

Earnings Presentation

Q1 FY 22

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

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BUSINESS OVERVIEW



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FINANCIALS



OUTLOOK



Q1 FY-22 HIGHLIGHTS

SUCHETH DAVULURI

Vice-Chairman & Chief Executive Officer



“This quarter’s results are a one off in terms of performance. We witnessed inventory destocking from certain customers amid the pandemic, combined with certain business complexities resulting in revenue fluctuations. We believe that profitable operations amid this volatile quarter reflects the underlying strength of our business which I am confident will be further apparent over time.”

SAHARSH DAVULURI

Vice-Chairman & Managing Director



“Our R&D and production teams have been working on several complex projects in CMS business which require high degree of complexity and specialized execution. We are confident that our continued customer engagement for quality delivery will enable the CMS business to deliver scale and returns in the medium as well as long term.”

Q1 FY22



Business Highlights

- ❖ Prime APIs witnessed growth led by Labetalol, Levofloxacin & Enalapril
- ❖ In the Specialty segment, Ezetimibe and Entacapone performed well even as there was a decrease in revenues
- ❖ CMS had a stable quarter, with 1 commercial and several development projects contributing to revenue
- ❖ Working on scaling up several complex CMS projects with high potential
- ❖ Calibrated manufacturing operations in line with long term priorities



Financial Highlights

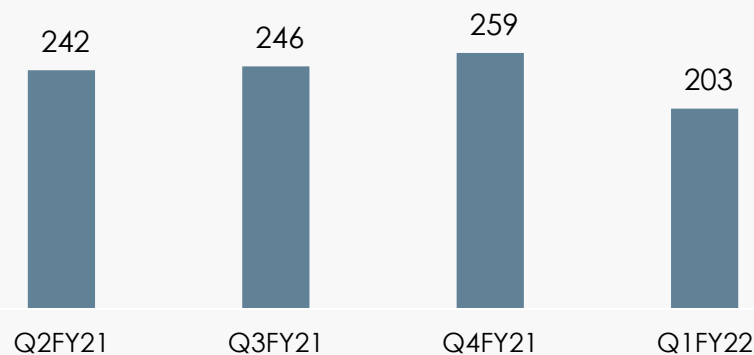
- ❖ Total income was Rs. 202.9 crore in Q1FY22 as against Rs. 206.1 crore in Q1FY21
 - Business complexity leading to unusual revenue volatility
 - Marginal impact of inventory destocking at the customer level
- ❖ EBITDA margin decreased by 310 bps from 16.7% to **13.6%** in Q1FY22 due to
 - Increase in raw material prices
 - Incurred certain upfront costs on account of certain projects

Profit & Loss Snapshot (Standalone)

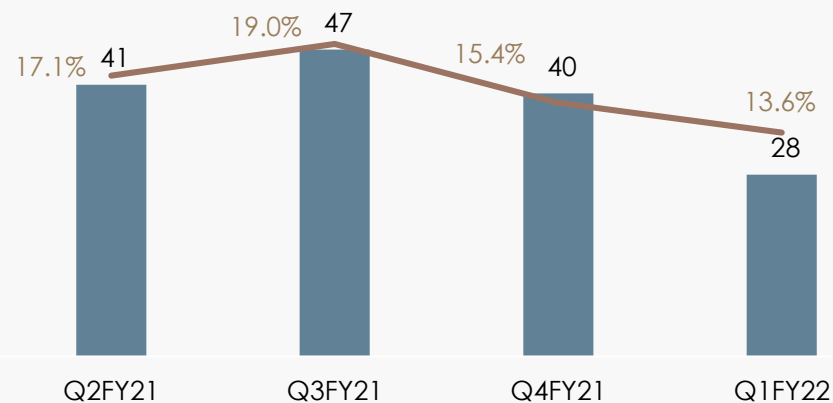
Particulars (Rs. Cr)	Q1FY22	Q4FY21	QoQ (%)	Q1FY21	YoY (%)
Total Income	202.9	259.3	(21.7)%	206.1	(1.5)%
EBITDA	27.7	40.0	(30.9)%	34.4	(19.7)%
<i>EBITDA Margin</i>	13.6%	15.4%	(180) bps	16.7%	(310) bps
Profit Before Tax	12.0	24.3	(50.7)%	20.2	(40.7)%
<i>Profit Before Tax Margin</i>	5.9%	9.4%	(350) bps	9.8%	(390) bps
Profit After Tax	8.6	17.2	(49.8)%	15.1	(42.6)%
<i>Profit After Tax Margin</i>	4.3%	6.6%	(230) bps	7.3%	(300) bps
Earnings Per Share (Rs.)	6.7	13.4	(49.8)%	11.7	(42.6)%

Financials (Standalone)

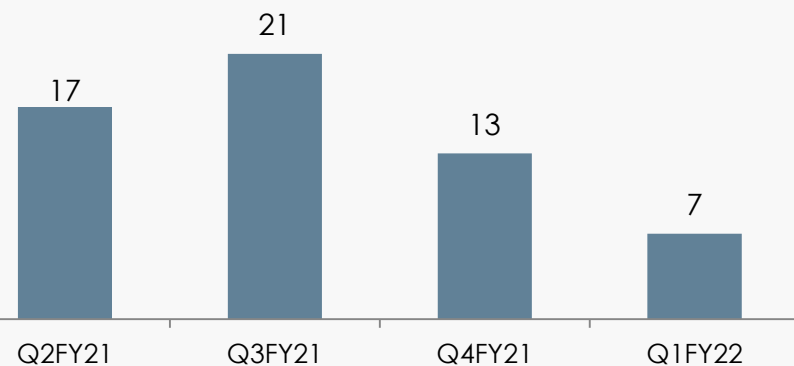
Revenue (Rs. Cr)



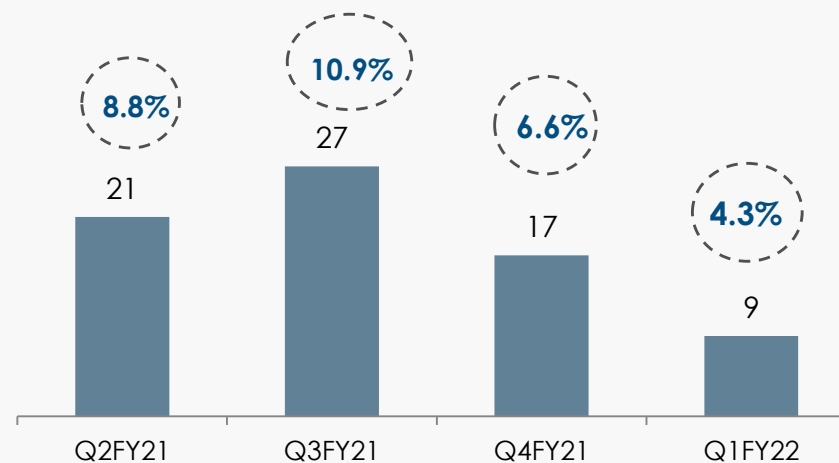
EBITDA (Rs. Cr) and EBITDA Margin (%)



EPS (Rs)

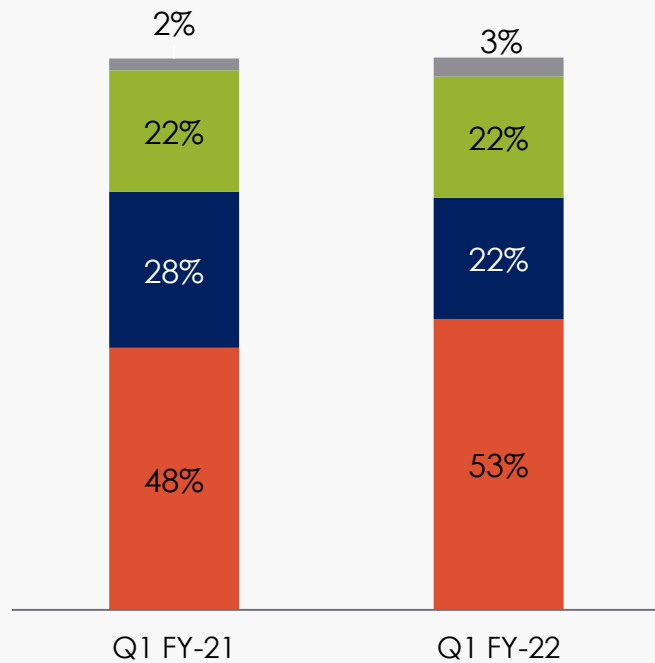


PAT (Rs. Cr)



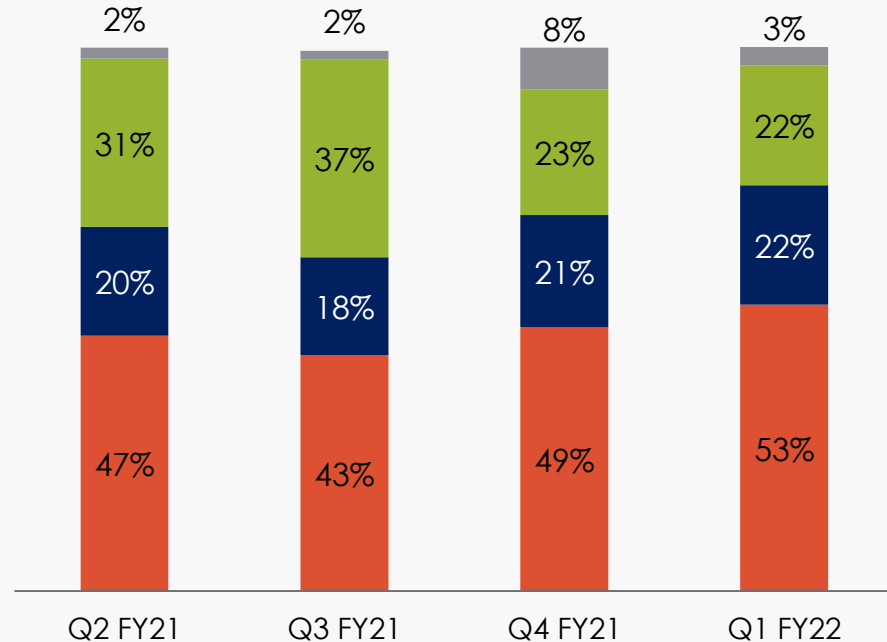
Key Operating Metrics

YoY Analysis



■ Prime ■ Niche/Speciality ■ CMS ■ Others

Quarter on Quarter Movement



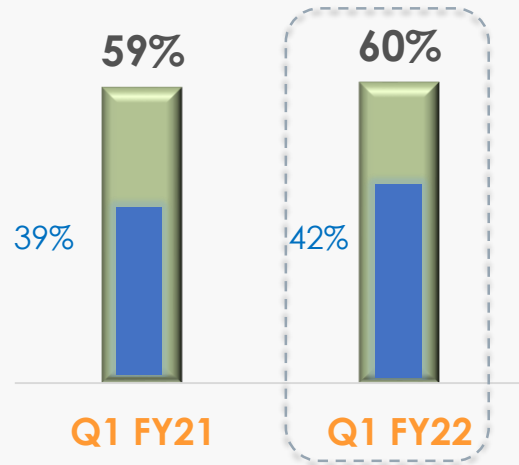
■ Prime ■ Niche/Speciality ■ CMS ■ Others

*Q1FY21 figures adjusted for rollback of government Export incentives and change in accounting policy

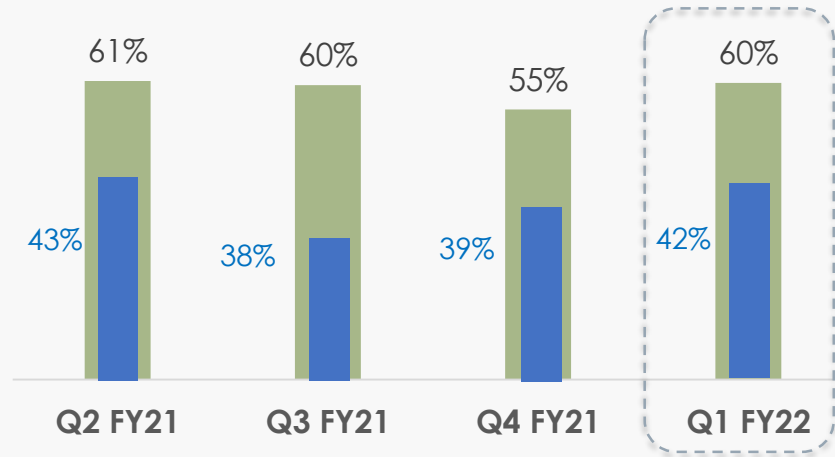
Business Salience (Overall Company)

PRODUCT

YoY Analysis



QoQ Movement

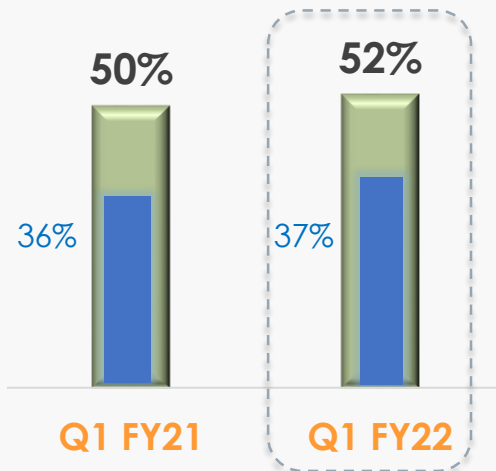


TOP 10
TOP 5

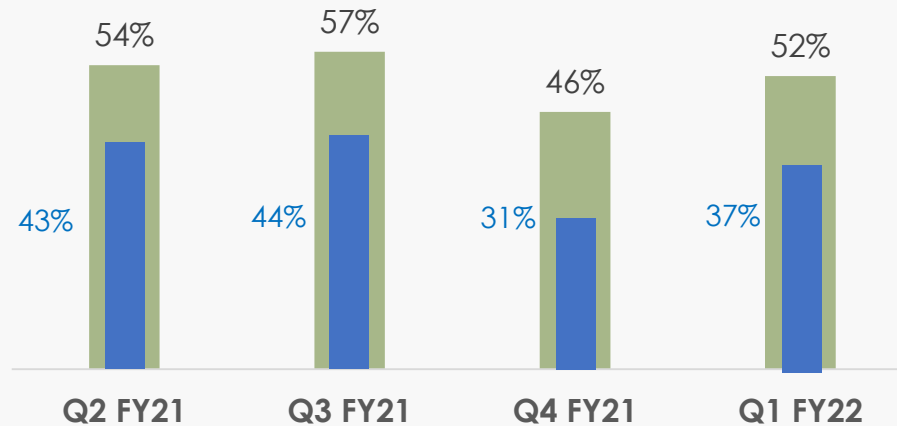
% of Total revenue

CUSTOMER

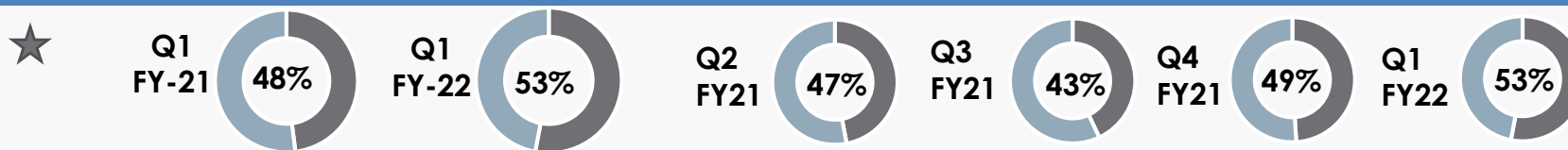
YoY Analysis



QoQ Movement



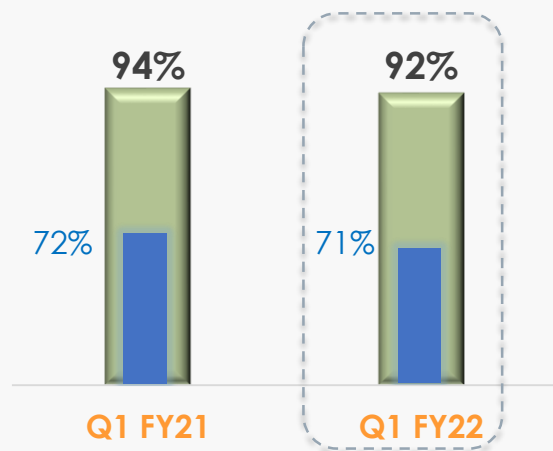
Business Salience (Prime)



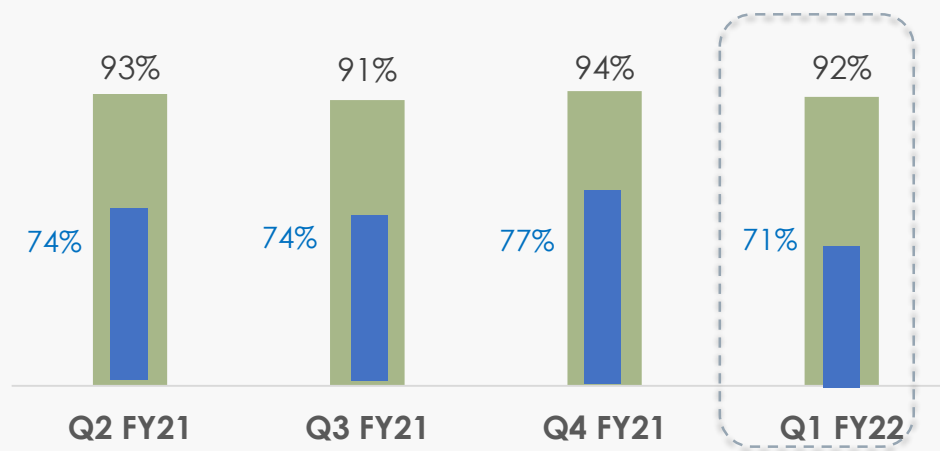
TOP 10
TOP 5
(of Prime revenue)

PRODUCT

YoY Analysis

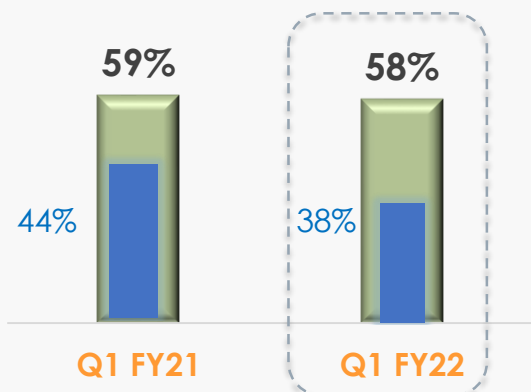


QoQ Movement

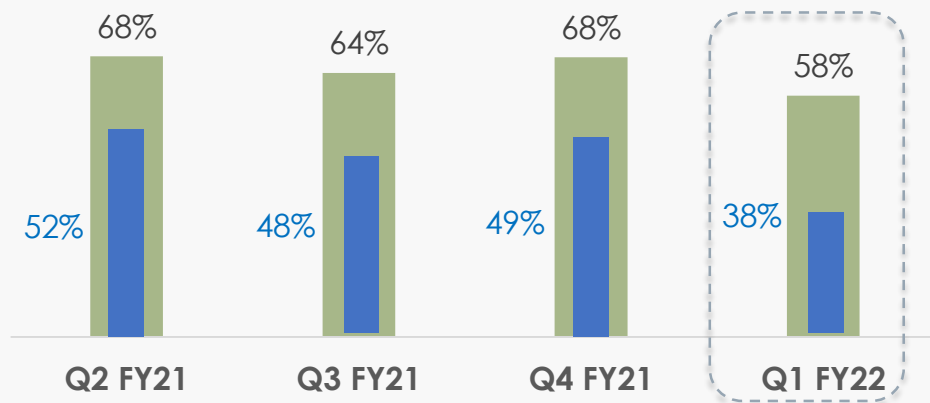


CUSTOMER

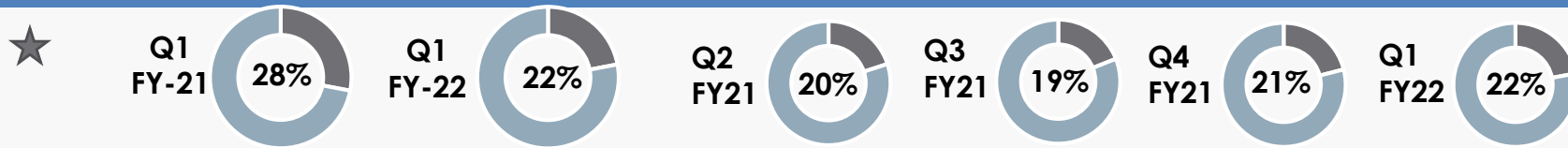
YoY Analysis



QoQ Movement

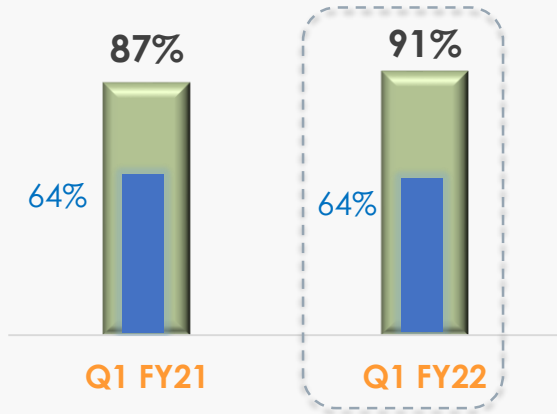


Business Salience (Niche/Speciality)

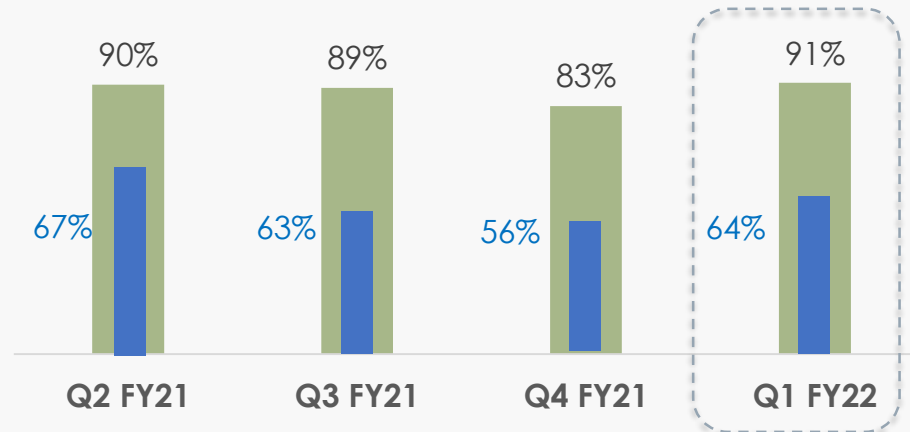


PRODUCT

YoY Analysis



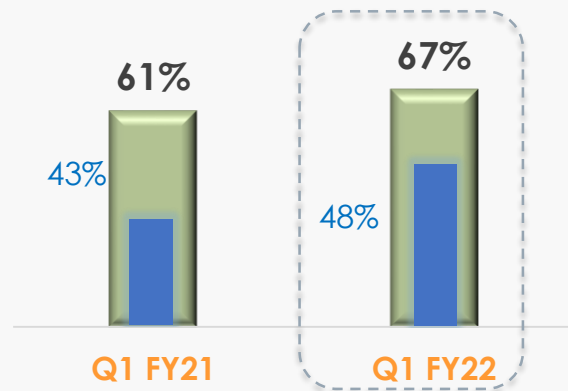
QoQ Movement



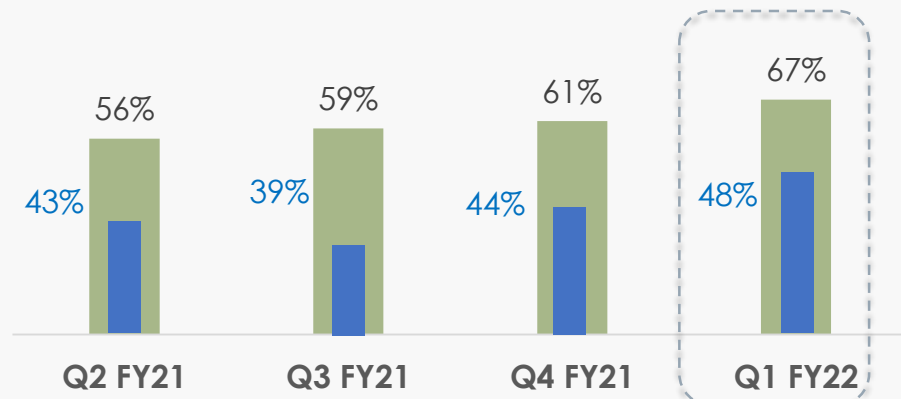
TOP 10
TOP 5
(of Niche/Speciality Revenue)

CUSTOMER

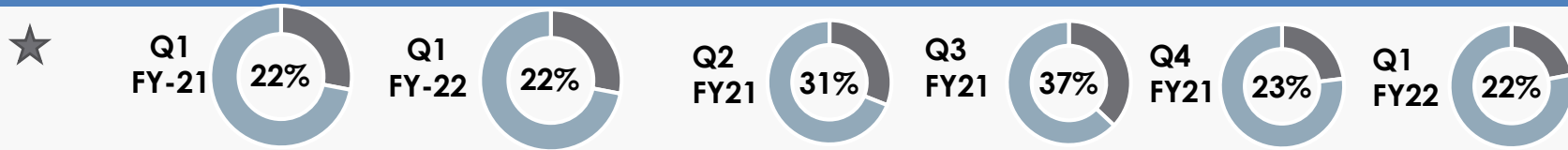
YoY Analysis



QoQ Movement

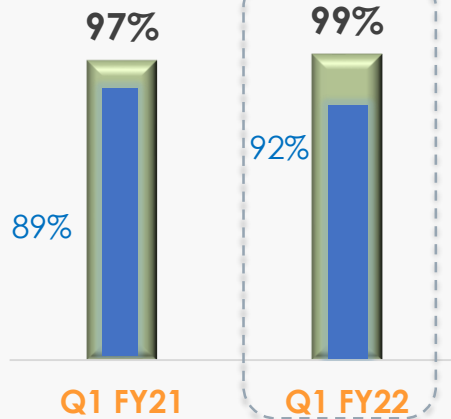


Business Salience (CMS)

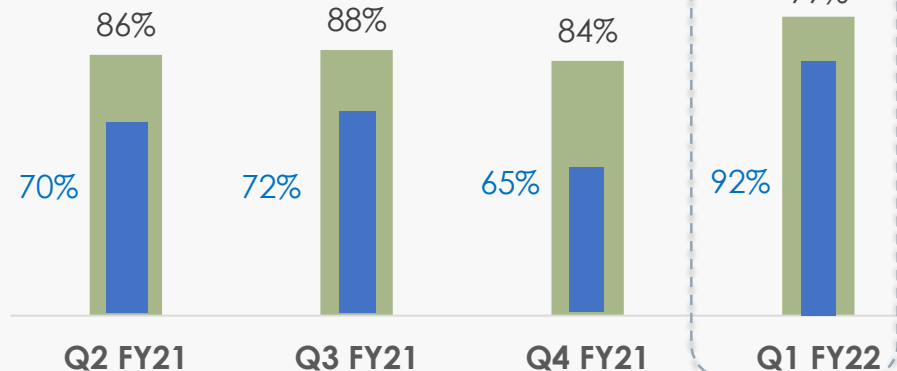


PRODUCT

YoY Analysis



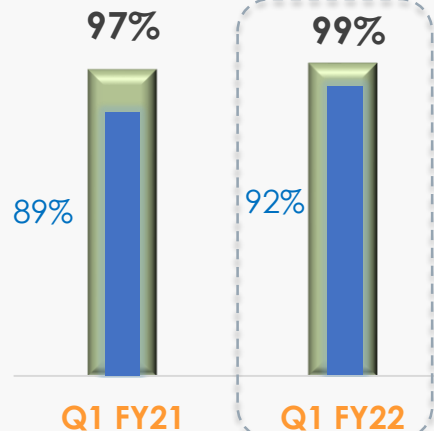
QoQ Movement



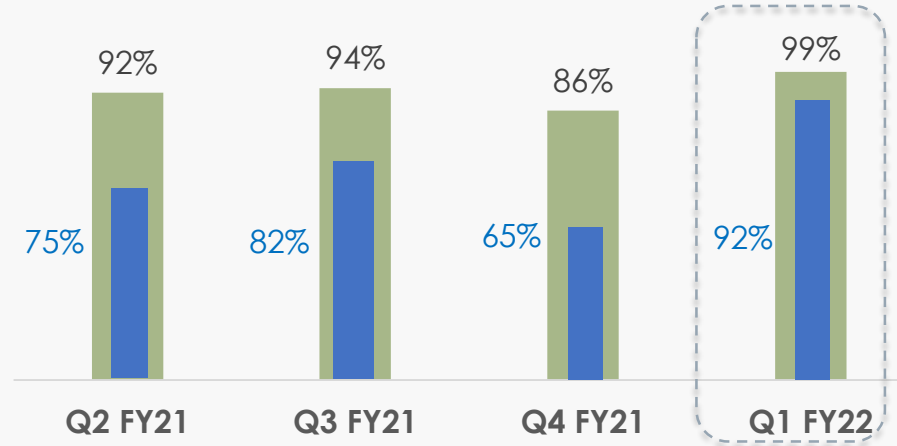
TOP 10
TOP 5
(of CMS revenue)

CUSTOMER

YoY Analysis



QoQ Movement

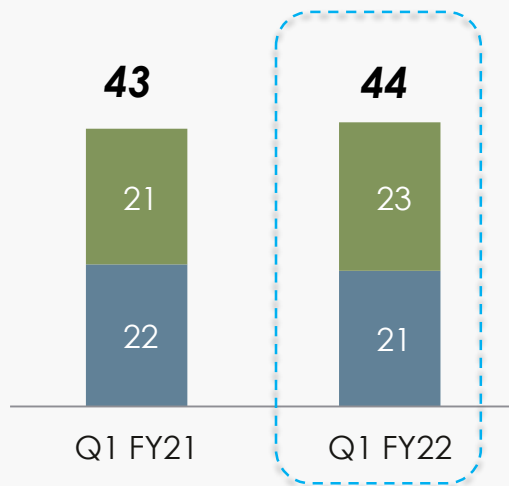


Key Operating Metrics – CMS Revenue Split

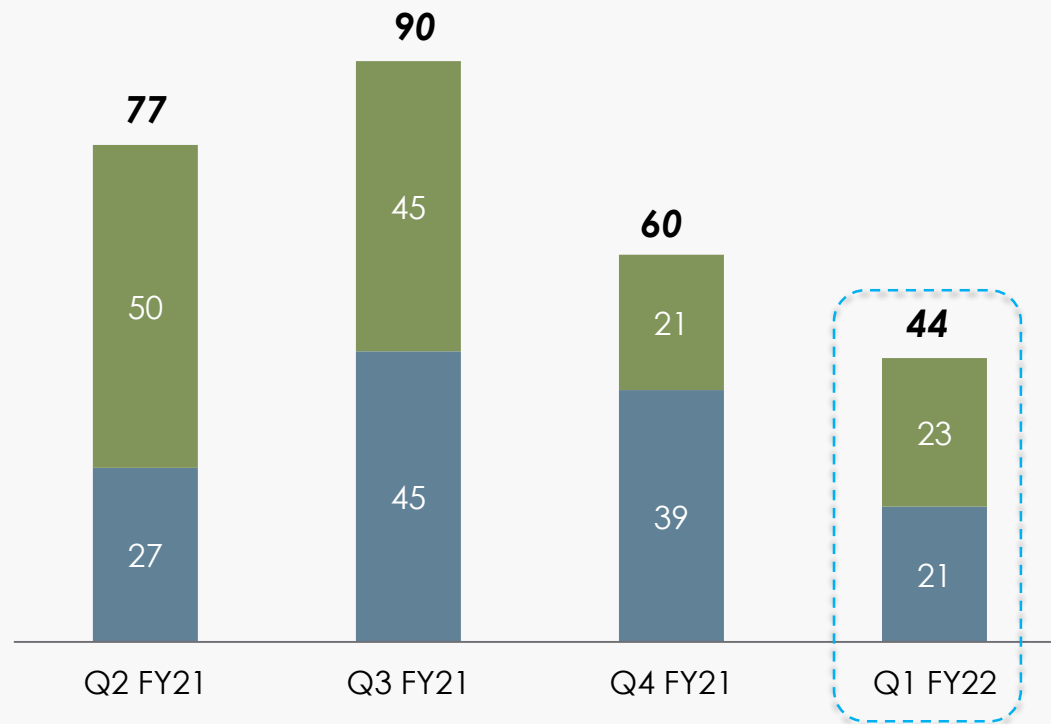
Rs. In Cr

■ Commercial ■ Development

YoY Analysis



Quarter on Quarter Movement



Number of Active CMS Projects

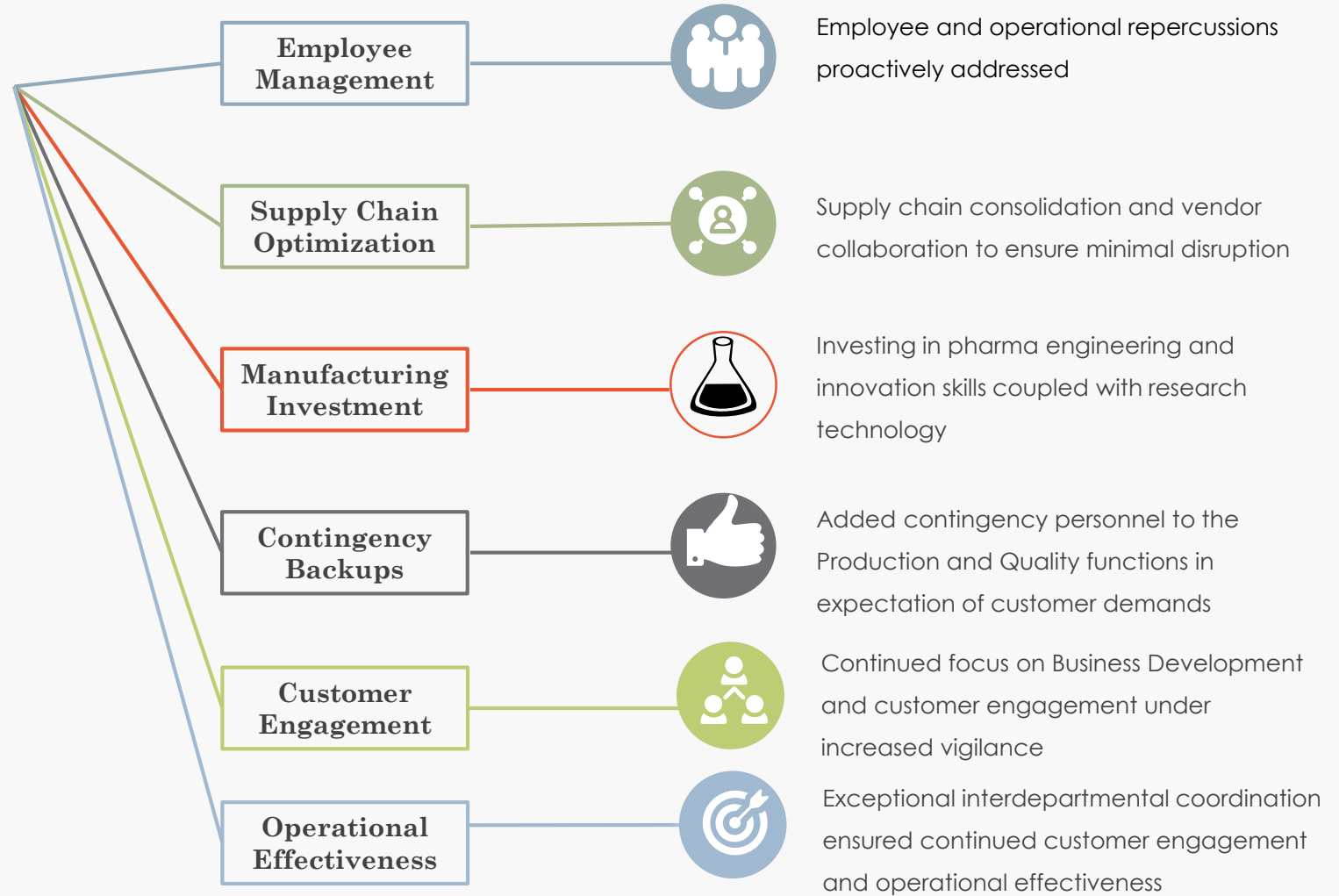
Q1 FY22	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	15	3	7	3	12	6	46
Intermediate	7	4	2	0	8	11	32
Grand Total	22	7	9	3	20	17	78

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

Q1 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	10	4	5	4	5	6	34
Intermediate	1	3	1	5	9	10	29
Grand Total	11	7	6	9	14	16	63

Q1 FY19	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	7	2	2	4	6	5	26
Intermediate	1	1		7	2	7	18
Grand Total	8	3		11	8	12	44

Well Placed for a Post- Covid World





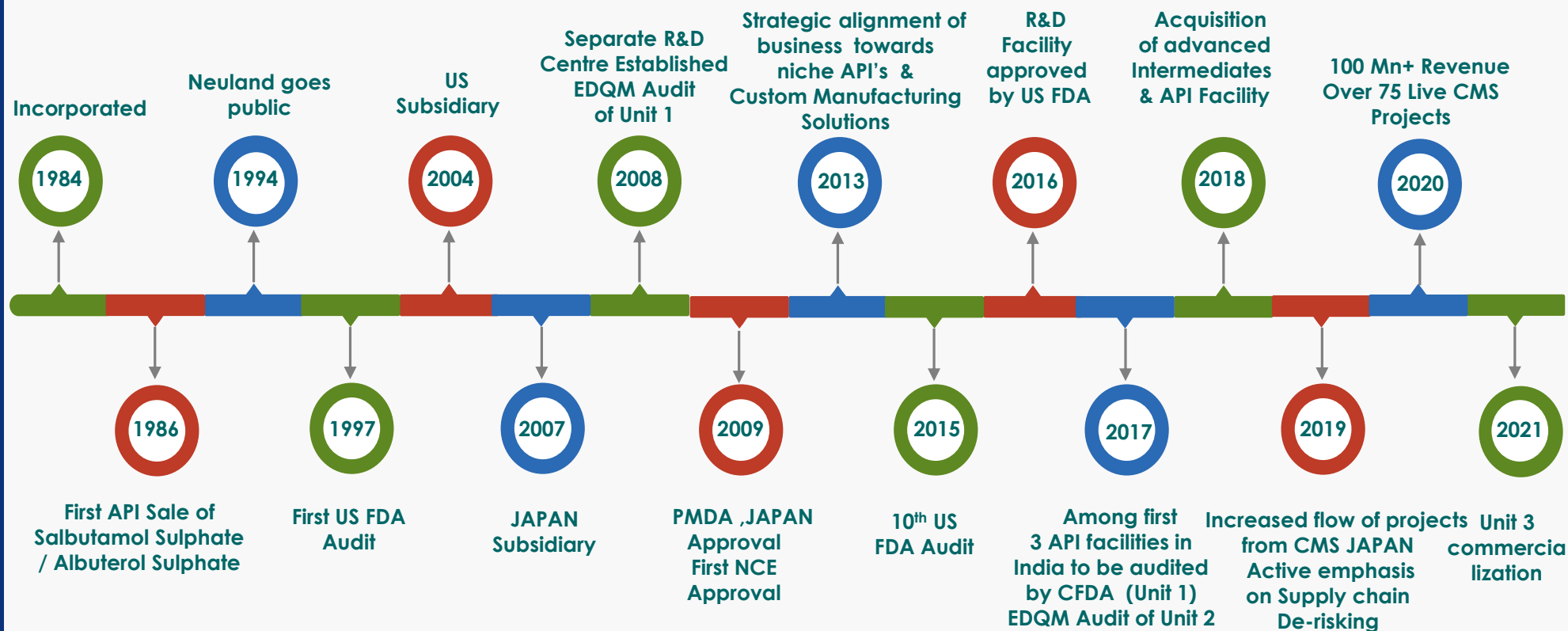
BUSINESS OVERVIEW

Our Journey – Key Milestones

Laying Strong Foundation
1984 - 2003

Deepening our Capabilities
2004 - 2012

Increased Sustainable Growth
2013 -Today



Multiple audits passed with no failures

Generic Drug Substance (GDS)

We started as a Prime API manufacturer...

..Added Speciality molecules for complex products..



Capability

- ✓ 3 US FDA and EU GMP compliant manufacturing facilities
- ✓ Collective capacity: ~860 KL



Business Approach

- ✓ Work on molecules either with a business leadership approach or partnership with client
- ✓ Ensure uninterrupted supply with quality commitment



Strategy Forward

- ✓ Maintain leadership position in key molecules
- ✓ Work on process optimization to improve yields, productivity and thus margins



Capability

- ✓ High end complex chemistry capabilities
- ✓ Backend support by R&D department
- ✓ Experience of hurdle free scale up



Business Approach

- ✓ Work with leading companies and help them to meet their technical requirements while being competitive



Strategy Forward

- ✓ 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

On path to being a preferred partner in CMS..



Services

- ✓ Manufacturing API to customer specifications
- ✓ Designing and developing manufacturing processes
- ✓ Process optimization for competitiveness
- ✓ Complete CMC partner for the API
- ✓ Patent protection for processes



Business Approach

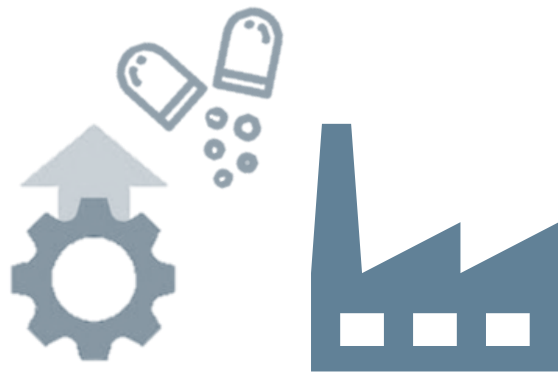
- ✓ Local presence in US and Japan with technical as well as commercial employees
- ✓ Consultative approach on customer relationships
- ✓ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction



Strategy Forward

- ✓ 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



CAPABILITIES

Scaled up Manufacturing Facilities over the years

Hyderabad



Location of All Units

233 KL

356 KL

271 KL


Year of
Establishment


Key
Products


Regulatory

	UNIT 1 BONTHAPALLY	UNIT 2 PASHAMYLARAM	UNIT 3 GADDAPOTHARAM
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 as an Advanced Intermediates site in 2015

Adding capacities for business growth and strategic backward integration

Backed up by sound R&D capabilities

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 Across Geographies



57

DMFs with
USFDA



Health
Canada

30

Filings with
Health Canada



10

Japanese DMF filed

NMPA

国家药品监督管理局
National Medical Products Administration

20

China DMF filed



19

filings with
KFDA Korea



Australian Government

Department of Health

Therapeutic Goods Administration

22

filings with TGA



220

ROW filings
including Turkey,
Mexico, Brazil etc

~495

EUDMF filings
across
Germany,
France, Poland,
Italy etc



COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

24

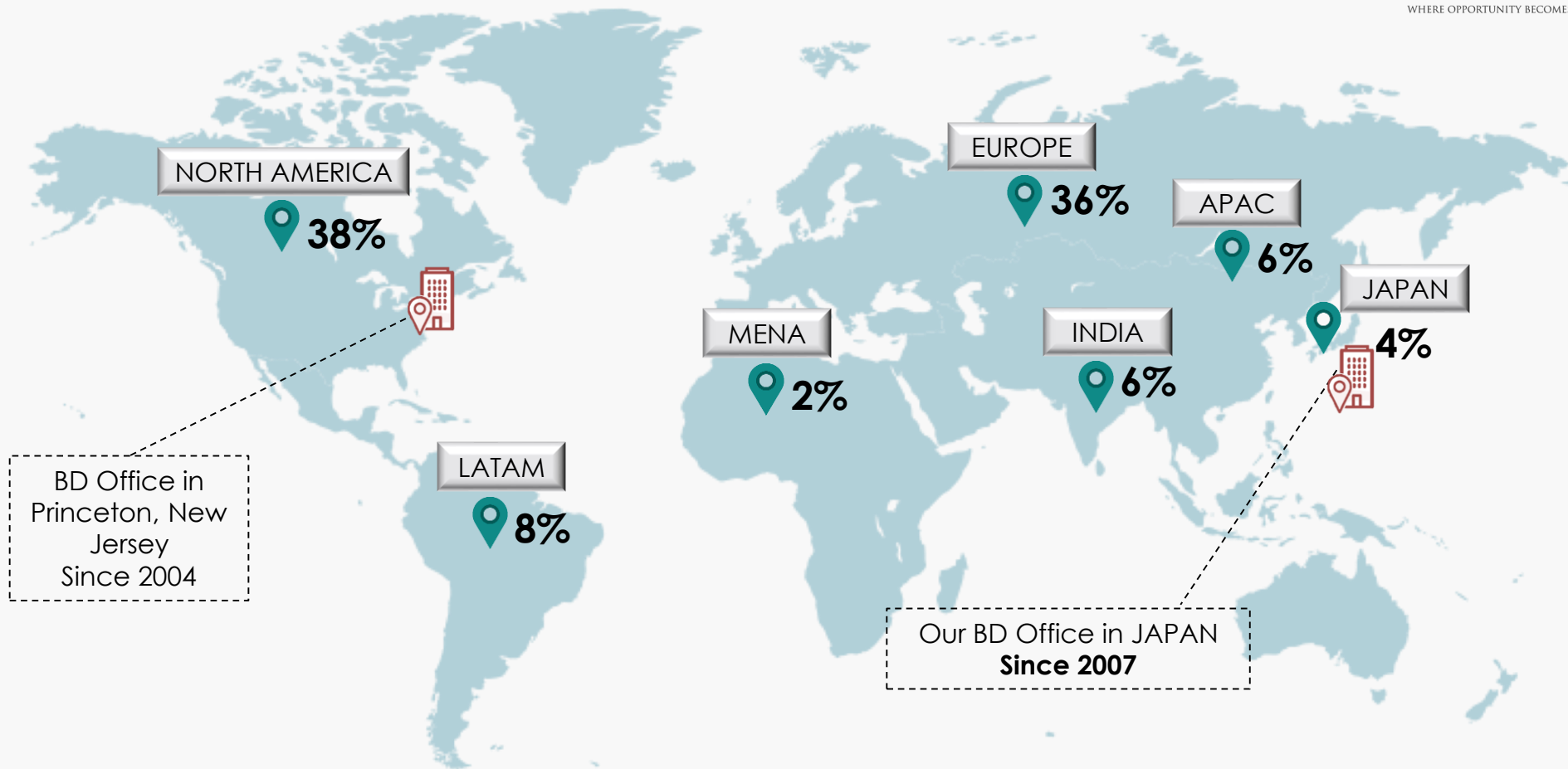
CEPs Received
for different
products

898+

Filings till date

* The numbers on this slide reflect the number of filings, the number of active filings could vary as geographic filings are merged and changes take place in product portfolio

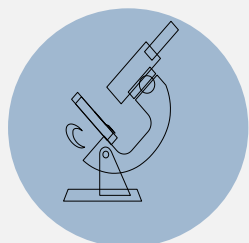
Global Presence



% Refers to Q1 FY22 Sales by End market

Neuland Today: Snapshot

Legacy



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

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

Scale



3 Mfg. Facilities:
Regulatory
approved with 860
KL capacity

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

Capability



Product/ Projects
portfolio: 100+ APIs
across therapeutic
categories

Regulatory filings
898+

Team: 1400+ incl.
~300 R&D scientists

Reach



Presence
80+ countries

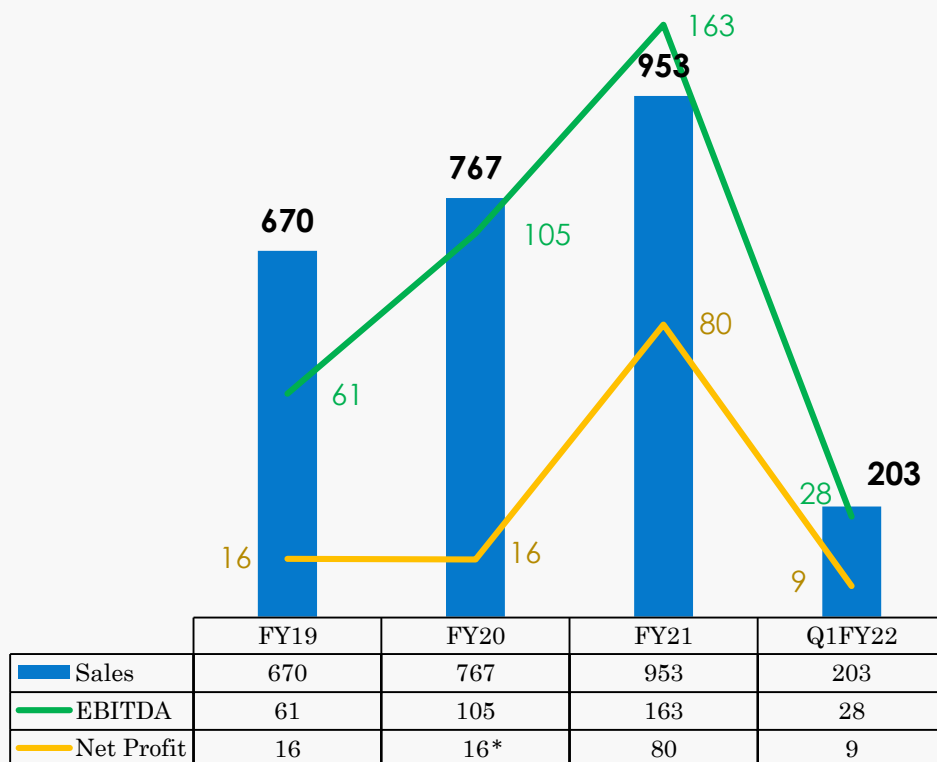
Export revenues
75%

Regulated markets
revenue 93%



FINANCIALS

Rs. In Cr



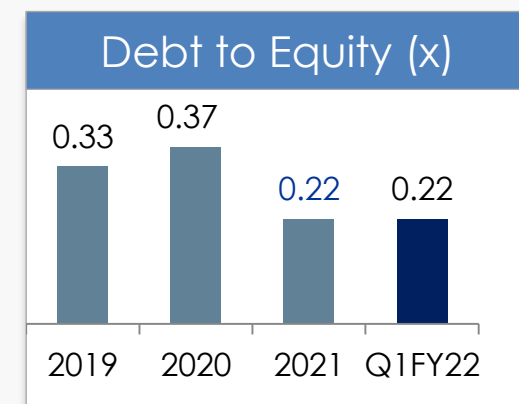
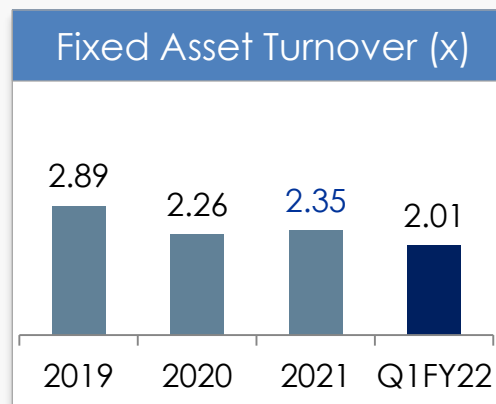
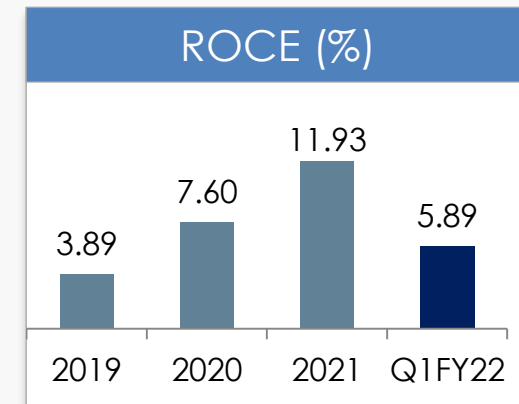
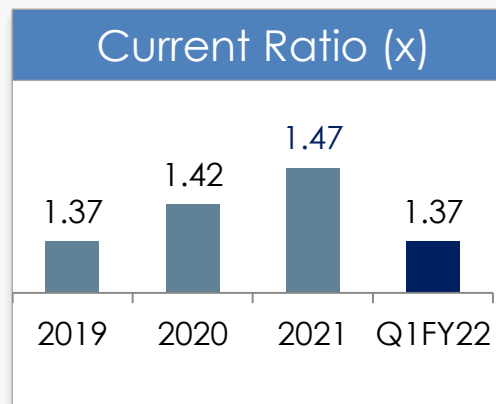
FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue CAGR of 19.2% for FY 19-21 led by growth in all 3 businesses
- EBITDA growth of 62.8% CAGR in FY 19-21 due to balanced contribution from both GDS and CMS business
- Shift to CMS and Speciality in overall revenue mix along with resource efficiency steps accelerated profitability

* This was after a one-time tax charge of Rs. 23.2 Cr in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

Stable Balance Sheet..

Particulars (Rs. Cr)	Mar-19	Mar-20	Mar-21	Jun-21
Shareholders' funds	696	706	782	791
Net Debt	194	214	152	172
Investments	8	8	7	7
Tangible Assets	367	391	438	449
Intangible Assets (Excluding Goodwill)	2	2	3	3
Working Capital	233	289	309	344



Macroeconomic factors influencing Neuland

FACTORS

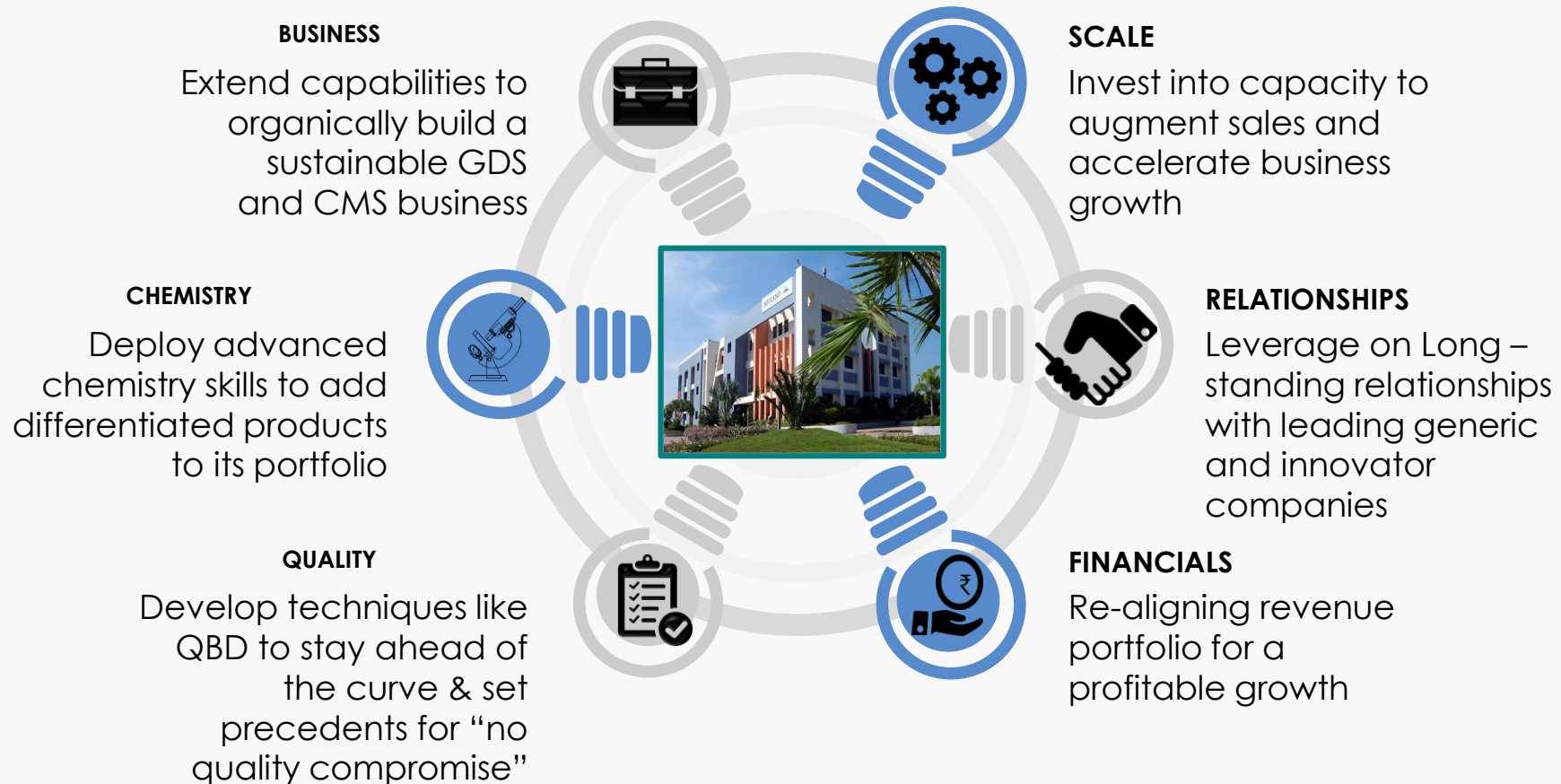
	IMPACT	NEULAND RESPONSE
Government regulation: approvals, audits	<ul style="list-style-type: none"> Consistent regulatory audits Increased scrutiny prior to drug approvals 	<ul style="list-style-type: none"> Successfully cleared all USFDA audits since inception Consistent record of new drug approvals
Environmental audits	Government led impact monitoring	All environmental regulations complied
Crude oil prices	Solvent price volatility	Green chemistry investing for efficient solvent use
COVID 19 impact	<ul style="list-style-type: none"> Increased logistics costs IPA availability and pricing fluctuations Employee and operational repercussions 	<ul style="list-style-type: none"> Tactical scheduling for channel mix optimization Qualifying new IPA manufacturers with increased capacity Added contingent personnel and pro-active monitoring for early warnings
China raw material dependence	<ul style="list-style-type: none"> Geopolitical issues 	<ul style="list-style-type: none"> Alternate India suppliers in place
Human Capital	Competition for talent	<ul style="list-style-type: none"> Retraining via strong L & D plan Leadership pipeline development across levels
Western Government policies on localisation	Sales reduction	<ul style="list-style-type: none"> Close partnership with customers along with focus on Specialty molecules Close monitoring of country specific government regulations



OUTLOOK

..Laying Foundation for our Growth Strategy

CREATE AN ORGANIZATION THAT RESULTS IN VALUE FOR ALL STAKEHOLDERS



Contact Us



For over 37 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 (57 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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Thank You