

Granules India Limited



Earnings Presentation

Q2FY20



Agenda



1 Q2FY20 update

2 About Granules

3 Performance metrics

4 Way forward

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1 Q2FY20 update

2 About Granules

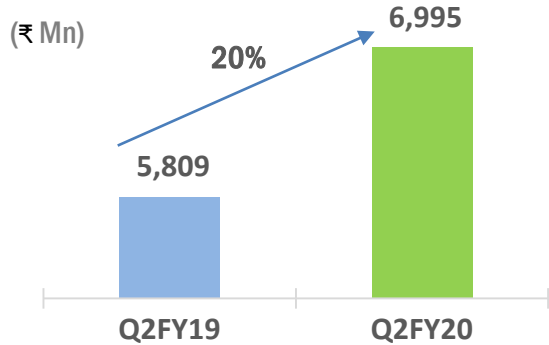
3 Performance metrics

4 Way forward

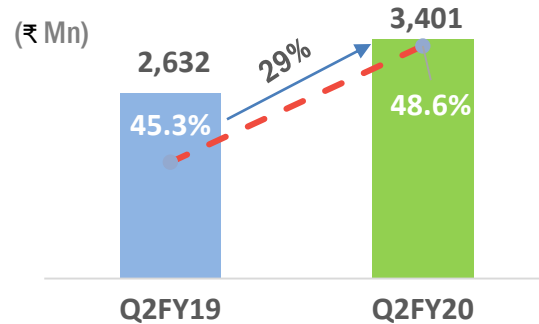


Q2FY20 Financial highlights

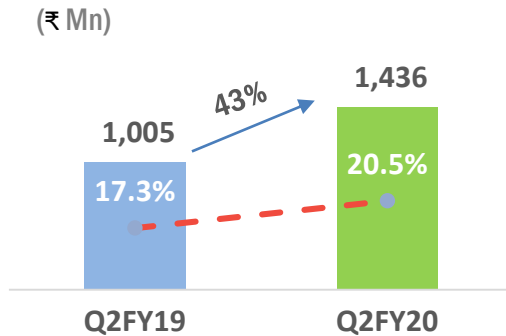
Revenues



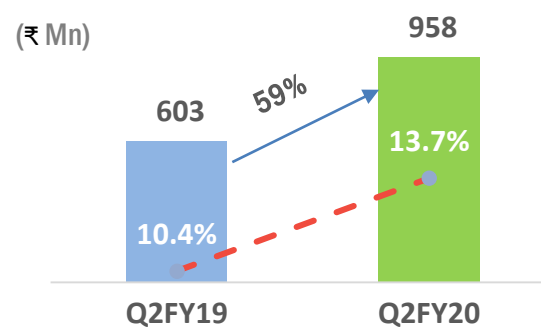
Gross Margin (%)



EBITDA and EBITDA margin



PAT and PAT margin



Key Highlights

• Gross Revenues:

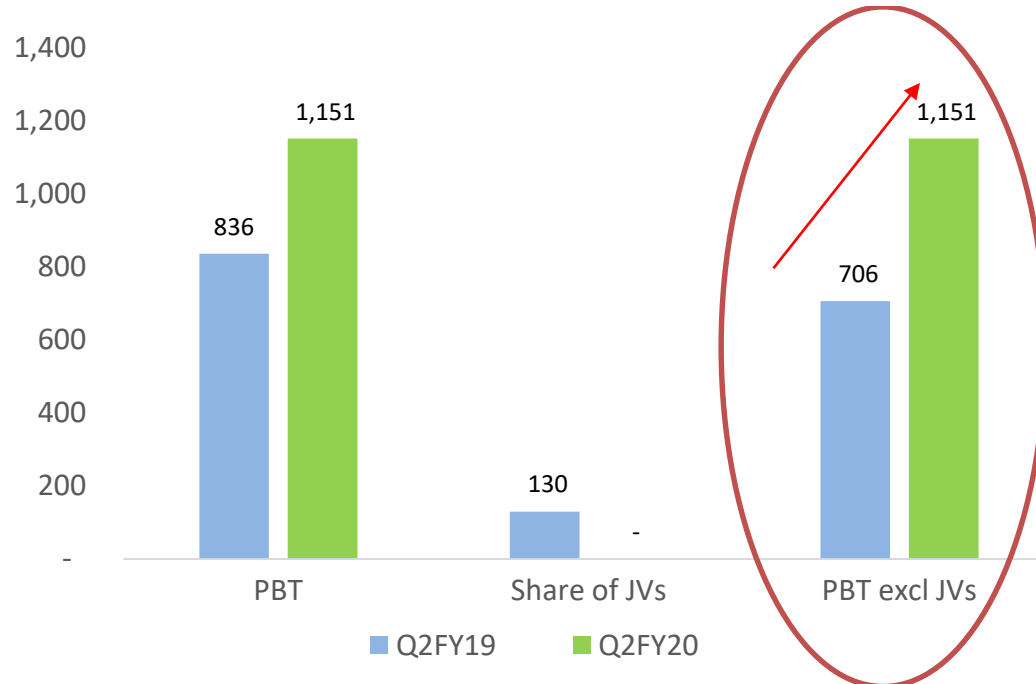
- Revenues were up 20% YoY on account of PFI sales growth of 37% and FD sales growth of 34%
- Increase in regulated markets' sales by 34%

• PAT:

- PAT has increased due to an increase in overall sales volumes and a reduction in tax rate

Profit Reconciliation

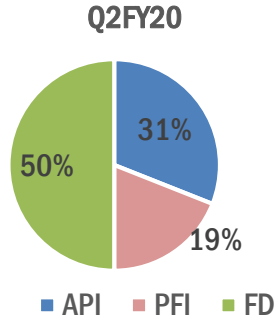
(₹ Mn)



63% YoY growth in PBT despite divestment of JVs

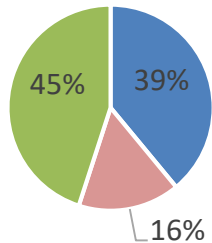
Segment Performance Highlights

Revenue mix — Segment

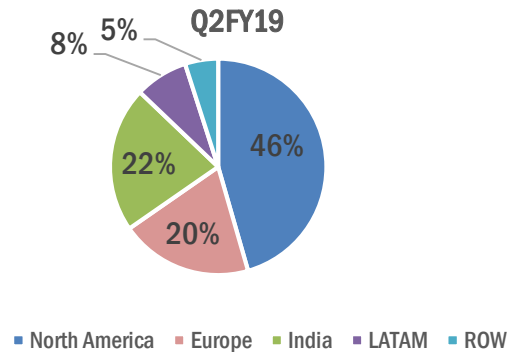
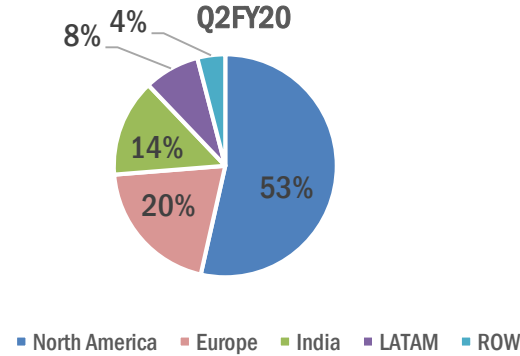


Q2FY19

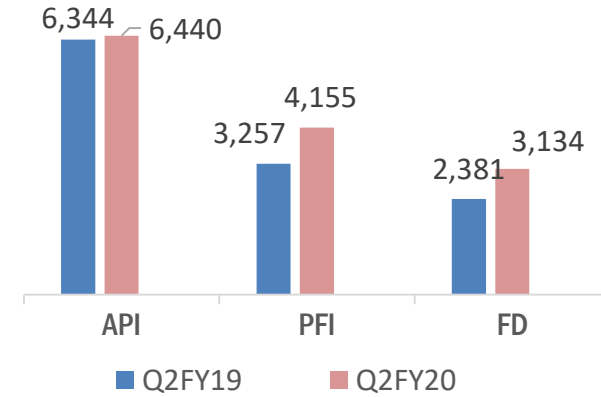
■ API ■ PFI ■ FD



Revenue mix — Geography



Production (MT/Mn)

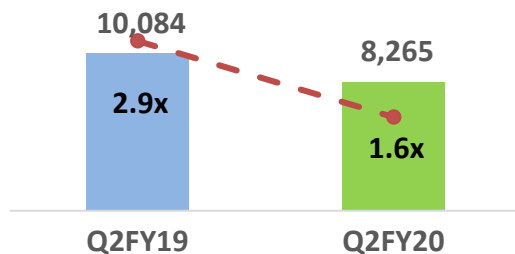


Continued focus on improvement

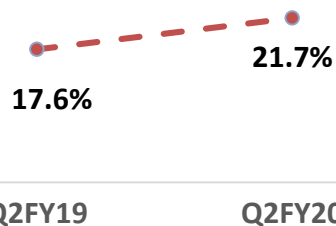
(INR Mn)

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

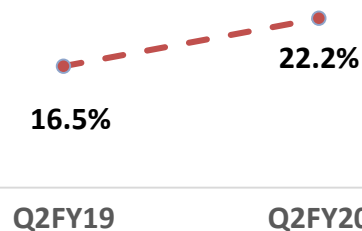
(₹ Mn)



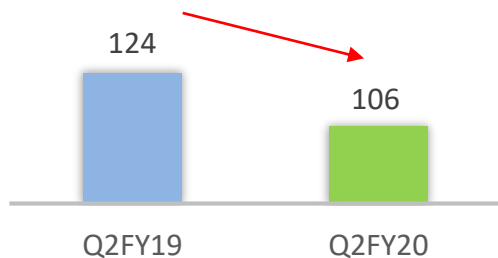
ROCE (%)



ROE (%)

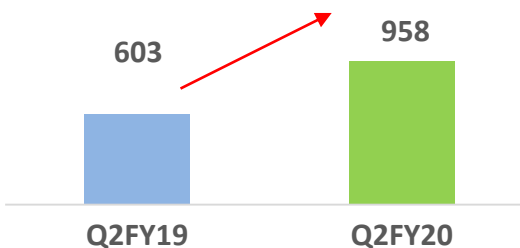


Cash-to-Cash cycle (days)



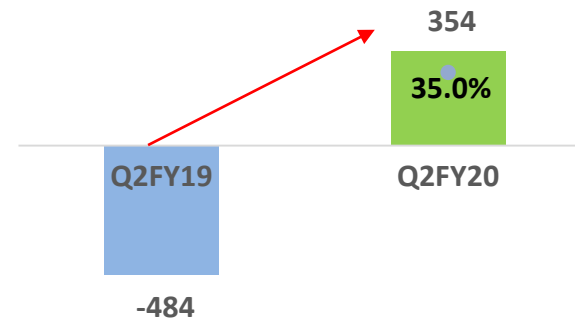
PAT

(₹ Mn)



FCF and FCF-to-EBITDA

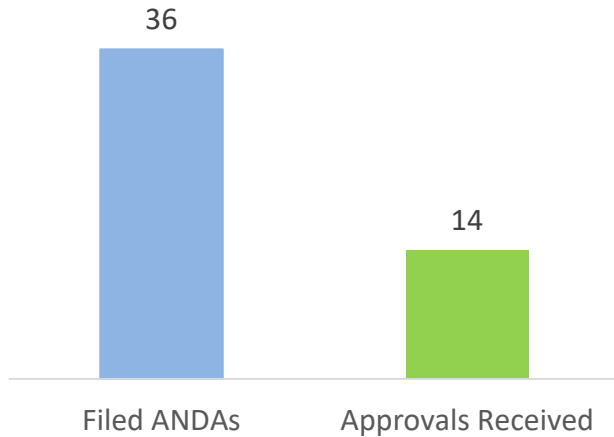
(₹ Mn)



Note: JVs not included in ROCE for Q2FY20

Other Business Highlights

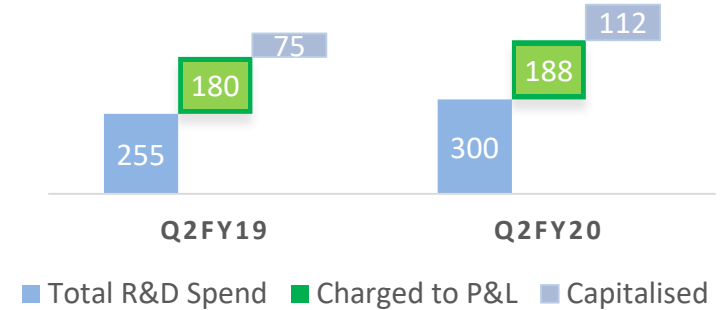
ANDA Filings



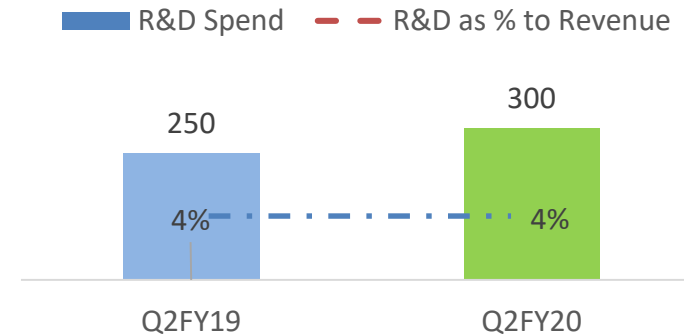
- Two ANDAs filed during the quarter - One each from GPI and GIL
- One ANDA approved during the quarter

R&D Spend

(₹ Mn)



R&D Spend and % to Revenue



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Granules at a glance



Building Blocks

Regulatory compliance
Operational efficiency
Customer centricity
Scales of operation



Installed Capacity

39,360 TPA of API
290 KL
24,640 TPA of PFI
21.3 Bn dosages of FD



Regulatory Approvals

USFDA, EDQM, EU
GMP, COFEPRIS, WHO
GMP, TGA, KFDA, DEA,
MCC, HALAL



Business Divisions

Core business
US generics
Multi API and Onco



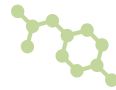
Global Reach

60+ countries
250+ customers

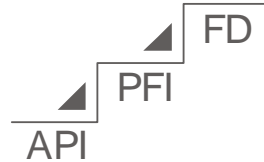


Revenue Mix

80% of revenues are exports
66% of revenues from regulated markets of US, Europe and Canada
LATAM contributes nearly 10% of revenues



Business Verticals



Vertically integrated across value chain



People Strength

2,789 people as on 31 March 2019 in GIL



Intangible Assets

36 ANDA filings;
14 approved
17 US & 6 European DMFs
14 CEPs with EDQM
10 other country's DMFs



Manufacturing Base

6 Operational facilities; 5 in India, 1 in US
One of the world's largest paracetamol API facilities
World's largest PFI facility
One of the largest single-site FD facilities

Business Structure – Granules India



Core Business

Focus on volume based products such as Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol, Naproxen and newly added Cetrizine and Fexofenadine

Large scale manufacturing enables sustained competitive advantage & secured supply source for the customers

Pioneered the concept of commercializing PFIs – suits large volume drugs



Multi APIs/Oncology

Auxiliary growth engine to secure the future

Multiproduct and multi-stage API-to-FD manufacturing facilities in Vizag with special focus on Oncology

Fully-integrated facility to offer APIs and FDs in onco therapeutics, a top growth segment



US Generics

Fully integrated infrastructure including R&D, manufacturing and marketing to enable “Make in America”

Business-to-Consumer model (B2C)

Focus on developing niche/differentiated modified and immediate-release products in varied dosage forms

Excellence in quality & being best-in-class



Granules India

Incorporated in 1991, this is the only listed entity in the group, with 5 operational plants located at Hyderabad (Jeedimetla, Bonthapally and Gagillapur) and one at Vizag Pharma City

Granules USA Inc

100% subsidiary with front-end marketing for OTC products in US

Granules Pharmaceuticals Inc

100% subsidiary focused on advanced formulation development, with manufacturing set-up and front-end marketing in Rx products at Chantilly, US

Granules Europe Ltd

100% subsidiary for front-end marketing in Europe

Value chain	Facility location	Installed capacity	Approvals
API	Bonthapally	34,560 TPA	US FDA, EDQM, WHO, COFEPRIS, INFARMED
	Jeedimetla	4,800 TPA	US FDA, EDQM, COFEPRIS, WHO, CDCSO
	Vizag	290 KL	US FDA, KFDA, EU GMP, WHO GMP, EDQM
PFI	Gagillapur	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED
	Jeedimetla	1,440 TPA	WHO GMP, COFEPRIS, INFARMED
FD	Gagillapur	19.8 Bn	US FDA, MCC, COFEPRIS, TGA, INFARMED
	Virginia, USA	1.5 Bn	US FDA, DEA
API Intermediates	Bonthapally	61.5 KL	

Overview

Presence across the entire pharmaceutical manufacturing value chain from API to finished dosages

Large-scale manufacturing enables not only sustain competitive advantage but also build operational efficiencies into the system

Focus on first line of defence portfolio products such as Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol, Cetirizine and Fexofenadine

Pioneered the concept of commercializing PFIs which is for large volume molecules

3 US FDA-approved plants located in Hyderabad (Jeedimetla, Bonthapally and Gagillapur)

Drivers

Scale



Presence across value Chain



Expanding portfolio



Regulatory complianc



Value enablers

Among the world's largest PFI and single-site FD facilities

API capacity 39,360 MT; PFI 24,640 TPA; finished dosages 19.8 billion

DMFs, Dossiers, ANDAs for APIs and finished dosages, which can be repacked and marketed by customers under their own brand

Fully integrated in key molecules from APIs to finished Dosages

Selective addition of molecules to the portfolio

Enhance existing products by introducing controlled released products

Access to value-added products such as rapid-release caplets and bi-layer tablets

All plants are approved by FDA and other regulatory bodies

Regular customer audits ensures continuous compliance

Dedicated resource to monitor and improve compliances

Overview

Multiproduct and multi-stage API-to-FD manufacturing facilities in Vizag with special focus on Oncology

Fully integrated facility to offer APIs and FDs in onco therapeutics, a top growth segment

Drivers

Value enablers

Infrastructure



Multiproduct API and oncology manufacturing facility on over 18 acres of land

Integrated API-to-FD facility for oncology

IT-enabled infrastructure to ensure efficiency and compliance

Customer centricity



Supplying to domestic and international markets with own and customer products

Regulatory record



Products are under stability and expect faster site approval once filed

Portfolio



Robust product pipeline for other limited competition APIs.

30 techpacks ready for onco block

Overview

Fully integrated infrastructure from R&D, manufacturing to marketing enabling “Make in America”

Balanced product portfolio, combination of internal capabilities and market dynamics

Strategic portfolio selection focusing on limited competition in Para 3

US FDA approved facility in Virginia with a team strength of 90+

Access to talent pool in the US

Business to Consumer — front end sales and marketing for Rx & OTC products

Drivers

Portfolio



Capabilities



Granules' advantage



Value enablers

“Niche products,” hidden opportunities with different layers of complexities

Differentiated dosage forms; limited competition

Complex generics; products within the modified release solid oral dosage forms

Controlled substances; Schedule 2 to Schedule 5

Differentiated technology platforms across the solid oral category

Competent teams across all departments; combination of experiences from global to more small to mid tier pharmaceuticals companies

100,000 sft facility set up with established R&D and manufacturing capabilities with all necessary approvals required for the development and manufacturing of controlled substances

Balanced portfolio with a combination of high volume and “niche,” products

Integration across the value chain for development; from API, PFI to FD

Integration across the value chain; from R&D to front end commercialization

Focus on quality and compliance

Granules Omnichem

**Investment sold to JV partner for
INR 1,098.5 mn**

Entered in 2012

INR 500 mn: Book value of investment
as on 30 June 2019

Reason for exit

Does not fit in our evolving business
model

JV resulted in lower capacity utilization
and lower return on capital

Granules Biocause

**Decision to sell investment to
JV partner**

Entered in 2007

INR 1436.5 Mn: Book value of
investment as on 30 June 2019

Reason for exit

Large investments required for Chinese
environmental compliances

Improved availability of Ibuprofen API in
domestic and international markets
makes JV unnecessary

Core management team



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.



Harsha Chigurupati

Executive Director

Responsible for Sales, Marketing and Manufacturing Operations of Granules India Limited. 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.



Priyanka Chirugupati

Executive Director

Granules Pharmaceuticals, Inc.

Responsible for the US Generics business including commercial and strategic initiatives. Ms Chigurupati's numerous roles in her 5 years at Granules' divisions in the US and India include the Core Business, Emerging Business and Consumer Health.



GSR Prasad

Chief Operating Officer

Responsible for all the manufacturing operations of GIL. He will continue to lead Projects related responsibilities too. GSR Prasad is Masters in Pharmacy and possess more than 30 years of rich experience in Manufacturing, Engineering, SCM and Projects. He joined us as Head of Projects in January 2017. Earlier, he worked with various pharmaceutical companies like Astra Zeneca, Themis, Sangfroid Granules, Pharmeng, Biovail, and Novast Laboratories in India, US, Canada and China.



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



Mr. Atul Dhavale

Chief Human Resources Officer

Mr. Atul Dhavle is a Graduate in Production Engineering from Nagpur University and holds a Postgraduate certificate in Business Management from XLRI. He has over 26 years of experience with reputed organizations like Mahindra & Mahindra, DuPont, Welspun, Dr. Reddy's and handled various assignments in Human Resources and Operational Excellence functions.

1 Q2FY20 Updates

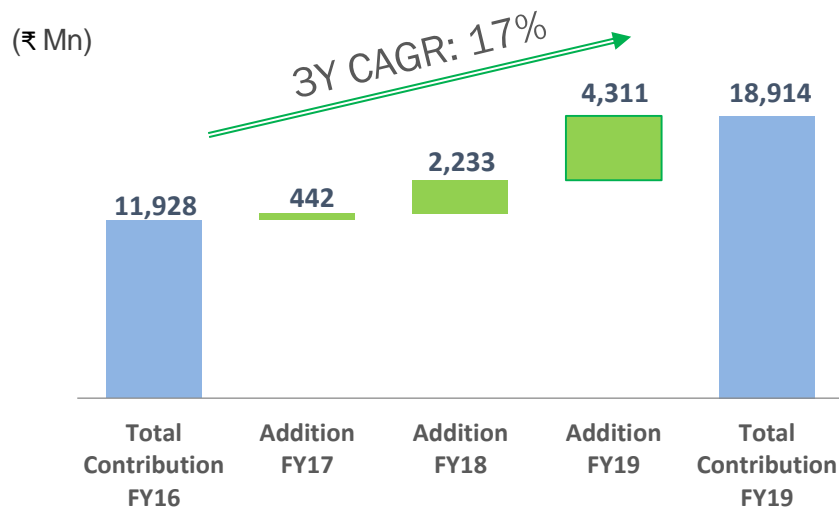
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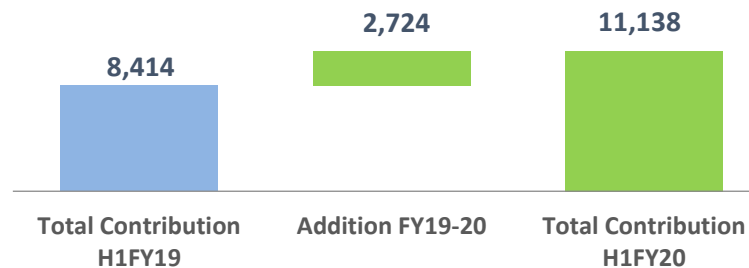
High volume molecules showing stable growth



High volume based molecule business contribution

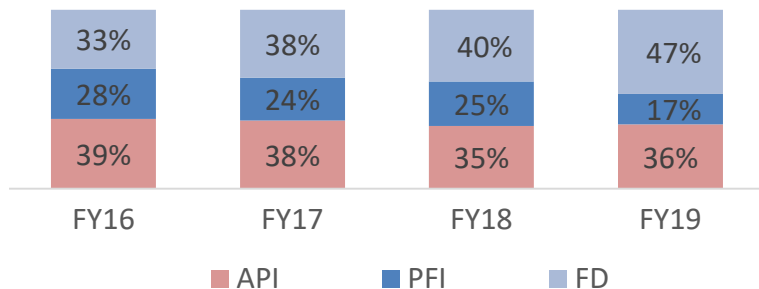
Revenue contribution from core molecules

(₹ Mn)

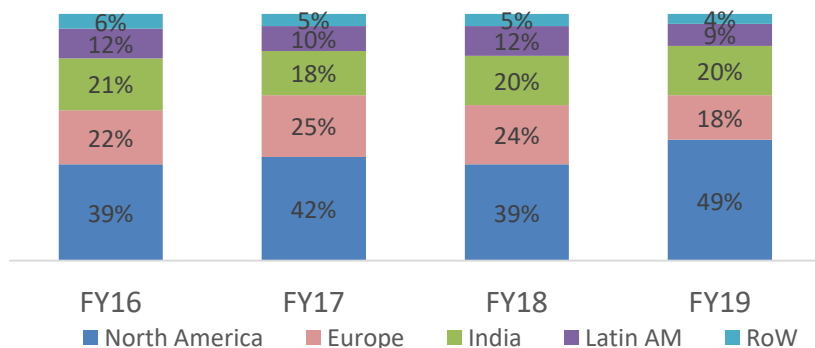


Consolidated financials overview

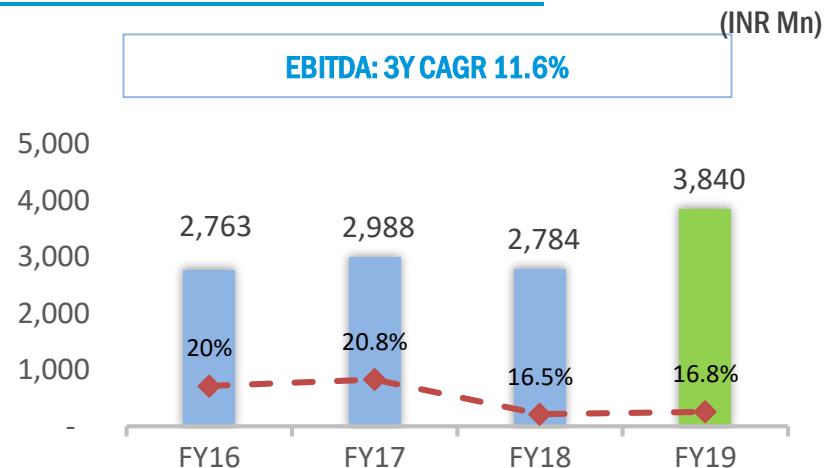
Sales: 3Y CAGR 18%



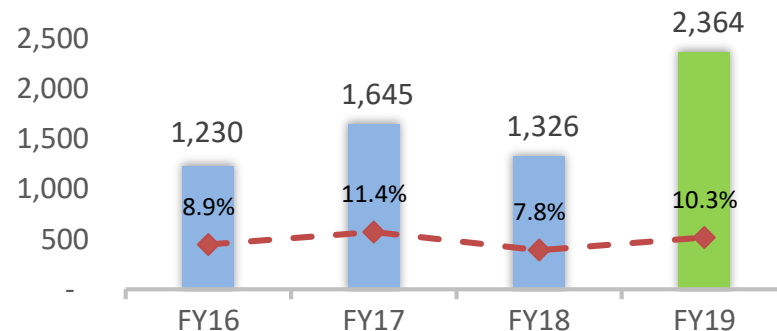
Revenue break-up (geography)



EBITDA: 3Y CAGR 11.6%

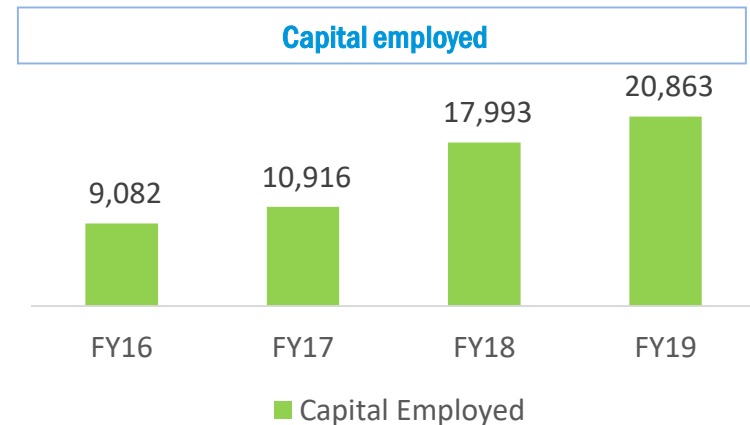
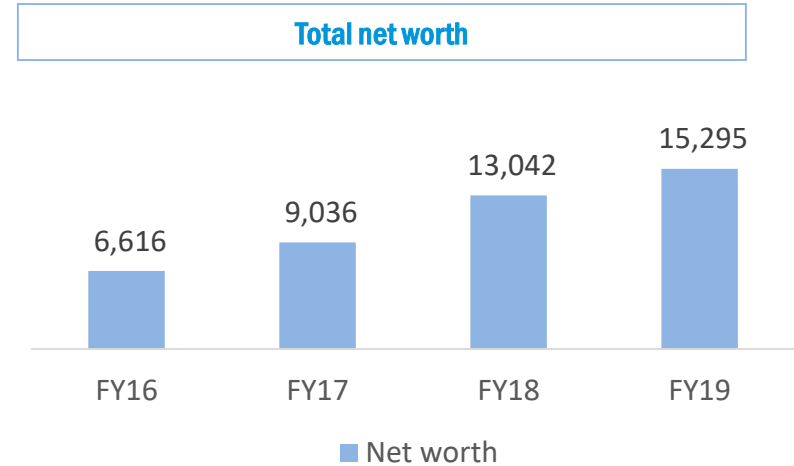
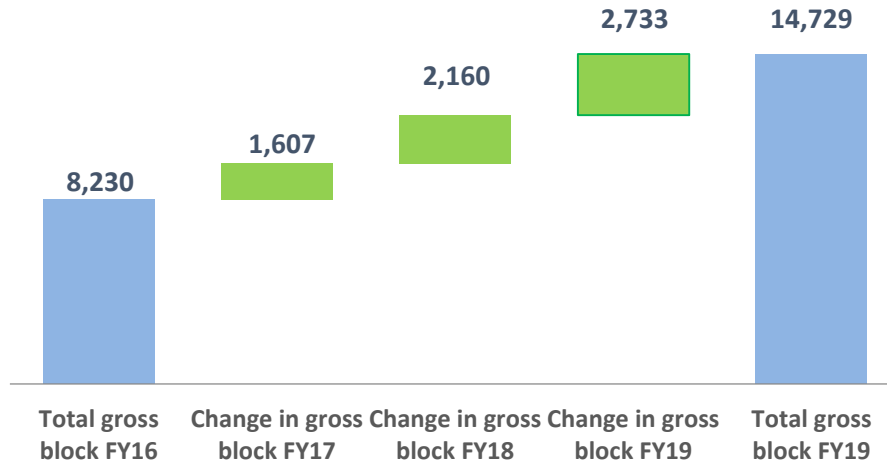


PAT: 3Y CAGR 24%



Balance sheet trends

(₹ Mn)



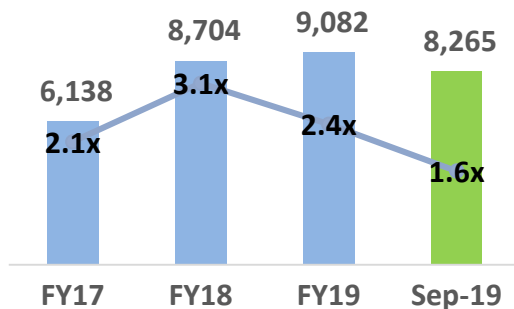
	FY16	FY17	FY18	FY19	YTD
Cash outflow for Capex	1,622	3,166	4,464	2,788	1,156

Moderation in Capex and reduction in debt going forward

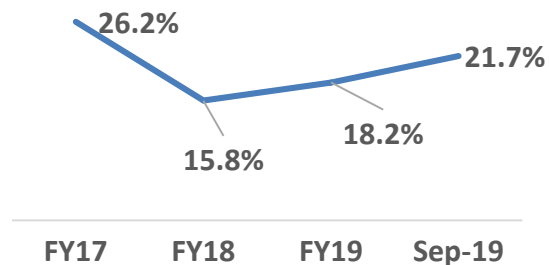
Continued focus on improvement

(₹ Mn)

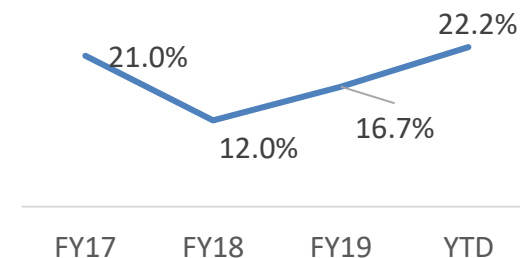
Net Debt & Net debt-to-EBITDA (x)



ROCE (%)

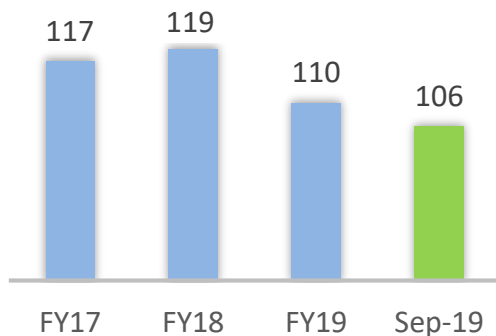


ROE (%)

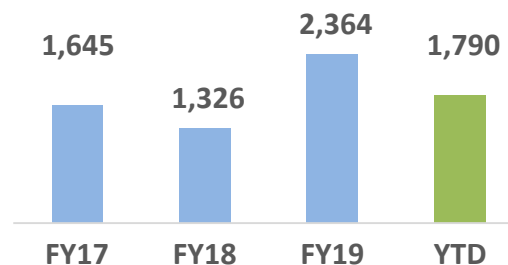


(₹ Mn)

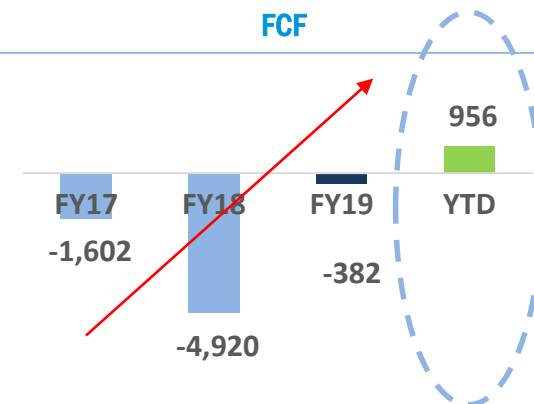
Cash-to-Cash cycle (days)



PAT



FCF



Note: JVs not included in ROCE for Sep-2019

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Huge
Economies
of Scale

Foundation
of Quality &
Compliance

Experienced
and Proven
Management
team



Building blocks in place

Integrated platform in place to address the entire value chain from intermediates to finished dosages

Investments in FD including pulsatile drug release, orally disintegrating modified release and abuse deterrent technology platform for controlled substances



Profitable growth through execution

Expanding portfolio range with addition of differentiated and limited competition products in API/FPI

Building portfolio of strong brands in regulated markets



Steady returns to stakeholders

Financial discipline is a key focus

Focus on generating operating leverage

Identifying newer growth avenues to deliver sustainable growth



GRANULES

Thank you

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