

Granules India Ltd.



Investor Presentation

Q1 FY20



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Q1 FY20 Updates

Q1 Financial Performance Highlights

SALES

**Rs 595 Crs, an increase of
31% over Q1FY19**

EBITDA

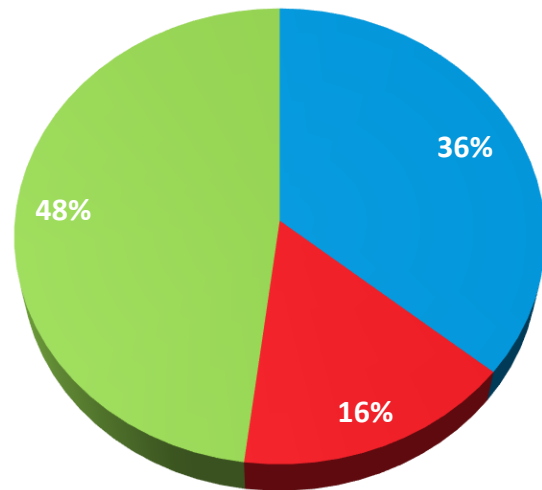
**Rs 119 Crs, an increase of
63% over Q1FY19**

PAT

**Rs 83 Crs, an increase of
61% over Q1FY19**

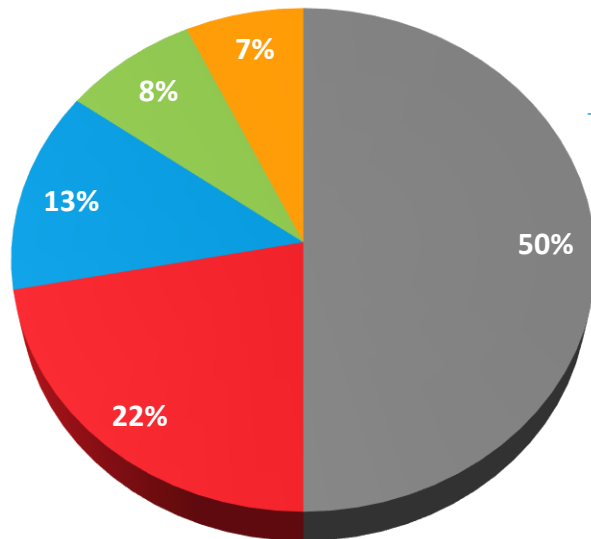
- EBITDA Margin – 19.9%
- PAT Margin – 13.9%
- R&D cost as a percentage to Revenue – 6%
- Total R&D expenditure – INR 34 Crs.
 - Charged to P&L – INR 16 Crs.
 - Capitalised – INR 18 Crs.
- Cash to Cash Cycle – 112 Days
- Free Cash Flow – INR 60 Crs.
- Free Cash Flow to EBITDA – 51%
- Net Debt – INR 863 Crs.
- Net Debt to EBITDA – 1.8
- ROCE – 22.2%

Q1 Operational Performance Highlights



Vertical wise

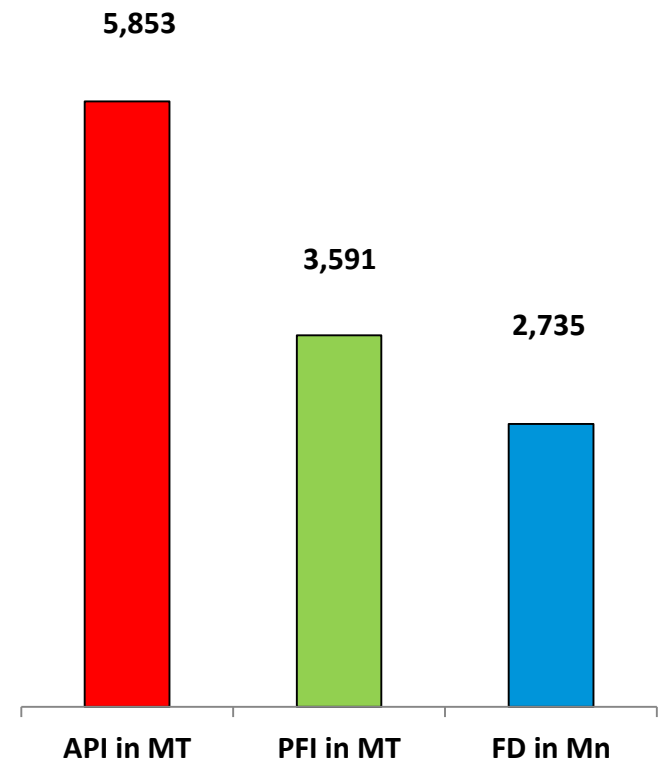
■ API ■ PFI ■ FD



Geography wise

■ North America
■ Europe
■ India
■ LATAM
■ ROW

Production Details



About Granules

Granules at a Glance



Building Blocks

- Regulatory Compliance
- Operational Efficiency
- Customer Centricity
- Scale of Operation



Installed Capacity

- 36,560 TPA of API
- 285 KL
- 4,800 TPA (JV)
- 152 KL (JV)
- 24,400 TPA of PFI
- 18 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
- Joint Ventures



Global Reach

- 60+ countries
- 250+ customers

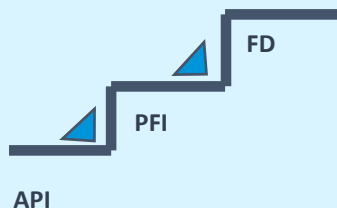


Revenue Mix

- 80% of revenues through exports
- 66% of revenues through regulated markets of USA, Europe and Canada
- LATAM contributes around 10% of revenues



Business Verticals



Vertically integrated across value chain



People Strength

- 2,789 people as on 31st March, 2019



Intangible Assets

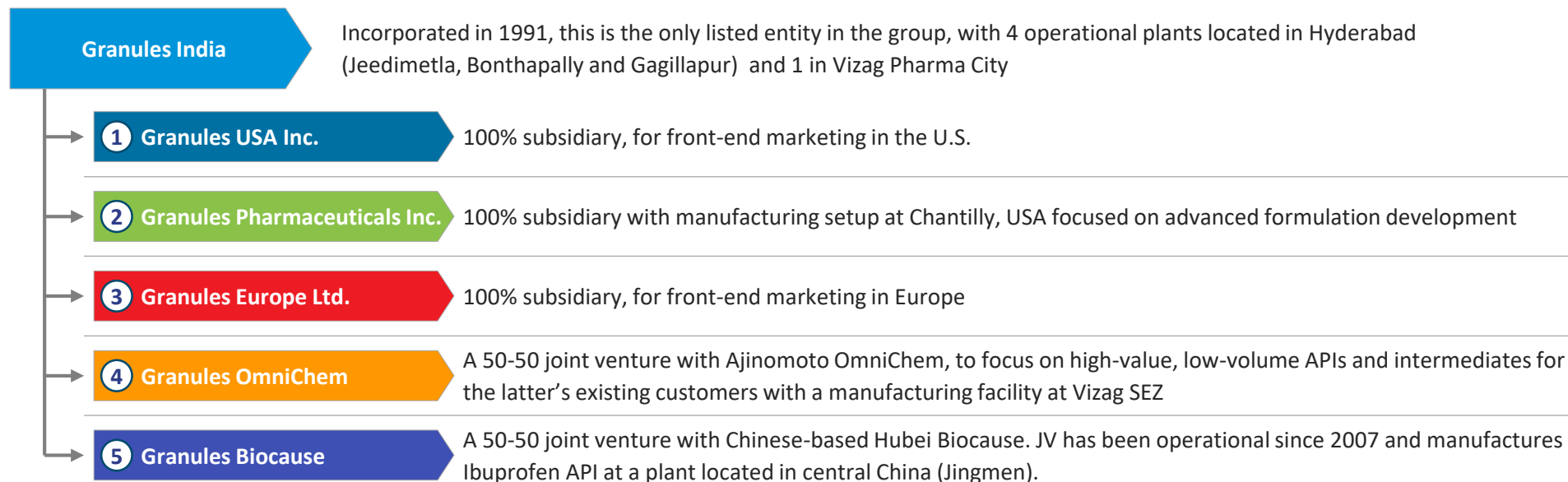
- 35 ANDA filings; 13 approved
- 17 US & 6 European DMF's
- 14 CEPs with EDQM
- 10 other country's DMF's



Manufacturing Base

- 8 operational manufacturing facilities; 6 in India, 1 in China, 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

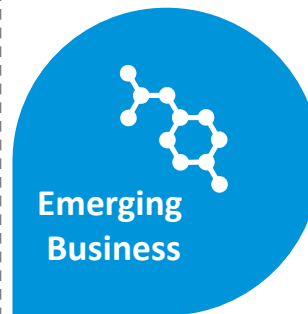
Group Structure and Manufacturing Presence



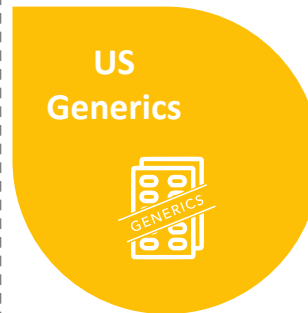
Value Chain	Facility Location	Installed Capacity	Approvals
API	Bonthapally	33,000 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED
	Jeedimetla	3,560 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO
	Jingmen, China (Biocause JV)	4,800 TPA	U.S. FDA, MHRA, CFDA
	Vizag	285 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM
	Vizag SEZ (OmniChem - CRAMs JV)	152 KL	U.S. FDA
PFI	Gagillapur	23,200 TPA	U.S. FDA, COFEPRIS, TGA, MCC, INFARMED
	Jeedimetla	1,200 TPA	WHO GMP, COFEPRIS, INFARMED
FD	Gagillapur	18 Bn	U.S. FDA, MCC, COFEPRIS, TGA, INFARMED
	Virginia, USA	0.5 Bn	U.S. FDA, DEA
API Intermediates	Bonthapally	61.5 KL	

Business Structure – Granules India

- Focus on volume based products such as Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol, Naproxen and newly added Cetrizine and Fexofenadine.
- Large scale manufacturing enables sustain competitive advantage & secured supply source for the customers
- Pioneered the concept of commercializing PFIs which suits well with large volume drug



- Auxiliary growth engine to secure the future.
- Multiproduct and multi-stage API to FD manufacturing facilities in Vizag with special focus in Oncology
- Fully integrated facility to offer APIs and FDs in Onco Therapeutic Segment which features among the top growth segments



- Granules Biocause, a venture with China based Hubei Biocause operational since 2007. Objective is to enable core business Ibuprofen API requirement through backward integration.
- Omnicem is a 50:50 JV with Belgium Omnicem, a part of the Ajinomoto Group. Focus on CRAMS as a diversification strategy.

- Fully integrated infrastructure including R&D, manufacturing and marketing enabling “Make in America”
- Business to Consumer reach (B2C)
- Focus on developing niche / differentiated products in areas of modified and immediate release products of varied dosage forms

Core Business

Overview

- Present 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 efficiency into the system
- Focus on first line of defence portfolio products such as Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol, Cetirizine and Fexofenadine etc.
- 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		Value Enablers
Scale	➔	<ul style="list-style-type: none">■ One of the World's largest PFI and single site FD facility■ API capacity 36,560 MT, PFI 24,400 TPA & Finished Dosages 18 billion■ DMFs, Dossiers, ANDAs for APIs and finished dosages, which can be repacked and marketed by customers under their own brand name
Present Across Value Chain	➔	<ul style="list-style-type: none">■ Fully integrated in key molecules from APIs to Finished Dosages
Expanding Portfolio	➔	<ul style="list-style-type: none">■ Selective addition of molecules to the portfolio■ Enhancement of existing products through introduction of controlled release and controlled substances■ Access to value-added products, such as rapid-release caplets and bi-layer tablets
Regulatory Compliance	➔	<ul style="list-style-type: none">■ All plants are FDA and other regulatory body approved■ Regular customer audits ensures continuous compliance■ Dedicated resource to monitor and improve compliance parameters

Emerging Business: Multi APIs / Onco

Overview

- Multiproduct and multi-stage API to FD manufacturing facilities in Vizag with special focus in Oncology
- Fully integrated facility to offer APIs and FDs in Onco Therapeutic Segment which features among the top growth segments

Drivers

Value Enablers

Infrastructure



- Multiproduct API and Oncology manufacturing facility with over 18 acre 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 its own and customer products

Regulatory Track Record



- Products and under stability and expect faster site approval once filed

Portfolio






- Robust product pipeline for other limited competition APIs.
- 30 techpacks ready for Onco block

US Generics

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 III
- 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		Value Enablers	
Portfolio			<ul style="list-style-type: none">▪ “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 4
Capabilities			<ul style="list-style-type: none">▪ 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
Granules’ advantage			<ul style="list-style-type: none">▪ 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

JVs – Granules Omichem & Granules Biocause

Overview

- Granules Biocause, a venture with China based Hubei Biocause operational since 2007. Objective is to enable core business Ibuprofen API requirement through backward integration.
- Enables the core business to de-risk the supply chain management
- Omnichem is a 50:50 JV with Belgium Omnichem, a part of the Ajinomoto Group. Focus on CRAMS as a diversification strategy
- Omnichem foray primarily caters to high-value, low-volume API and intermediates for Omichem's existing customers
- Provides a cost effective manufacturing base to innovators when CRAMS products go off-patent

Drivers

Value Enablers

New Business Opportunity

- High margin opportunity in CRAMS with manufacturing for innovators and bigger MNCs
- Steady demand from Omnichem's existing customer base

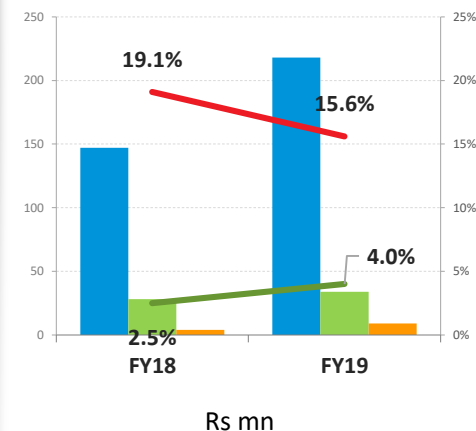
Backward Integration

- Dedicated Ibuprofen API facility at Jingmen ensures uninterrupted supply of API for key portfolio product

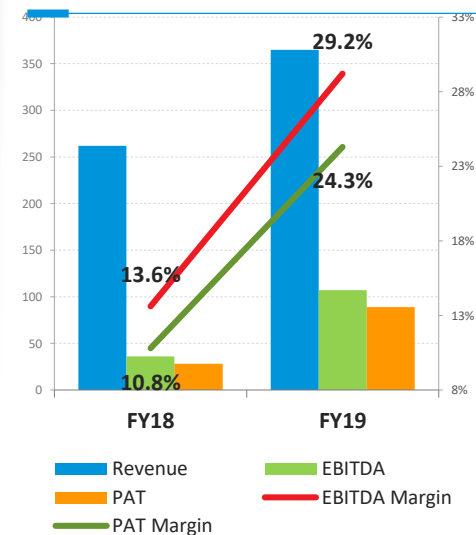
Cater to multiple markets

- Jingmen facility is approved by U.S. FDA, MHRA, CFDA enabling the JV to cater to most regulated markets

Granules Omnichem



Granules Biocause



Core Management Team



Mr. Krishna Prasad Chigurupati
Chairman and Managing Director

Mr. Prasad is the Founder of Granules India and has more than three decades of experience in pharmaceutical industry. A first generation entrepreneur with expertise in efficient manufacturing , process innovation and compliance. He has deep understanding and strong relationship with customers in the US and Europe. He has pioneered and popularized Pharmaceutical Formulations Intermediates (PFIs) as a cost efficient product for global formulations.



Mrs. Uma Devi Chigurupati
Executive Director

Mrs. Uma has rich experience of 30 years in various fields. Mrs. Uma with Mr. C. Krishna Prasad co-founded Triton Laboratories Private Limited in the year 1984, which was later amalgamated with Granules India Limited. Presently, she is spear heading CSR activities and HR initiatives.



Ms. Priyanka Chirugupati
Executive Director, Granules Pharmaceuticals, Inc.

Ms. Priyanka Chigurupati is the Executive Director of Granules Pharmaceuticals Inc. and responsible for the US Generics business. Ms. Chigurupati has a Master of Science degree in Business Management from Case Western Reserve University. Within Granules, she has had a variety of roles across several divisions in the US and in India including the Core business, Emerging Business and Consumer Health over the past 5 years.



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.

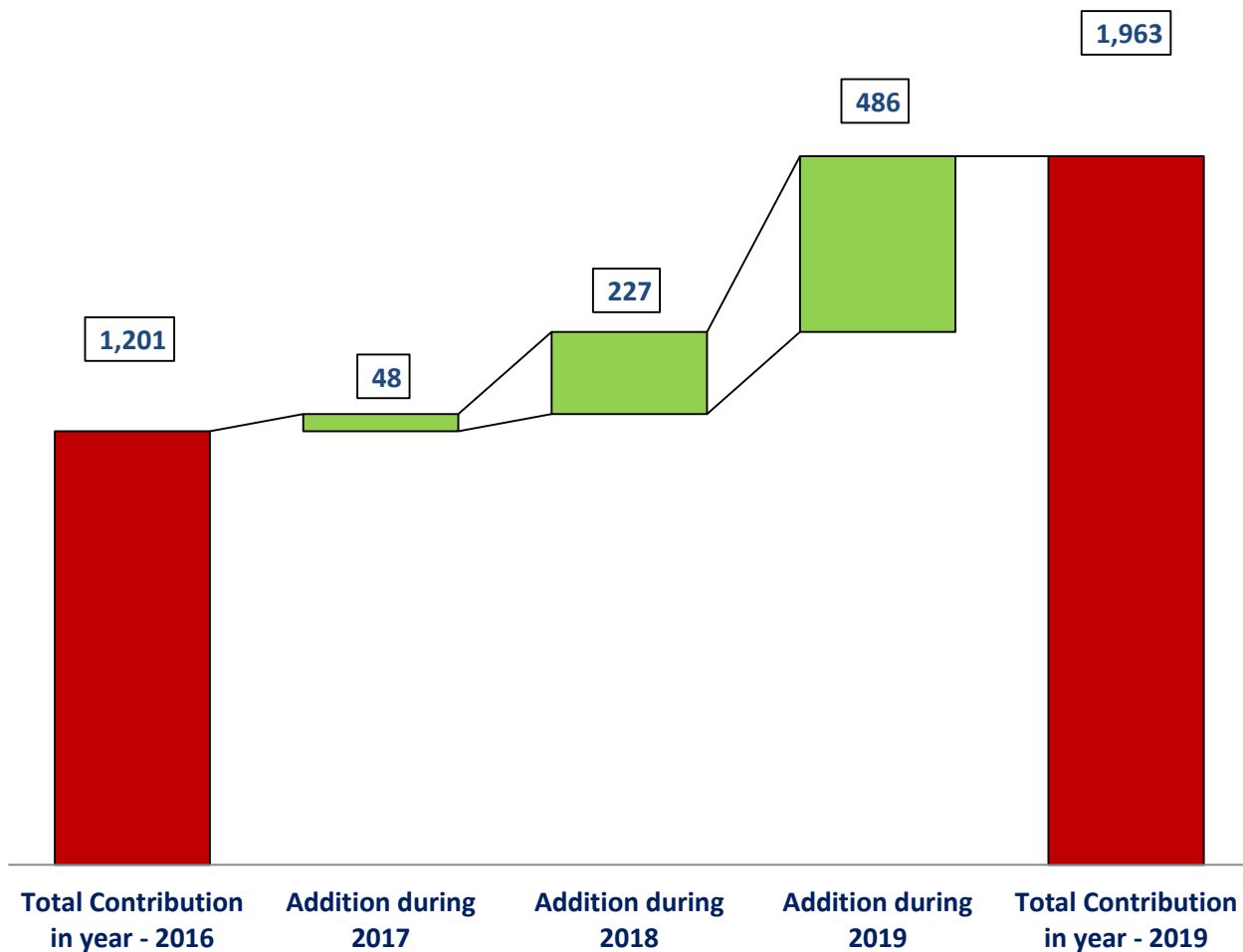


Mr. Atul Dhavale
Chief Human Resources Officer

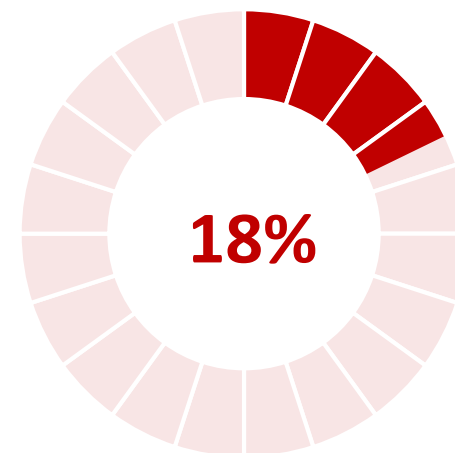
Mr. Atul Dhavle is a Graduate in Production Engineering from Nagpur University and holds a Postgraduate certificate in Business Management from XLRI. He has over 26 years of experience with reputed organizations like Mahindra & Mahindra, DuPont, Welspun, Dr. Reddy's and handled various assignments in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

Operational Performance Metrics

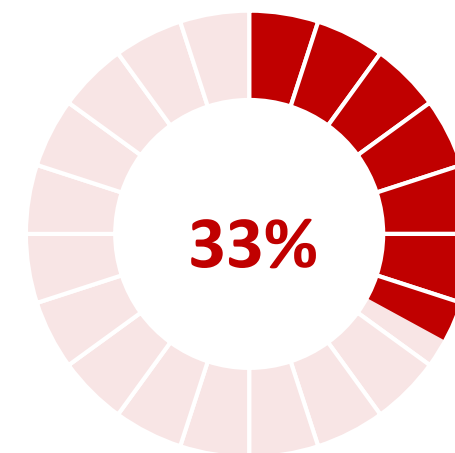
High volume based molecule business



3 Year CAGR

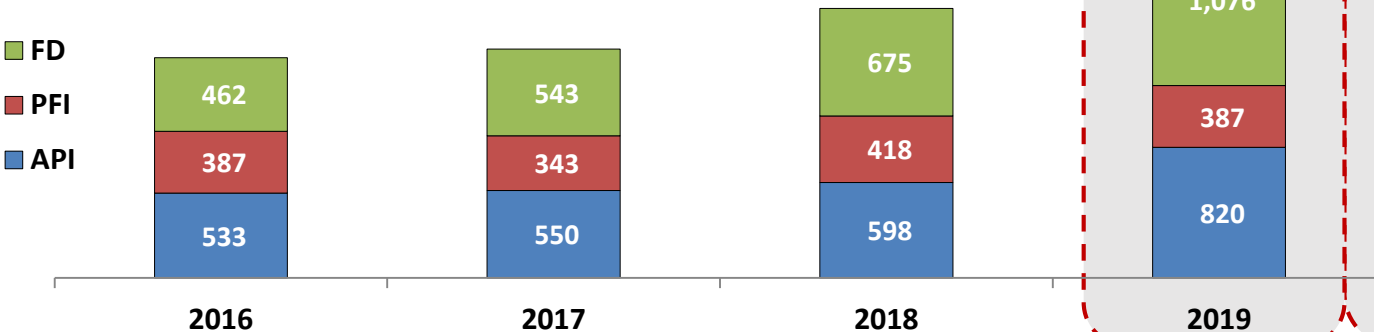


Y-o-Y Growth in FY'19

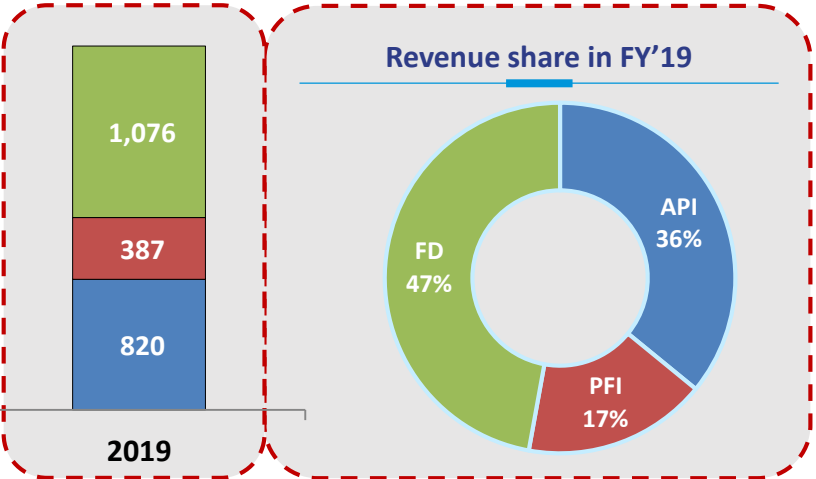


Consolidated Operational Metrics

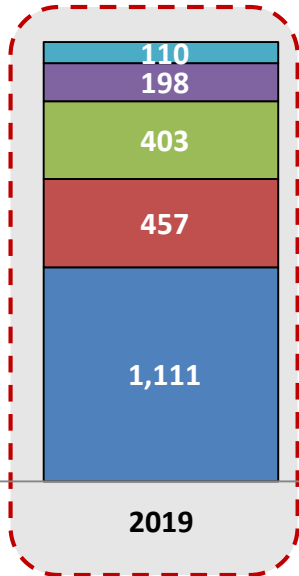
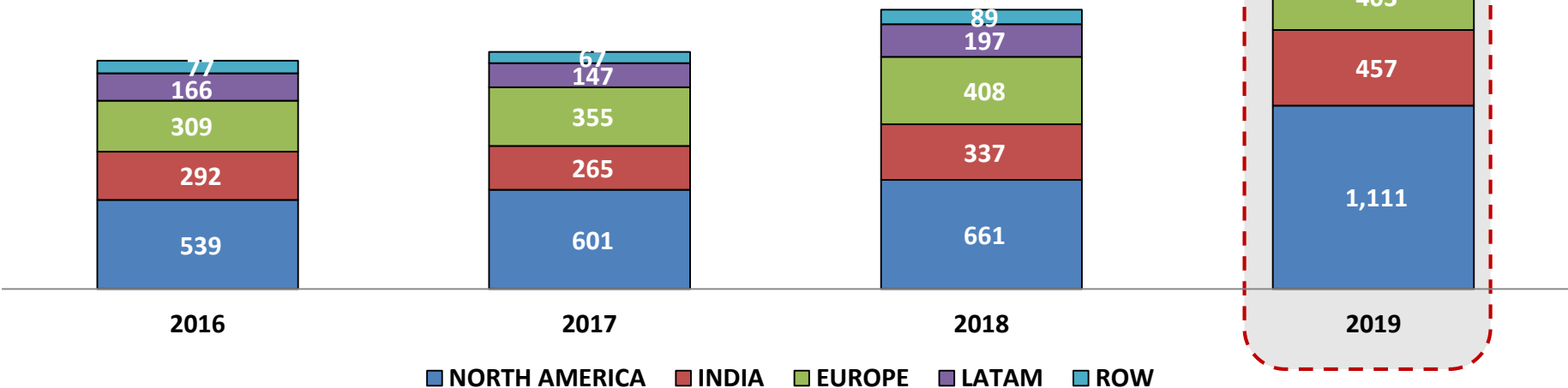
Product Vertical wise Revenue



Revenue share in FY'19

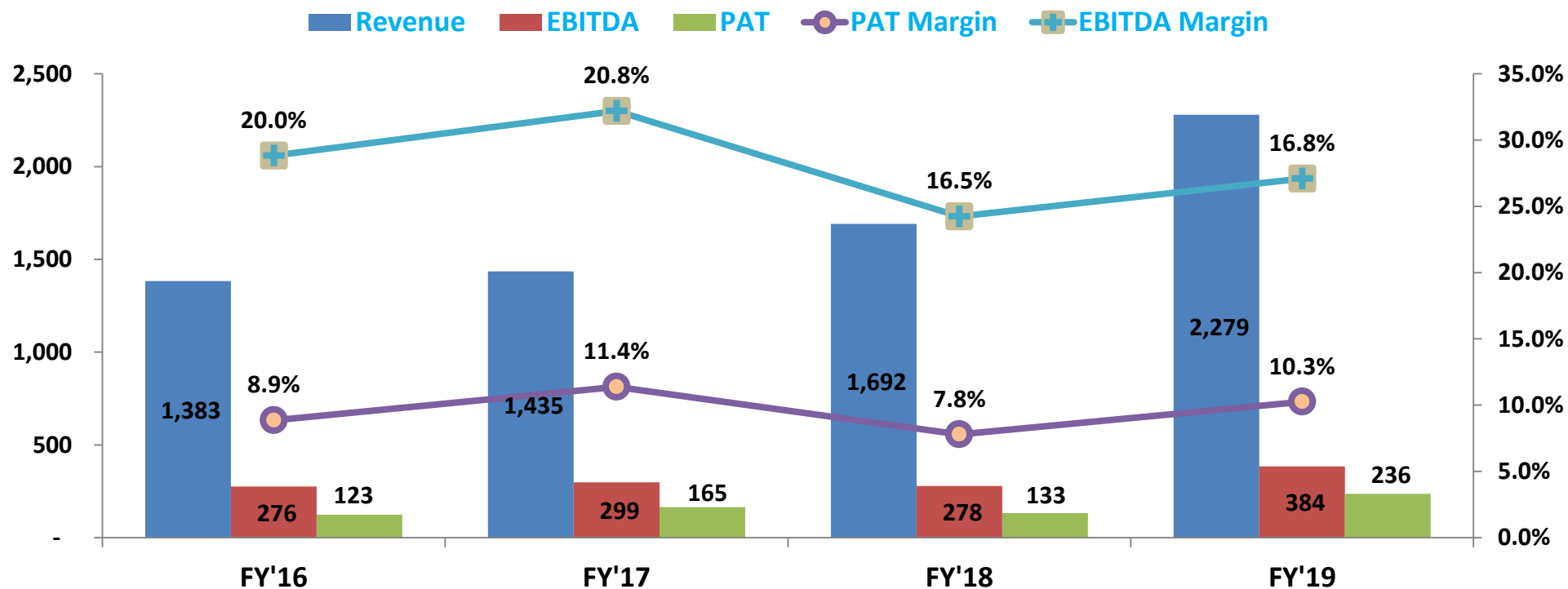


Geography wise Revenue contribution



Financial Performance Metrics

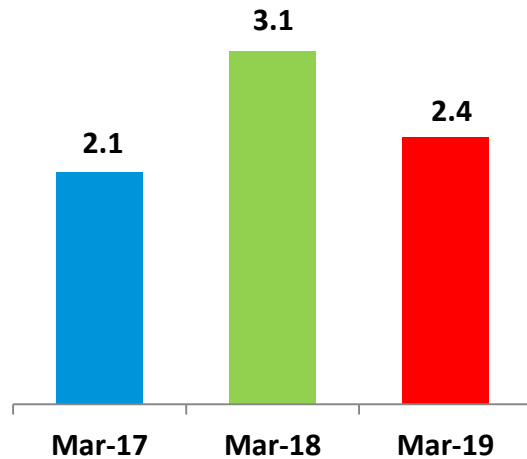
Consolidated Financial Overview – Trends



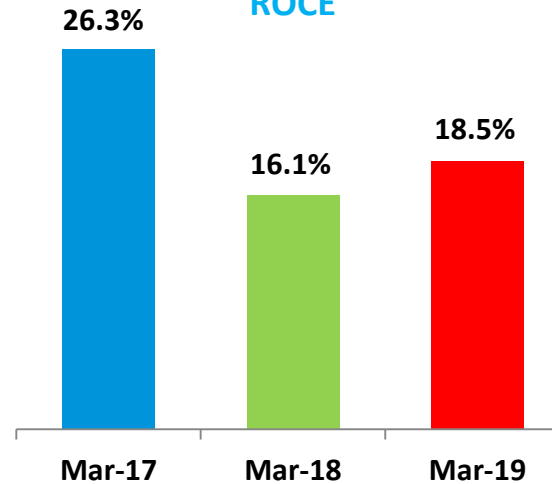
Balance Sheet Trends (Rs Cr)	FY 16	FY 17	FY 18	FY 19	3 Year CAGR
Net Worth	662	904	1,304	1,529	32%
Capital Employed	910	1,086	1,758	2,066	31%
Gross Block	823	984	1,200	1,473	21%

Consolidated Balance Sheet Highlights

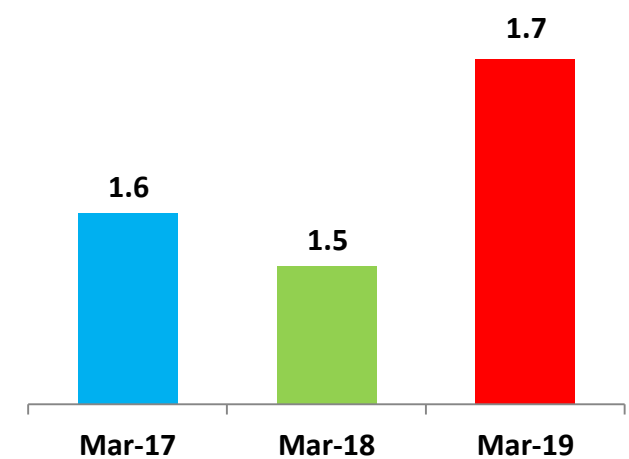
Net Debt to EBITDA (Times)



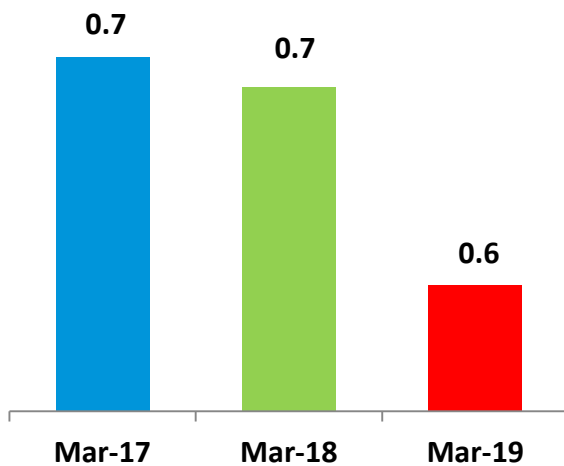
ROCE



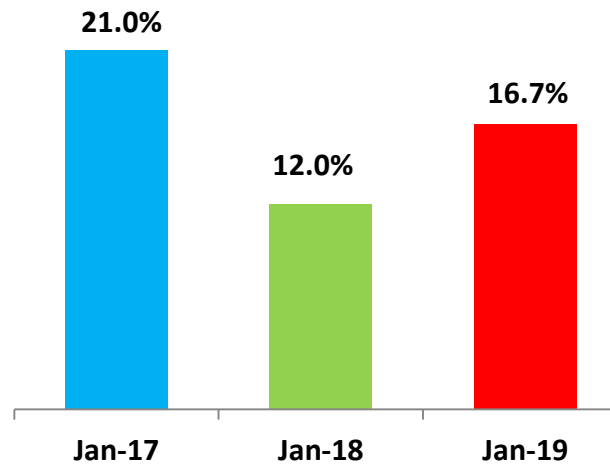
Asset Turnover (Times)



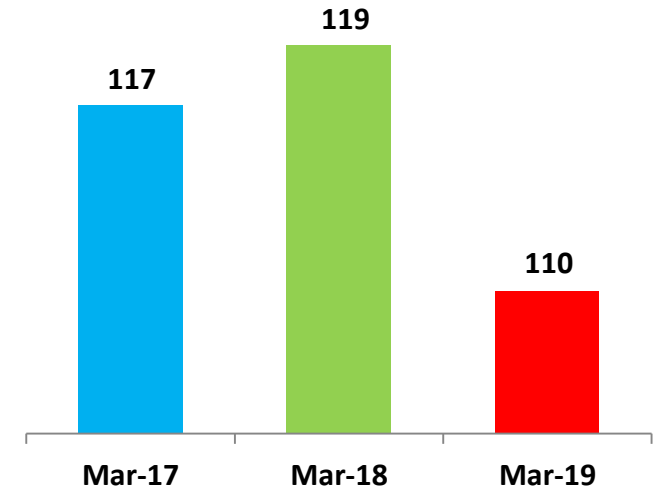
Net Debt to Equity (Times)



ROE



Cash to Cash Cycle (In Days)



Note: ROCE (including JVs share) = EBIT/Average Capital Employed, ROE = PAT/Average Net Worth

Way Forward

Way Forward

Building Blocks in Place



- Integrated platform in place that can 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
- Omnichem JV geared to address high growth opportunity in the CRAMS space

Profitable Growth through Execution



- Expanding portfolio range with addition of differentiated and limited competition products in API/FPI
- Omnichem's established customer base to be major contributor to revenues
- Building portfolio of strong brands in regulated markets

Steady Returns to the Stakeholders



- Financial discipline to a key focus
- Focus on generating operating leverage
- Identifying newer growth avenues to deliver sustainable growth

Huge Economies of Scale

Foundation of Quality & Compliance

Experienced and Proven Management team





For further information, please contact:

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