

Granules India Limited

Earnings Presentation – Q2FY25

06th November 2024

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Key business updates for Q2 FY 25

- **Gagillapur facility Inspection:** US FDA inspection conducted from 26th Aug to 6th Sep'24. Response was Submitted on 27th Sep'24.
 - The Company has voluntarily paused production in the Gagillapur plant in Sep-24 to reassess the potential risk on account of the US FDA observations, if any. Subsequently in October, the production was resumed in a staggered manner.
- **Gross Margins:** Strong margins for the quarter were driven by formulations sales and product mix.
- **Formulation Growth:** Continued increase in formulations' share within the business.
- **API/PFI segment:** Lower share due to price erosion, and lower demand due to high customer inventory
- **Cashflow From Operations:** Healthy cash flow from operations of Rs.2,007 Mn with a Net Debt to EBITDA ratio of 0.86.
- **Product Approvals:** Received approvals for **Trazodone HCl Tablets** and **Glycopyrrolate Oral Solution**.
- **New Product Launch:** Launched **Pantoprazole** in the USA.





Quarterly Performance Q2 FY 25

Q2FY25 P&L: Y-o-Y Performance

(In ₹ Mn)

	Q2 FY25	Q2 FY24	Y-o-Y Gr%	Remarks on Y-o-Y performance
Revenue	9,666	11,895	-19% ↓	<p>Voluntary pause at Gagillapur facility due to the US FDA inspection.</p> <p>Continued demand issues in API/PFI driven by high customer inventory and price erosion in the market</p>
Gross Margin <i>Gross Margin %</i>	5,994 62.0%	6,144 51.7%	-2% ↓	<p>Better Margins: Achieved due to higher finished dosage (FD) sales and prioritized sales of higher margin within formulations.</p> <p>Reduced raw material costs.</p>
EBITDA <i>EBITDA %</i>	2,033 21.0%	2,130 17.9%	-5% ↓	<p>Improved Gross Margin (GM%) led to a better EBITDA percentage in Q2 FY25</p>
PAT <i>PAT %</i>	972 10.1%	1,021 8.6%	-5% ↓	<p>Increase in the Gross margin (GM%) helped in achieving better PAT margin</p>

Q2FY25 P&L: Q-o-Q Performance

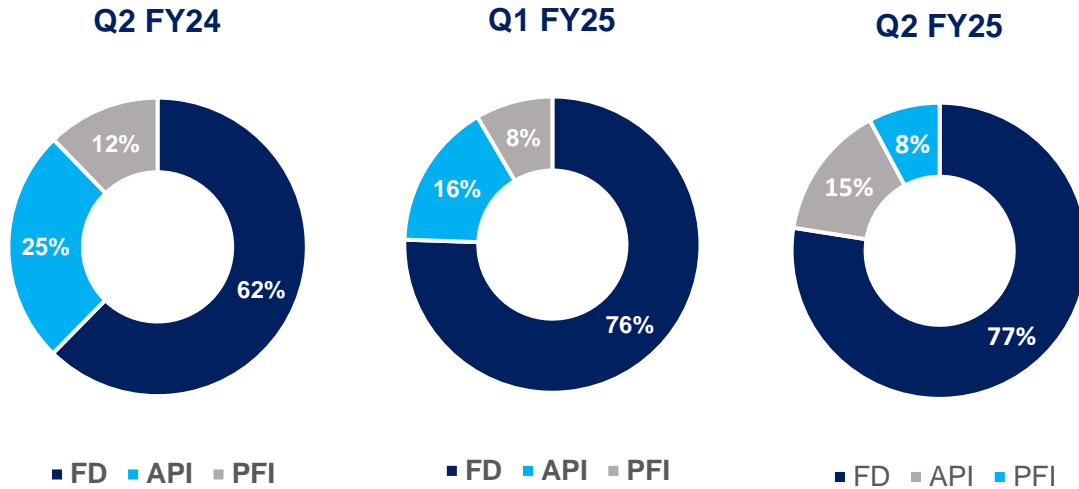
(In ₹ Mn)

	Q2 FY25	Q1 FY25	Q-o-Q Gr%	Remarks on Q-o-Q performance
Revenue	9,666	11,799	-18% ↓	<p>Voluntary pause at Gagillapur facility due to the US FDA inspection.</p> <p>Continued demand issues in API/PFI driven by high customer inventory and price erosion in the market</p>
Gross Margin <i>Gross Margin %</i>	5,994 62.0%	6,954 58.9%	-14% ↓	<p>Better Margins: Achieved due to higher finished dosage (FD) sales and prioritized sales of higher margin within formulations.</p>
EBITDA <i>EBITDA %</i>	2,033 21.0%	2,593 22.0%	-22% ↓	<p>EBITDA margins dipped slightly due to lower sales and fixed operational costs</p>
PAT <i>PAT %</i>	972 10.1%	1,346 11.4%	-28% ↓	<p>Increase in the Gross Margin (GM%) helped in achieving better PAT margin</p>

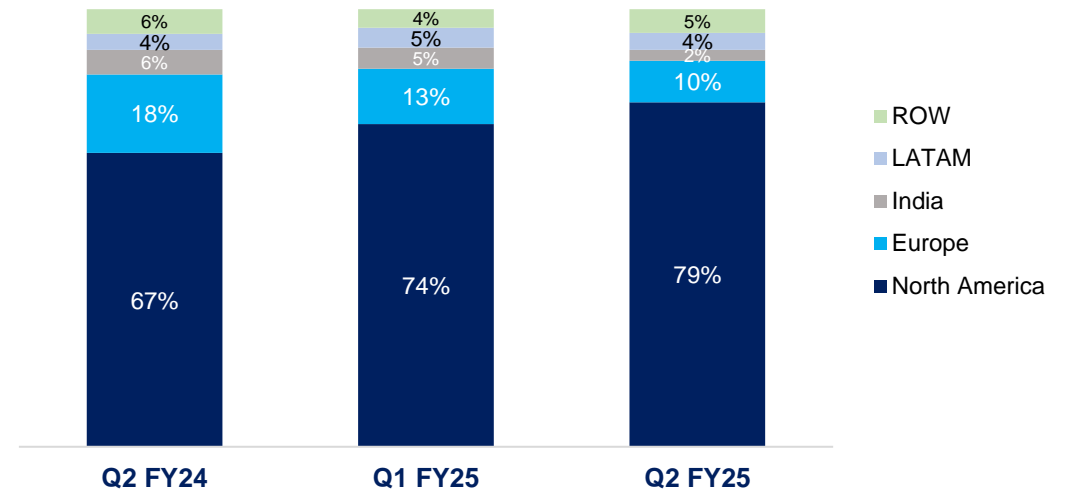
Q2FY25 : Revenue spilt by Segments and Market

(In ₹ Mn)

Division wise share



Region wise share



	Q2 FY24	Q2 FY25	Y-o-Y Gr%	Q1 FY25	Q-o-Q Gr%
FD	7,417	7,490	1%	8,912	(16%)
API	3,021	1,420	(53%)	1,890	(25%)
PFI	1,457	756	(48%)	997	(24%)

	Q2 FY24	Q2 FY25	Y-o-Y Gr%	Q1 FY25	Q-o-Q Gr%
North America	7,989	7,607	(5%)	8,700	(13%)
Europe	2,128	919	(57%)	1,493	(38%)
LATAM	429	375	(12%)	535	(30%)
India	673	241	(64%)	569	(58%)
ROW	676	524	(22%)	503	4%

Q2FY25 Cashflow and Ratios : Q-o-Q

(In ₹ Mn)

	Q2 FY25	Q1 FY25
ROCE%	16.9%	19.6%
Decrease in EBIT		
ROCE = Annualised EBIT / Average capital employed Capital employed = Equity + Total Borrowings + LT liabilities - Cash		

	Q2 FY25	Q1 FY25
Fixed asset turn	1.56	1.74
Slightly lower due to sales decline from Gagillapur facility		
Fixed asset turn = Annualised Sales / Average Tangible Gross block		

	Q2 FY25	Q1 FY25
Net debt/ EBITDA	0.86x	0.77x
Decrease in EBITDA		
Net debt = Gross debt – Cash and cash equivalents		

	Q2 FY25	Q1 FY25
CCC	213	183
New launches, Red sea issues and a voluntary pause in operations of Gagillapur facility impacted both inventory days and overall CCC days		
CCC = DIO + DSO – DPO DIO and DPO are calculated using Material Cost consumed and DSO is calculated using Sales		

	Q2 FY25	Q1 FY25
Cashflow From Operations	2,007	2,161
Healthy cashflow from operations despite lower EBITDA		

	Q2 FY25	Q1 FY25
Capex	1,324	1,444
Capex includes investment towards Granules life sciences (in H1 1485 Mn) and CZRO (In H1 195 Mn)		

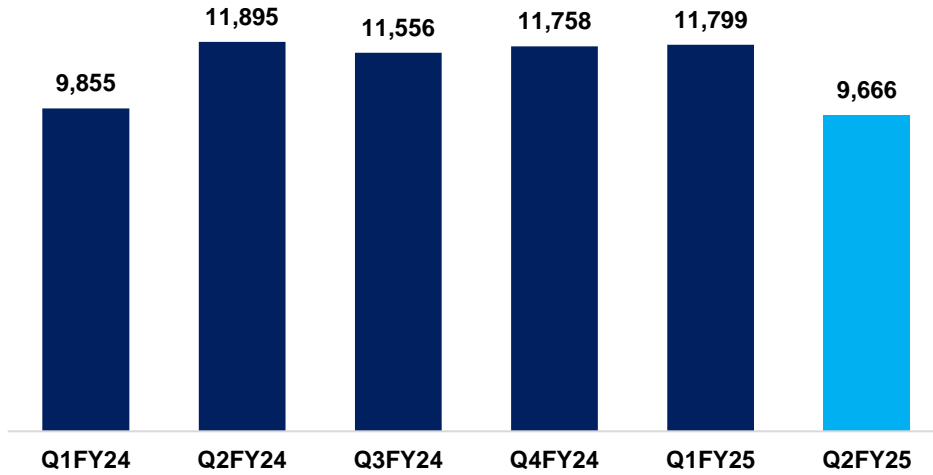
Historical Performance



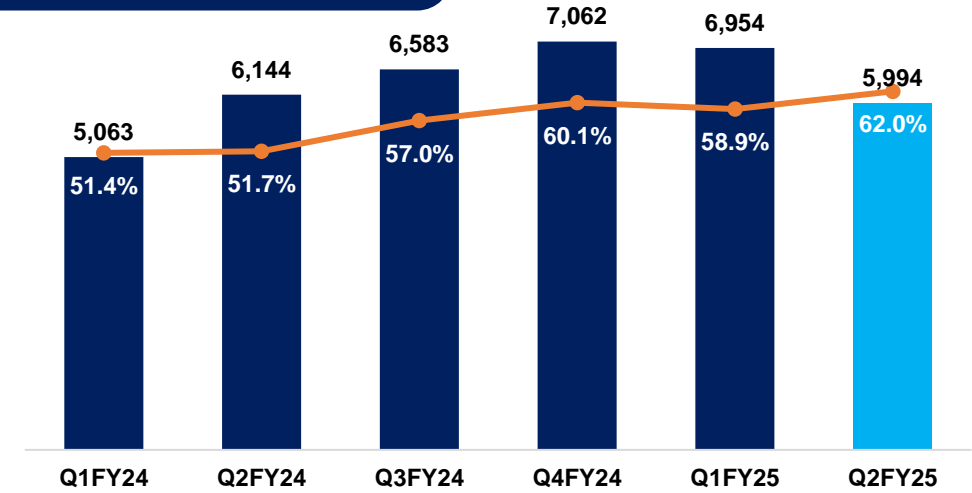
Sales and profitability : Last 6 quarters historical performance

(In ₹ Mn)

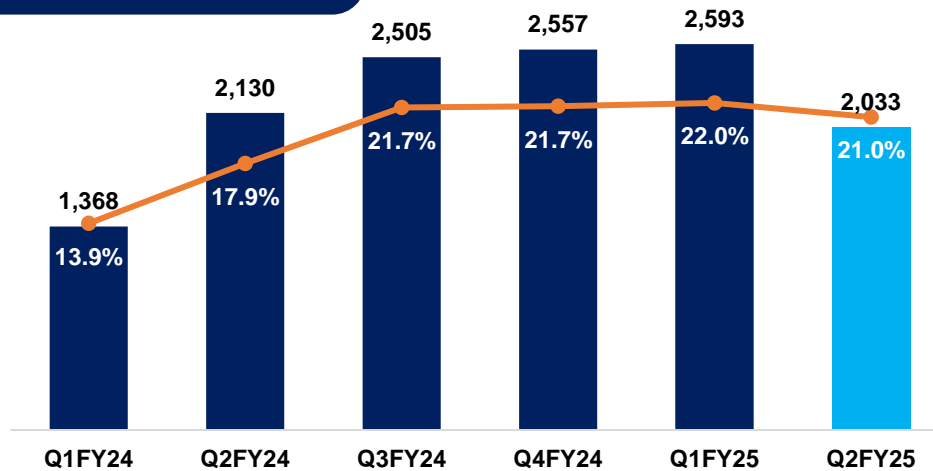
Sales



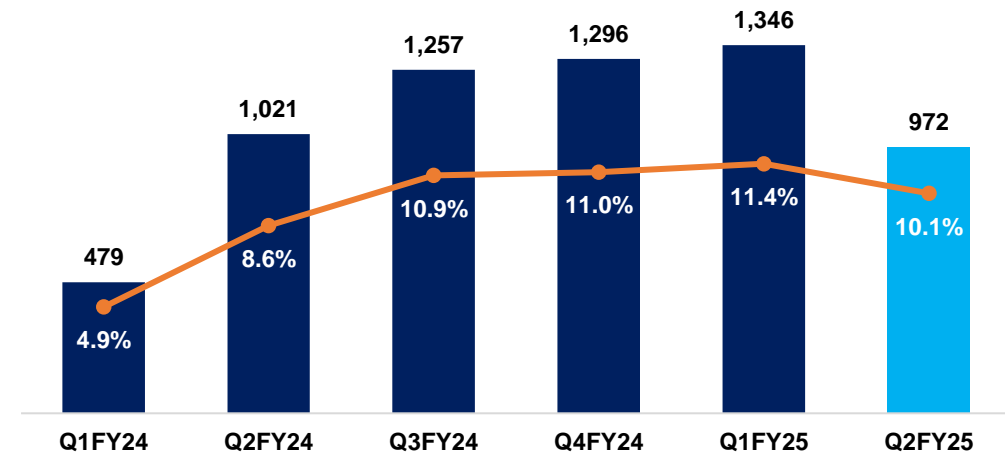
Gross Margin and GM%



EBITDA and EBITDA %



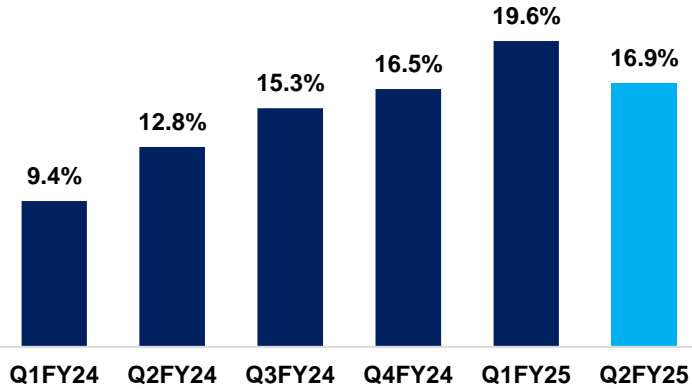
PAT and PAT %



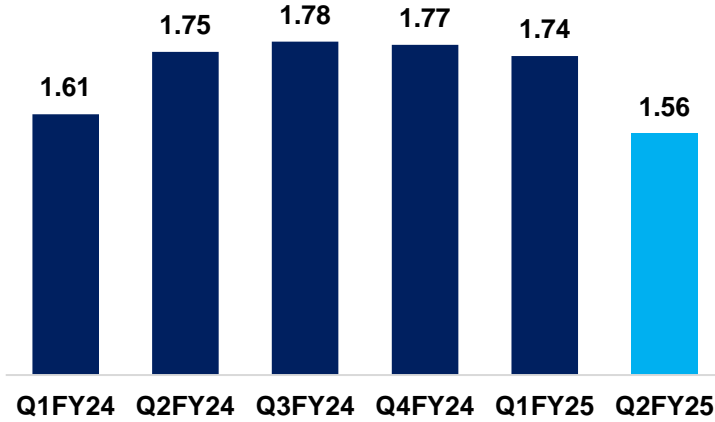
Cashflow and Ratios: Last 6 quarters historical performance

(In ₹ Mn)

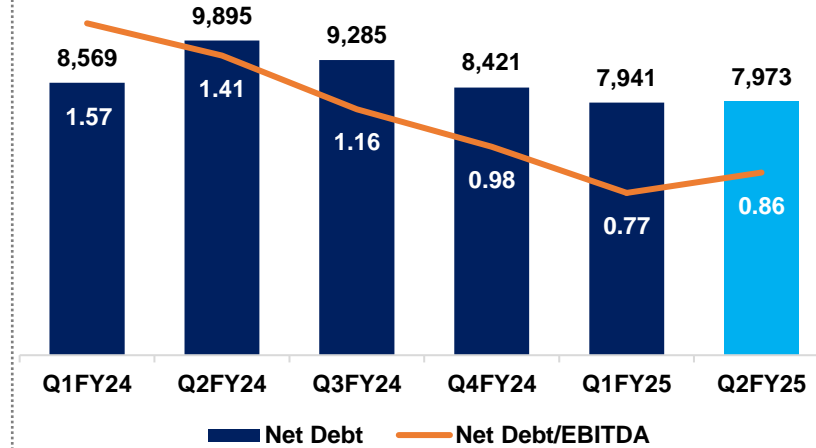
ROCE%



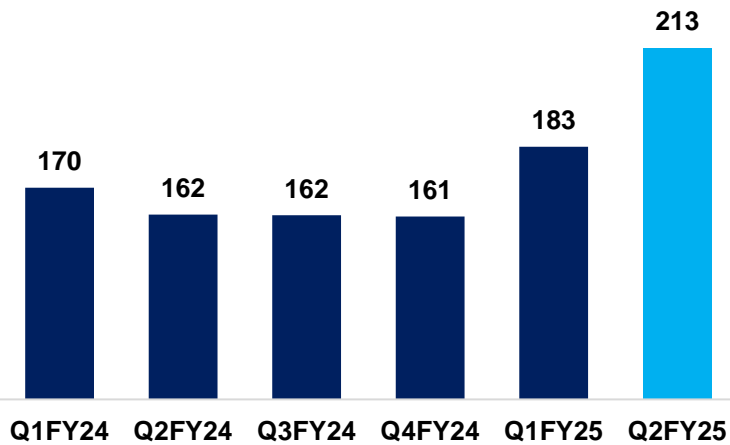
Asset turns



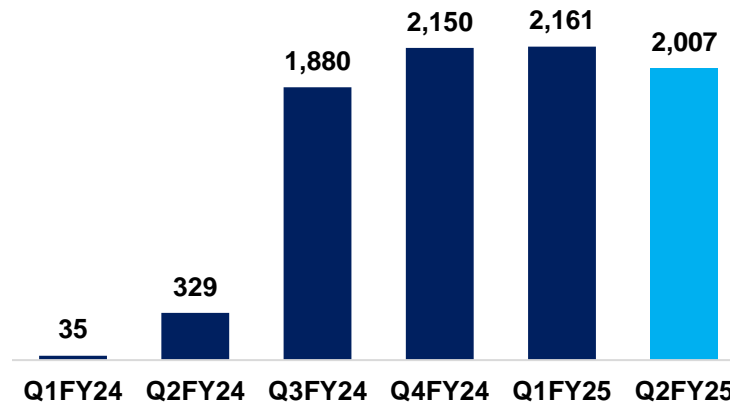
Net debt and Net debt/EBITDA



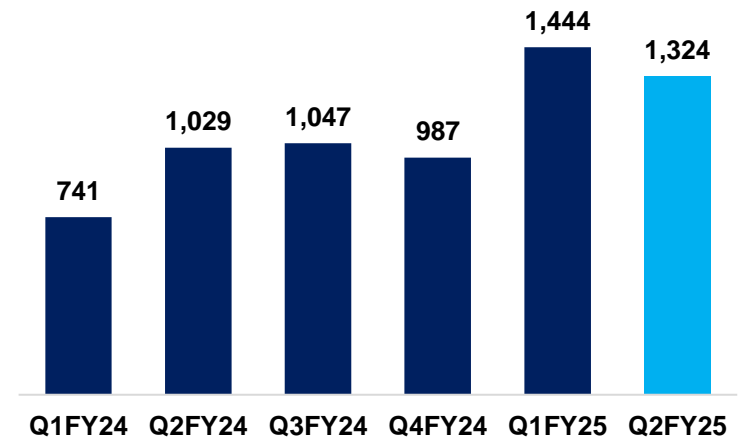
CCC days



Cash Flow From Operation



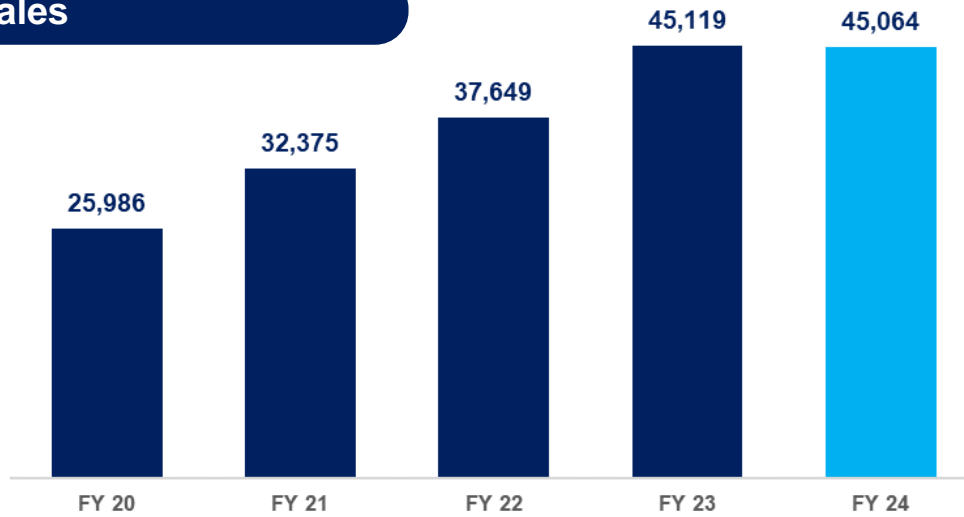
Capex



Sales and profitability : Last 5 years historical performance

(In ₹ Mn)

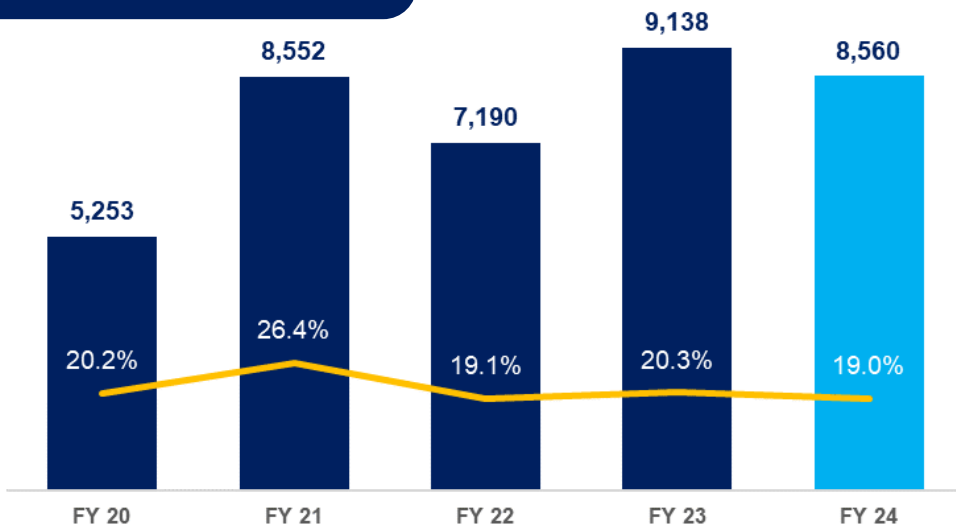
Sales



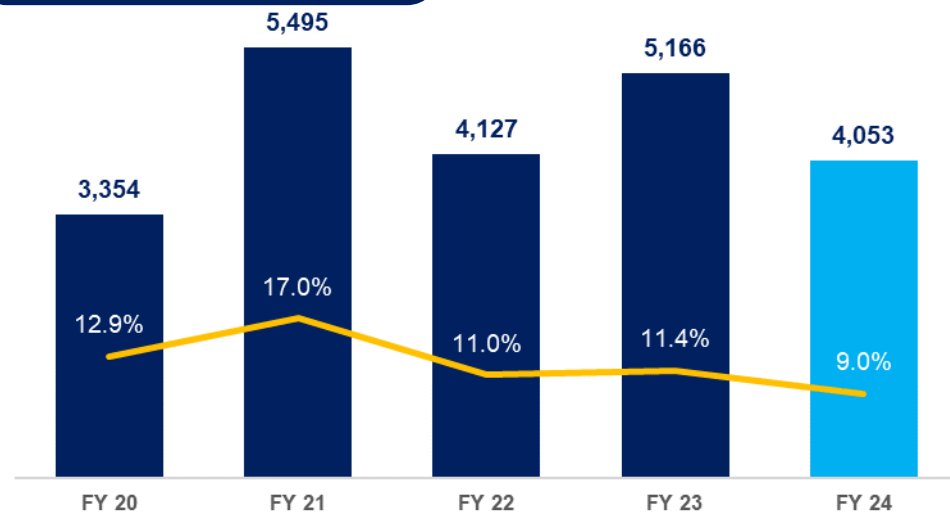
Gross Margin and GM%



EBITDA and EBITDA %



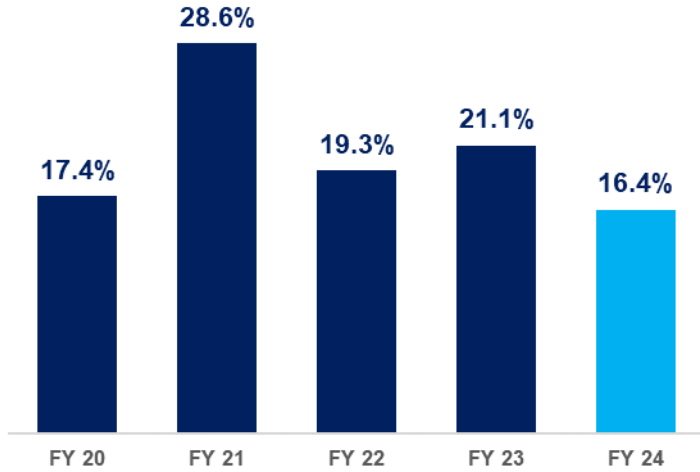
PAT and PAT %



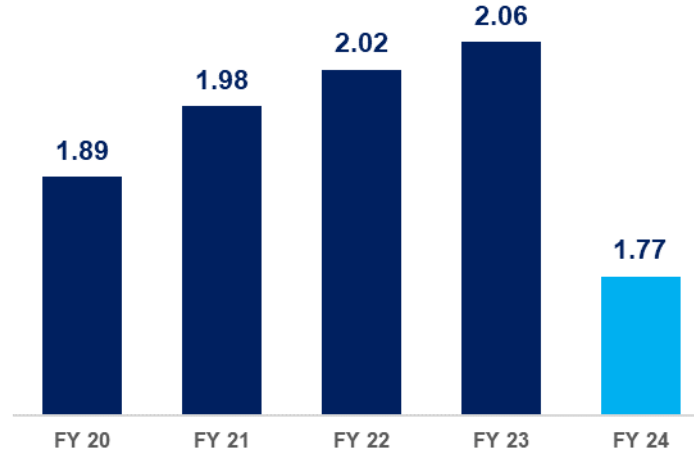
Cashflow and Ratios: Last 5 years historical performance

(In ₹ Mn)

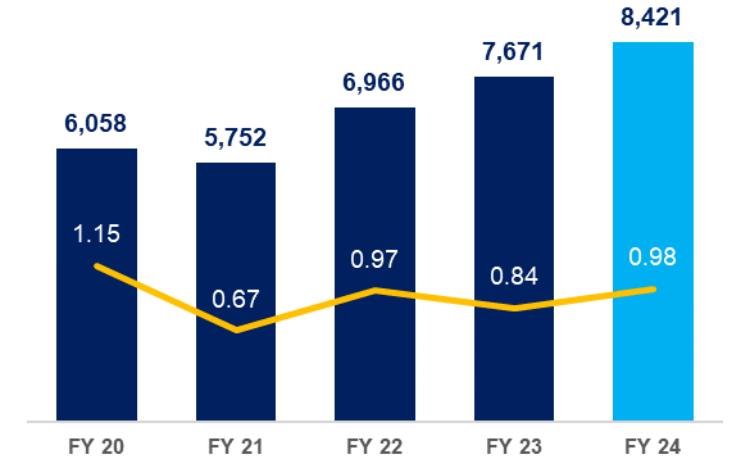
ROCE%



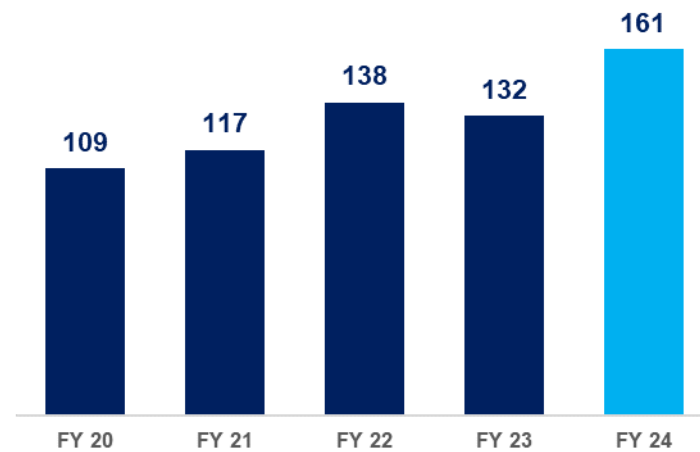
Asset turns



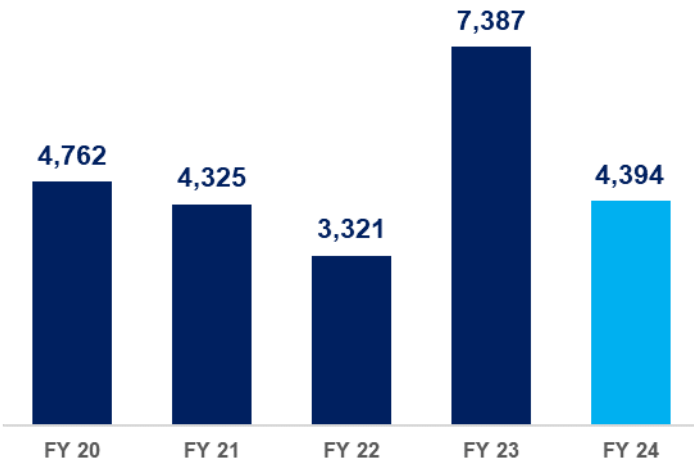
Net debt and Net debt/EBITDA



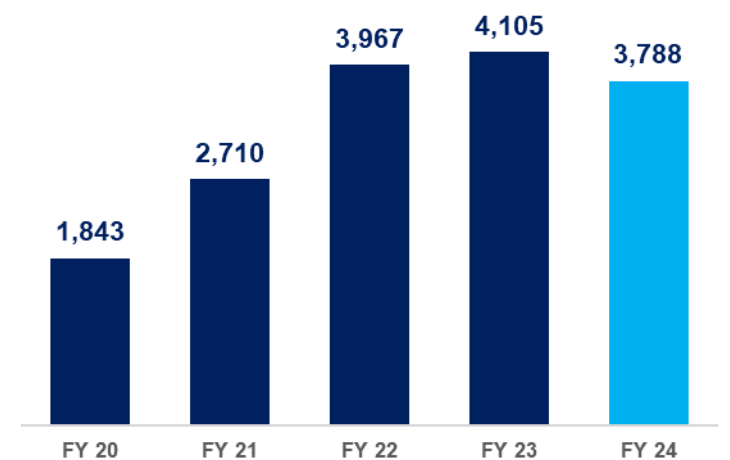
CCC days



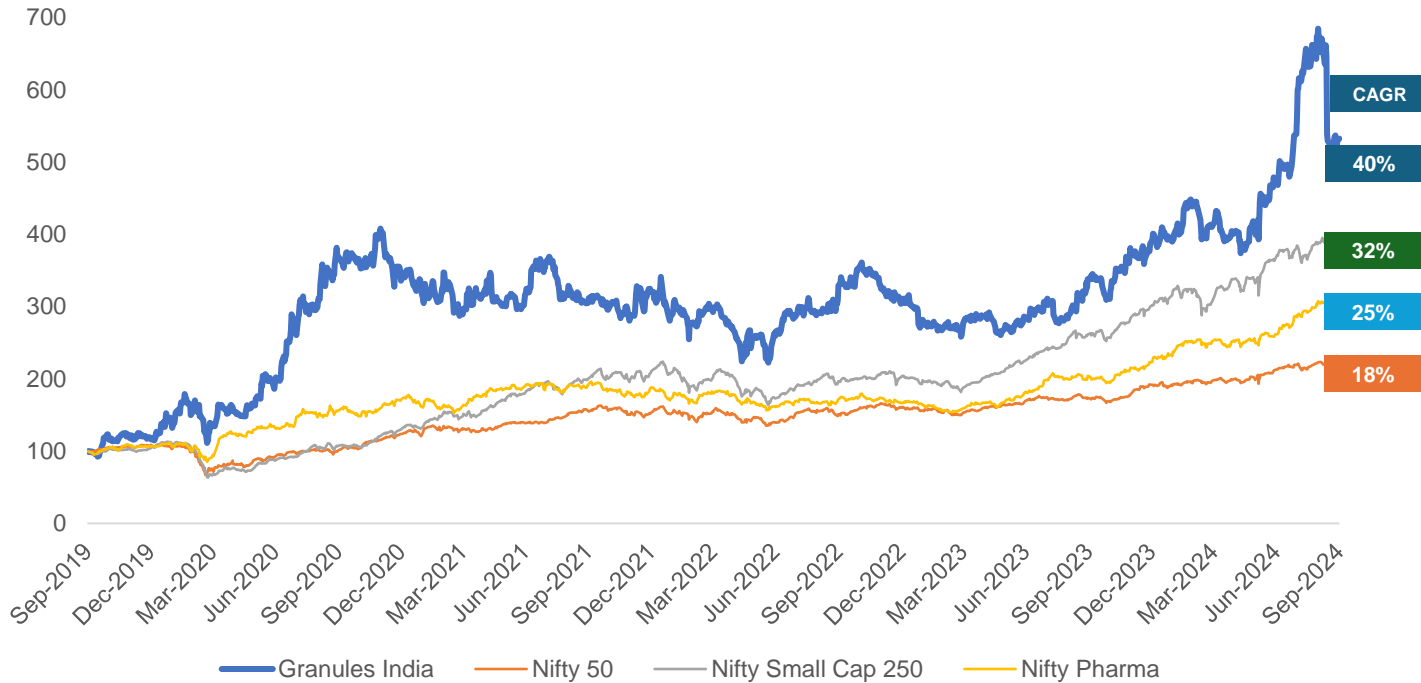
Operating Cash flow



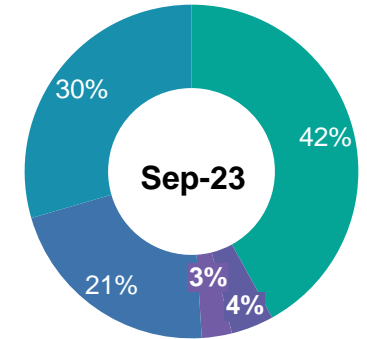
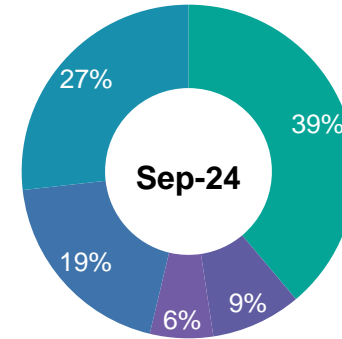
Capex



Committed to Shareholder Value Creation



- 5 Year Share Price Return of ~40% CAGR
- Dividend Yield of ~0.4% p.a. over the past 5 years.
- Buyback twice during past 5 years
 - FY21 (INR 200 per share) – Buyback Amt. ₹ 1420 Mn.
 - FY23 (INR 400 Per share) – Buyback Amt. ₹ 2500 Mn.



■ Promoter and Promoter Group
 ■ Insurance Companies
 ■ Public Shareholding
■ Mutual Funds & AIF
 ■ Foreign Portfolio Investors

Key Investors (as on 30 th Sep. 2024)	Holding %
Life Insurance Corporation Of India	4.26%
Axis Asset Management	2.73%
Fidelity Worldwide Investment	2.56%
BlackRock Inc	2.55%
Vanguard Group	2.17%
Schroder Investment Mgt	1.77%
Dimensional Fund Advisors	1.75%



Granules at a glance

Granules Purpose, Vision & Values

Purpose

Healing lives
responsibly
through pioneering
green science

Vision

To establish ourselves as a world leader in green chemical and pharmaceutical industry by harnessing cutting-edge technologies to enhance quality of life.

Values

- 1 Challenging Limits
- 2 Futuristic Thinking
- 3 Empowering Employees
- 4 Customer Driven
- 5 Quality Everywhere
- 6 Environmental Stewardship

An Illustrious Journey Spanning Four Decades

Building A World Class, Vertically Integrated Pharmaceutical Manufacturing Platform

From being a paracetamol API manufacturing facility to a multi-faceted global pharmaceutical company, we have consistently achieved manufacturing success, set new standards of quality and expanded our presence across the world.



Triton Laboratories was formed to produce Paracetamol API at our Bonthapally facility in Hyderabad



A new large volume PFI facility in Gagillapur and a wholly owned subsidiary - Granules USA for marketing in the US



Acquired Auctus Pharma - An API Manufacturing Facility with regulatory approvals



Laid foundation for Oncology OSD Plant in Visakhapatnam



GPAK is a 79,000 sq. ft. packaging facility with 4 packaging suites & WH facility



Triton opened its second manufacturing facility at Jeedimetla to produce multiple APIs



Entry into the Finished Dosage segment



Sets up a wholly owned subsidiary in the US; Granules Pharmaceutical to focus on formulation R&D to forward integrate its APIs



Largest single manufacturing site for Multi-Unit Pellet system facility



Granules Life sciences (GLS) a Formulation facility



Manufacturing Network & Capacity

Bonthapally



API: 34,560 TPA

Jeedimetla



API: 4,800 TPA
PFI: 1,440 TPA

Gagillapur



FD: 26.8 Bn
PFI: 23,200 TPA

Virginia, USA



FD: 1.5 Bn

GPAK, USA



2 OTC lines
1 Rx line

Bonthapally II



API (Intermediate):
61.5 KL PA

Vizag (Unit 4)



API: 380 KL PA

Vizag (Unit 5)



API: 15 KL PA
FD: 1.1 Bn

Genome Valley



FD: 2.5 Bn dosage (Phase I)
FD: 7.5 Bn dosage (upcoming Phase II)

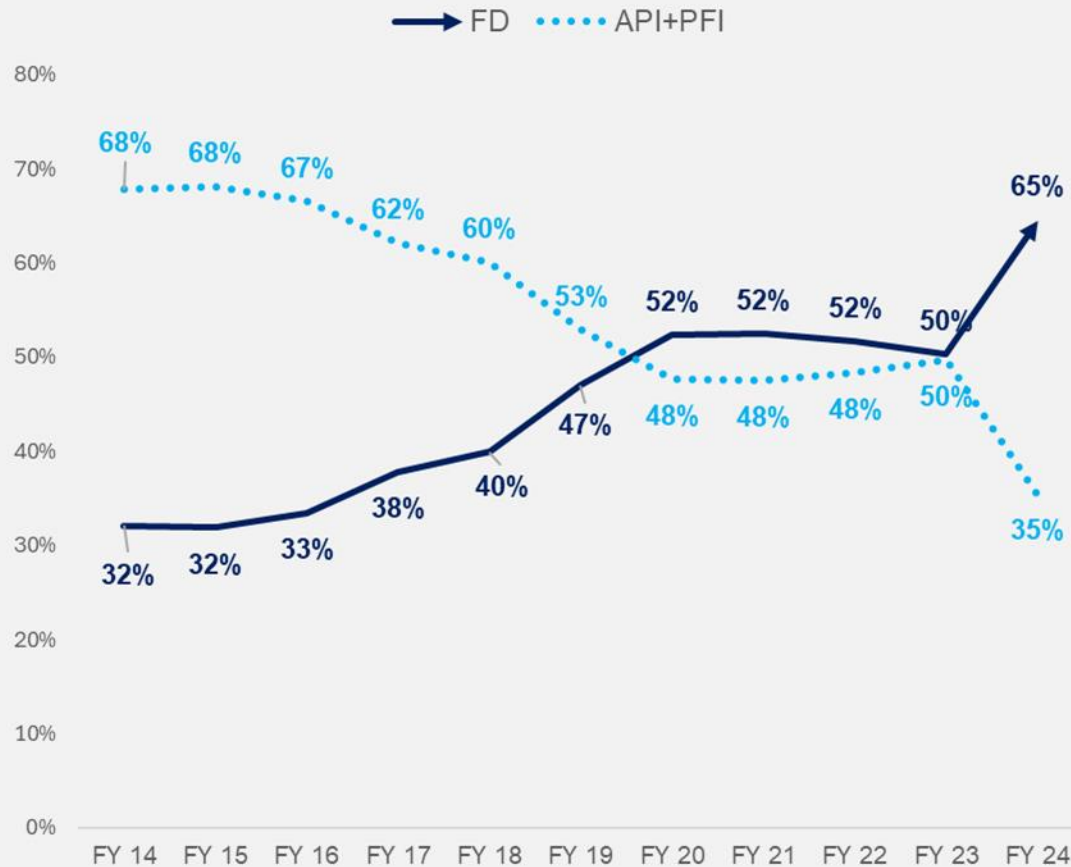
Business Strategy Update



Business Strategy : Moving up the value-chain and Product Diversification

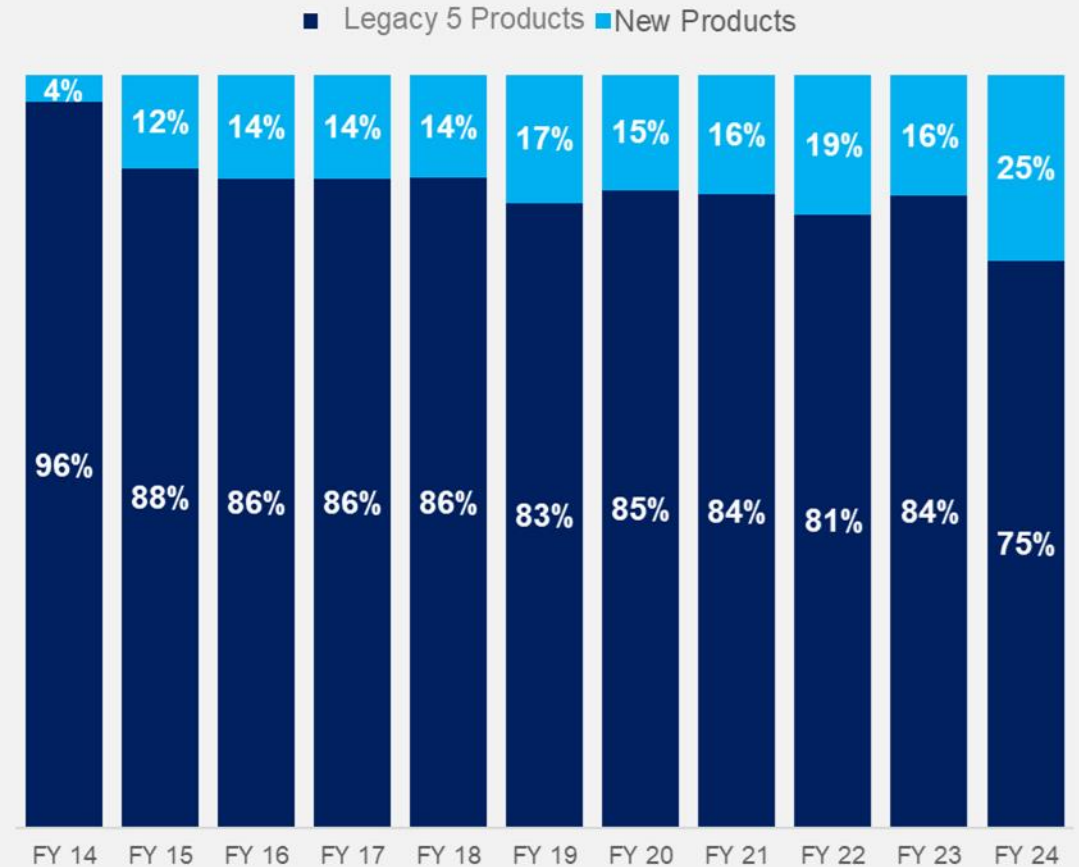
Moving Up the Value Chain

Revenue Share By Business Segment

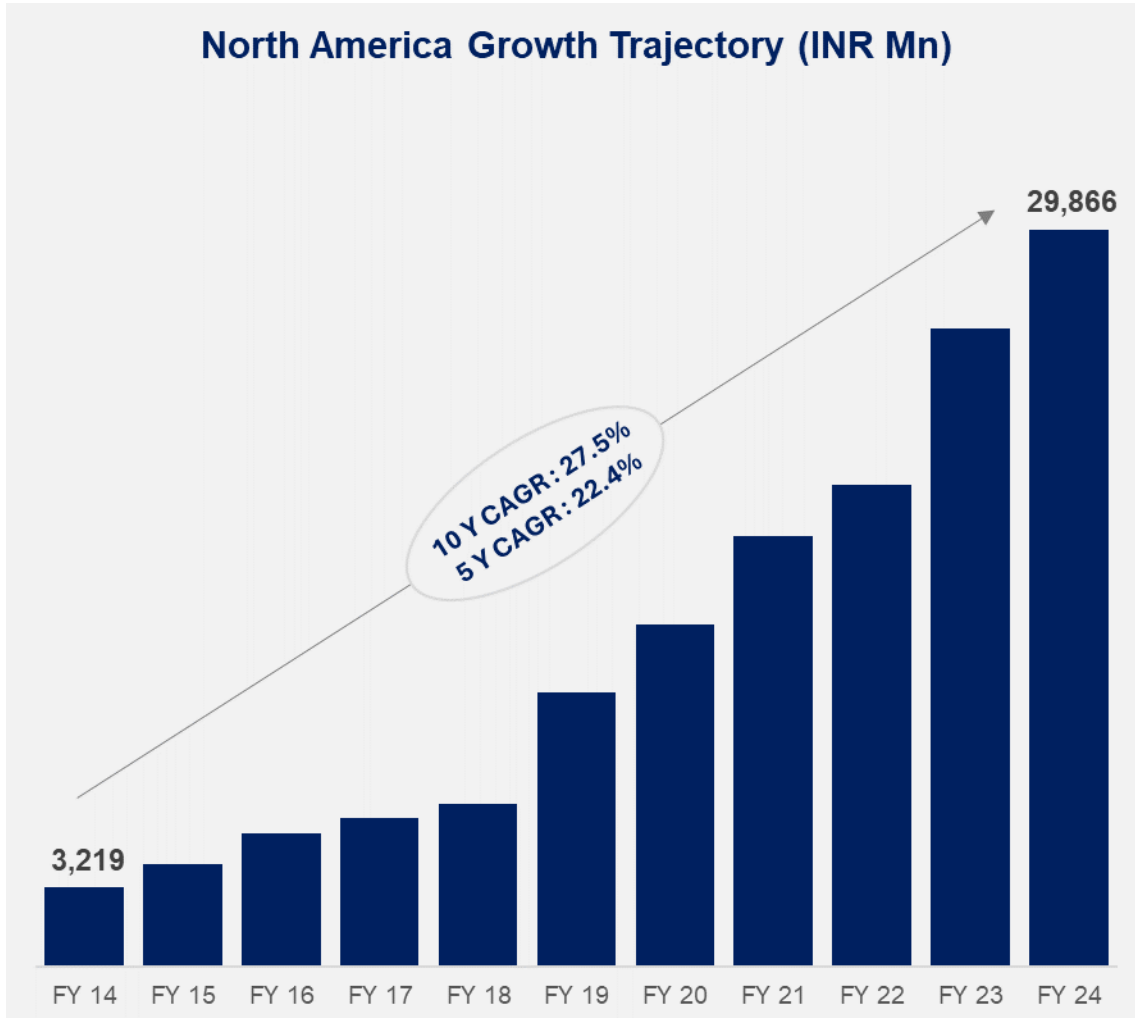


Product Diversification

Revenue Share By Product Segment



Business Strategy : Strengthening Business in North America



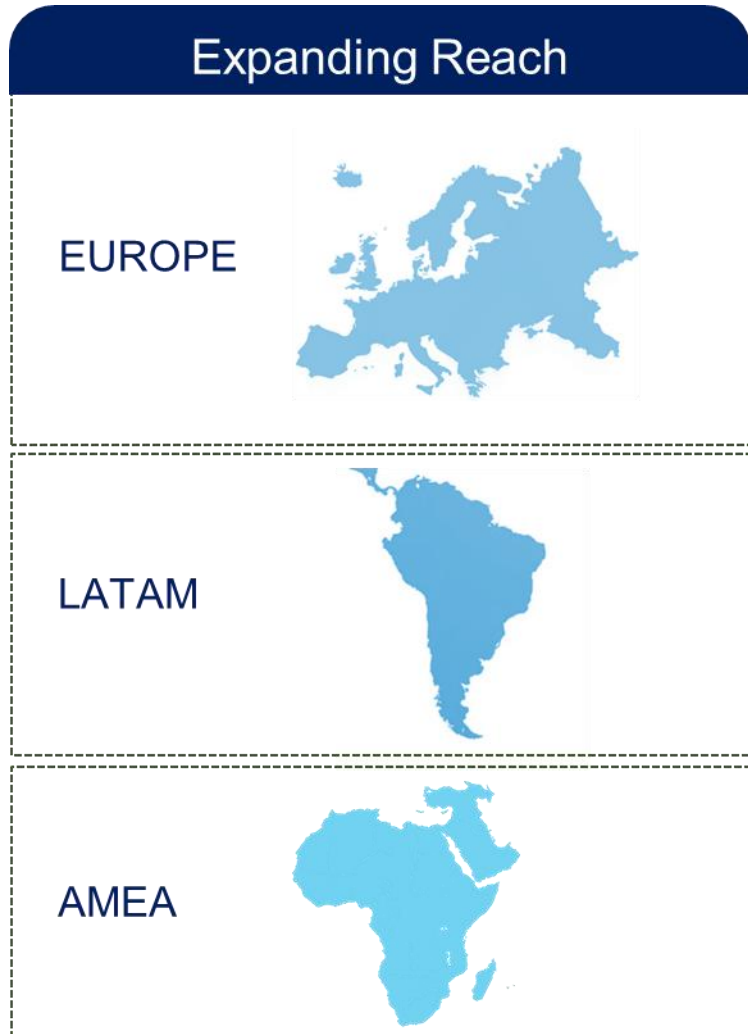
Unique Manufacturing Platform of Optimizing “**Make in India**” (GIL) and “**Make in America**” (GPI , GPAK)

Market leadership in CNS/ADHD (GPI operations), adding to the leadership position in large volume molecules

Prioritizing OTC business through GCH and GPAK : Growing OTC business through partnership with Brand owners and leading Retailers in the US.

Business Growth to be driven by primarily new launches, both in Rx and OTC, supplemented by BD in new dosage forms

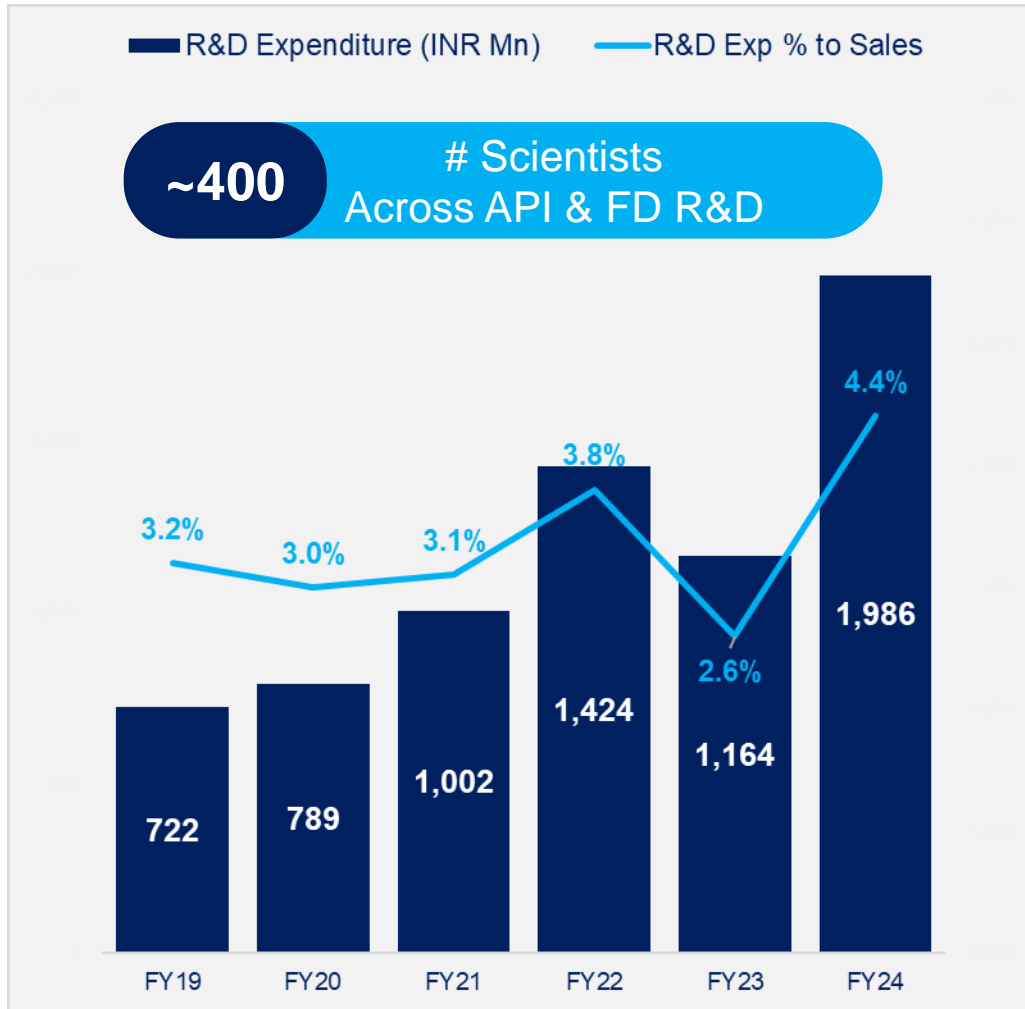
Business Strategy : Expanding Reach Through Commercial Excellence



Replicate commercial success of North America in other key markets
Strengthening Teams | Building Commercial Excellence Processes

- Revamped and augmented **Commercial leadership team**
- **Formulation Driven Growth in Europe** through key partnerships and Dossier Sales/ BD Deals on existing and New Products
- **Extension of the Commercial portfolio and new products**
- **Customer focus:** New Initiatives focus on customer service excellence

Business Strategy: Building R&D Capability and Product Pipeline



Integrated Product Development

Genome Valley – MN Park
R&D facility for Integrated Product Development

- Fast tracking product development through seamless coordination & shared analytical resource

Controlled Substances

- Pragathi Nagar R&D**
- CoE for CII API Development
 - Select KSMs

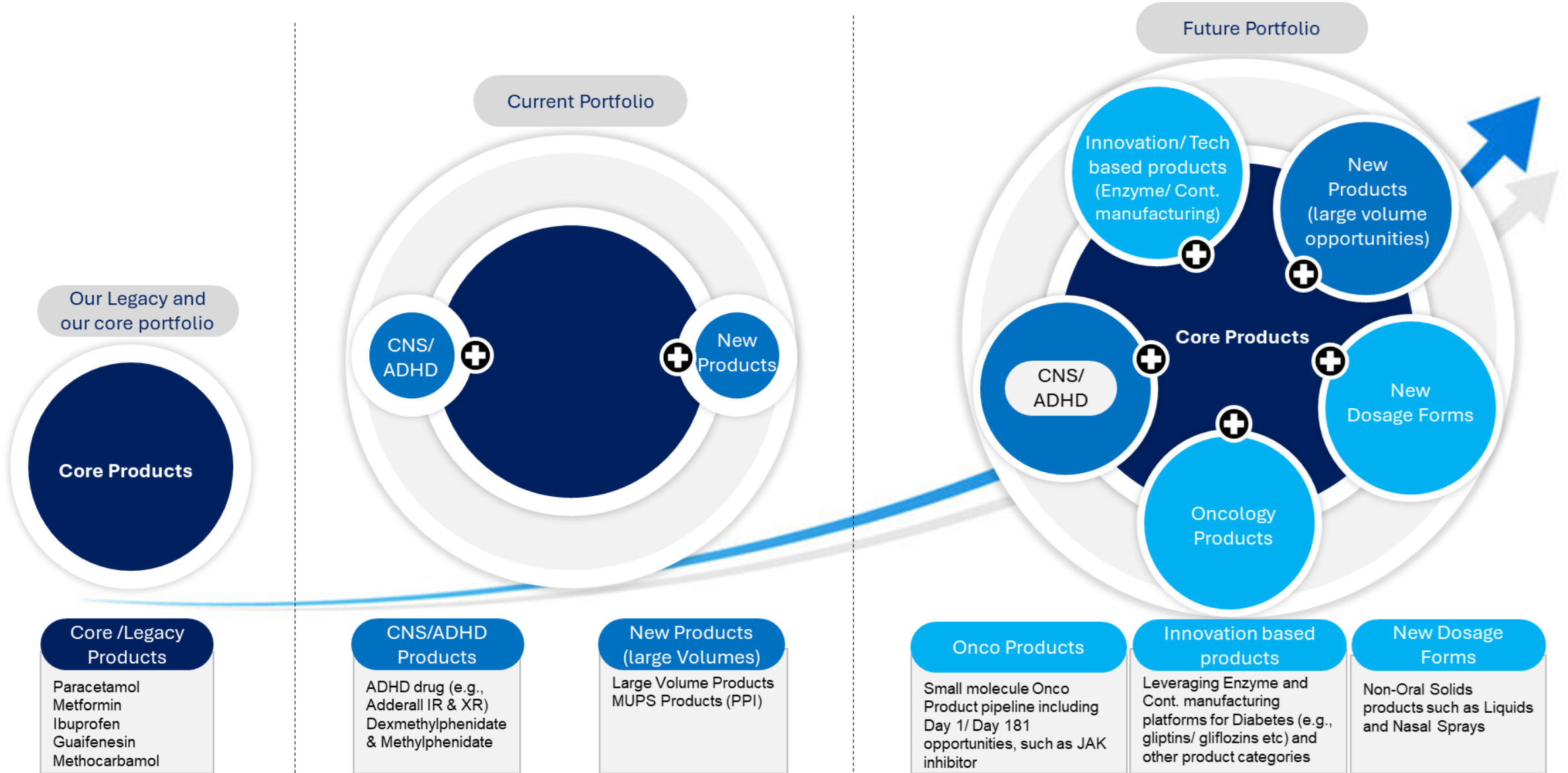
- GPI R&D**
- CII Finished Dosage
 - Complex technologies FD

New Technologies

- Bio Lab at Pragathi Nagar**
- Enzyme & Fermentation

- Pune R&D**
- New technologies
 - KSM & Backward Integration

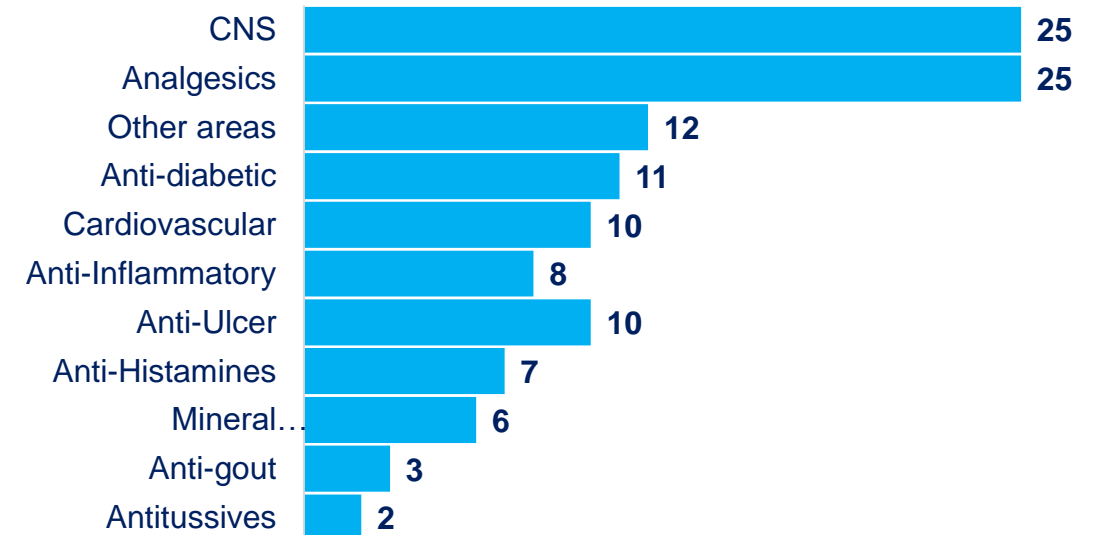
Business Strategy: Portfolio Expansion



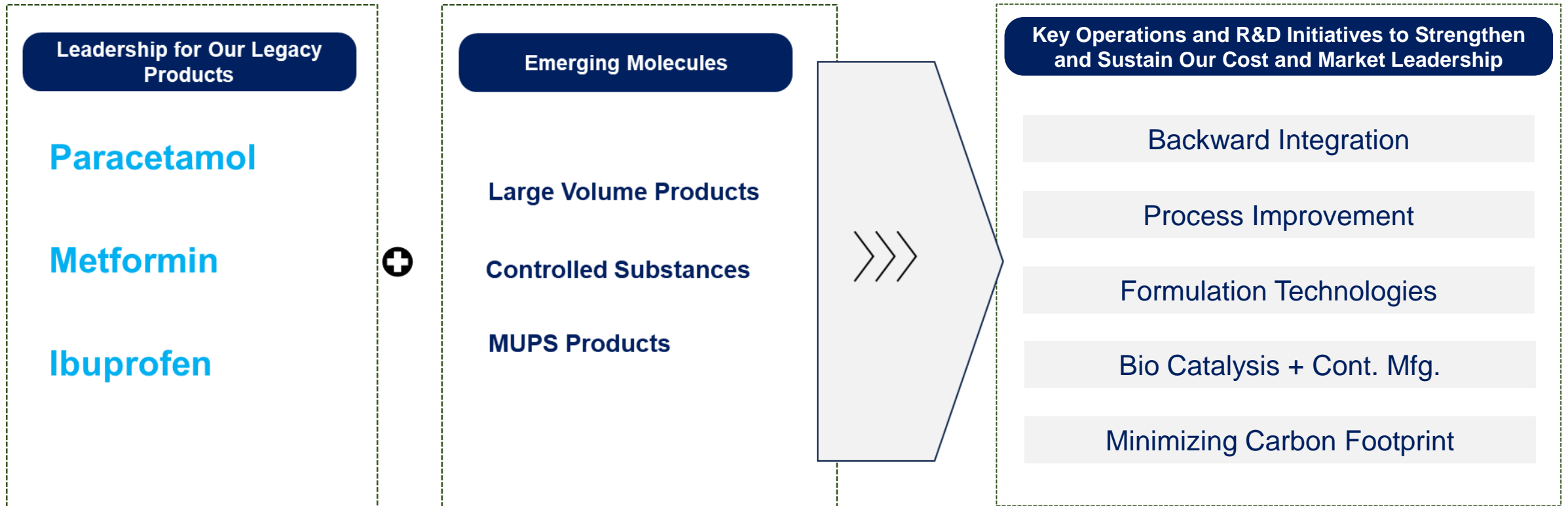
ANDA/Dossier filing status

Filing Status		Approved	Tentatively Approved	Filed	Total Products
GPI IP	USA	28	0	5	33
GIL IP	USA	37	1	12	50
	Europe	8	0	4	12
	Canada	7	0	0	7
	ROW	7	0	8	15
	UK	2	0	0	2
Total		89	1	29	119

ANDA/Dossier filed - Therapeutic area wise



Business Strategy: Building & Sustaining Key Product Leadership



Sustainability at Granules : Pioneering Innovation for Complete Supply Chain Decarbonization of Pharmaceuticals

Net Zero by **2050**

The Granules Commitment

GRANULES CZRO

Building our flagship green pharmaceutical plant*

**(At Kakinada, AP, India)*

Submitted our climate target for 1.5°C pathway and Net Zero goal to SBTi for the validation

SCIENCE BASED TARGETS

COMMIT → DEVELOP → SUBMIT → COMMUNICATE → DISCLOSE

WE SUPPORT

UN GLOBAL COMPACT

Supplier Compliance Audit Network

SCAN

Improving Audit Efficiencies Through Collaboration

27.8 % ↓

Scope1 and Scope2 Intensity*

**Over last year*

22.8 % ↓

Scope1 and Scope2 Absolute Reduction*

**Over last year*

47.7 % ♻️

Share of Renewable Energy of Electricity Consumed #

Including PPA & I-RECS #

88.1 % ♻️

Haz.Waste generated sent for Co-processing

CDP

DISCLOSURE INSIGHT ACTION

C Score

Received for climate change in our CDP disclosure

MSCI **BB**

ESG RATINGS

CCC	B	BB	BBB	A	AA	AAA
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ecovadis

Silver Rating*

**Achieved by Unit - 1 Bonthapally*

Partner Collaboration Platforms

ProjectGigaton

MANUFACTURE 2030

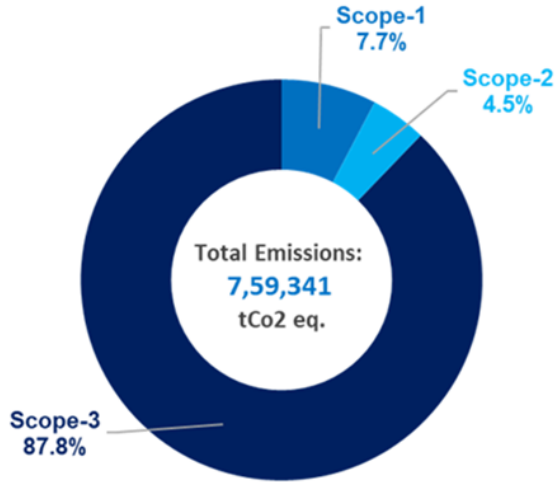
SMETA | Sedex

SMETA the Sedex Members Ethical Trade Audit

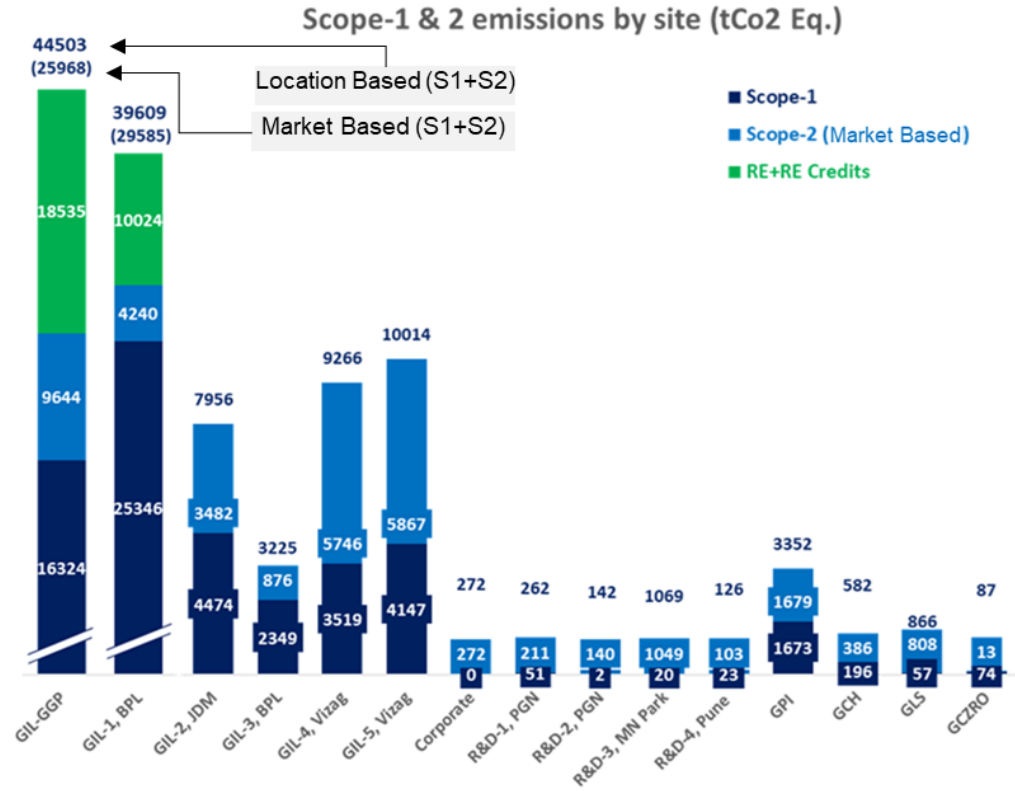
GIL's Carbon footprint

Scope (t Co2 Eq.)	FY23	FY24
Scope-1	57,816	58,247
Scope-2 Market Based	57,974	34,399
Scope-3	6,27,630	6,66,694
Total Emissions	7,43,420	7,59,341

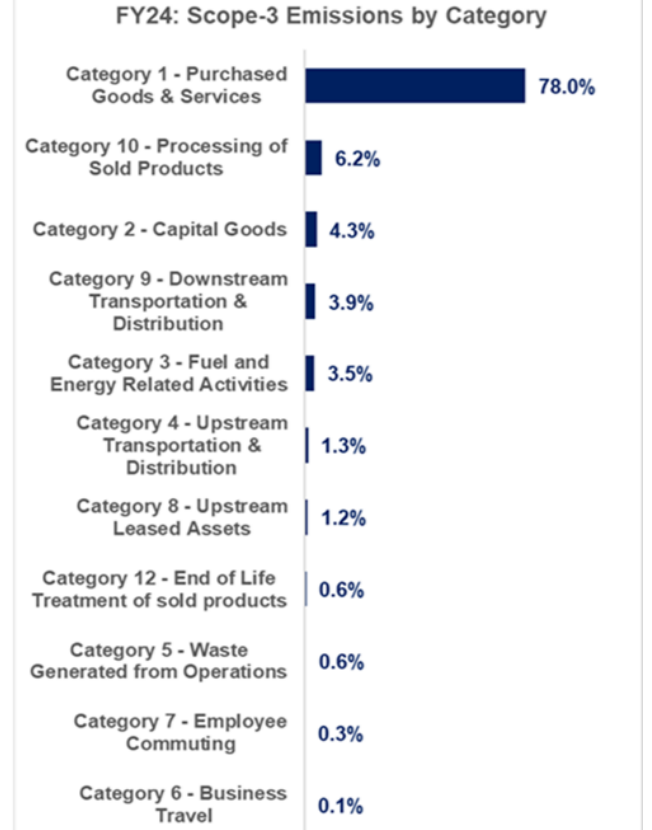
Granules Emission Profile - FY24



Our Scope 1 & 2 emission by unit



Our Scope 3 emission: by category



Our emission disclosures for FY 23 has been updated during FY 24 disclosure cycle to **include emissions for all our subsidiaries** and now includes disclosure of our **comprehensive scope 3 emissions** in addition to previously disclosed Scope 1 and Scope 2 emissions.

Granules scope 3 emission which represents 87.8% of our total carbon footprint, calculation of which is based on **GHG protocol's corporate value chain (scope-3) accounting** and includes **11 out of 15 categories** which are applicable to Granules operations.

Social Impact Initiative : Pharma Pathshala at Swarna Bharat Trust

Granules initiative to train a rural workforce through the Swarna Bharat Trust

Vocational education & technical skills in pharmaceutical operations to High School youth to ensure employment in any pharmaceutical manufacturing company.

GRANULES INDIA IS ENGAGED IN:

- Setting up of the infrastructure along with classrooms, laboratories, etc.
- Developing the course content
- Training the trainers
- Providing faculty
- Providing industrial internship for the students
- Assessing & certifying the students on completion of the course

1,200+

Students trained through Pharma Pathshala



COURSE CONTENTS:

Enhancing Technical Skills
CGMP
Unit Operations
Communication
Analytical Thinking

Basics of pharmaceuticals
Pharma Analysis
Enhancing Soft Skills
Time Management
Decision Making





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thank you!



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