

CHAIRMAN'S MESSAGE

Our sustained growth and success are outcomes of manufacturing excellence and focused execution around the core molecules backed by our solid track record of quality, compliance and Environmental Health and Safety (EH&S). We are transforming holistically with science and technology at the helm, to truly become an innovation and science-led enterprise.



Dear Shareholders,

I write this to you with an optimistic view that the worst of the pandemic is behind us. As a society, we have demonstrated unmatched resilience during these turbulent times. The last two years taught us to work even harder towards creating consistent value for our stakeholders. The pandemic-induced disruptions tested our mettle and only those organizations that have strong fundamentals, resources and focused and far-sighted planning thrived through the challenge.

Industry overview

The Indian pharma industry has seen a growth of ~10% in FY 2021-22. This growth is largely due to a push from domestic and emerging markets. India is rightly said to be the pharma capital of the world with 60% of the world's vaccines and 20% of generic medicines demand supplied by our country. It is expected that the Indian pharma industry will reach \$120 billion by 2030. This promising outlook opens ample opportunities for us as a Company that has been a preferred choice among customers due to our propositions of efficiency and quality.

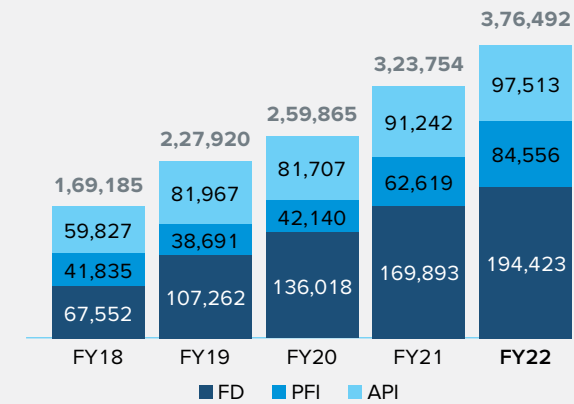
Looking back at our performance

We recorded stellar performance during the financial year under review in times of substantial uncertainty. In the last three quarters, we grew in terms of revenue, absolute gross margin, EBITDA and PAT. We delivered despite the disruptions caused during the second and third COVID wave. We were also impacted by the global supply chain disruptions in Q4 due to Russia-Ukraine conflict that impacted the availability and price of raw materials, solvents and catalysts. We continued to face pricing challenge in the US market that resulted in somewhat lower EBITDA and gross margins.

We closed the books at ₹ 3,76,492 Lakhs, which is a growth of 16% over FY 2020-21. The share of fixed doses remains the largest in our portfolio whereas the highest revenue increase was recorded in PFI. Our gross margin for the year was at ₹ 1,88,128 Lakhs, a slight increase over the previous year. This is despite upto 60% hike in some of the raw materials, 40 to 70% in solvents



Revenue (₹ in Lakhs)



and freight hike of 70%. Our net debt was at ₹ 69,661 Lakhs mainly due to increased inventory and receivables due to increased sales. It was a strategic decision to maintain inventories at a higher level due to COVID and freight delays. There was a 21-day increase in our cash-to-cash cycle, which now stands at 138 days. It was attributed to increase in inventory, receivables and price of raw materials.

Strategic approach

Over the years we have moved from being an API to fully integrated pharma manufacturer with strong presence across the value chain. Cost leadership and focused innovation continue to remain at the core of our operations. Our sustained growth and success are outcomes of manufacturing excellence

We are doubling down on R&D, technology and sustainability. A strong R&D for API and formulation, is in the card, thereby enhancing the scale and quality of our pipeline. We wish to bring in technology platforms to reimagine manufacturing through Innovation.

and focused execution around the core molecules backed by our solid track record of quality, compliance and Environmental Health and Safety (EH&S). We achieved the leadership position in scaling up key molecules with some of the largest manufacturing facilities under our name. We are now set to embark upon a transformation journey with science and technology at the helm, to truly become an innovation and science-led enterprise.

We are doubling down on R&D, technology and sustainability. A strong R&D for API and formulation, is in the card, thereby enhancing the scale and quality of our pipeline. We wish to bring in technology platforms to reimagine manufacturing through Innovation. Harnessing technology and digitization in chemistry and biotransformations would strengthen existing business and lead to creation of new businesses. We want to achieve backward integration by controlling the supply chain for our selected products through Innovation in Science and technology.

Prioritising sustainability

Today the world of pharma is increasingly moving towards green chemistry. We are aware of the bearings of our operations on GHG emissions. We are designing our processes, products and facilities to be efficient enough to reduce any negative impact on the environment. At Granules, we are involving key stakeholders such as employees, regulators, customers and suppliers in the process of devising our long-term ESG vision. I am confident that green chemistry can be cost-effective through scale optimization and we aspire to work towards achieving carbon neutral status in the future.

I would like to thank our people for demonstrating unbridled devotion to ensuring that our customers' healthcare journeys remain undisrupted through every volatility. I am also grateful to the Board and all our stakeholders for reposing their continued trust in us and for motivating us to keep excelling at what we do. Together, we will realise our vision to ensure quality healthcare for everyone.

Sincerely,

Dr. Krishna Prasad Chigurupati
Chairman & Managing Director