Total assets-current liabilities)]

3. FCF= Cash flow from operating activities - Capex



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			



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



Glossary

API: Active Pharmaceutical Ingredient

PFI: Pharmaceuticals Formulation Intermediates

FD: Finished Dosage

OTC: Over the counter drugs

Rx: Prescription drugs

IR: Immediate Release

ER: Extended Release

CII: Control substances

PFOS: Powder for oral suspensions/solutions

MUPS: Multi-unit pellet system



GRANULES

Thank you

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