GRANULES

REGISTERED OFFICE

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CIN: L24110TG1991PLC012471

Dated January 21, 2020

To,
National Stock Exchange of India Limited
BSE Limited
Symbol: NSE: GRANULES; BSE: 532482

Dear Sir,

Sub: Presentation to the Analysts/Investors

We refer to Un-audited financial results for the third quarter ended December 31, 2019 submitted to you today i.e., on 21st January 2020.

We are now enclosing the presentation in this regard to the Analysts/Investors which is also being uploaded on our website.

This is pursuant to Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Kindly take the above information on record.

Thanking you.

Yours faithfully,

FOR, GRANULES INDIA LIMITED

(CHAITANYA TUMMALA)
COMPANY SECRETARY &
COMPLIANCE OFFICER

GRANULES

Granules India Limited

Earnings Presentation
Q3FY20

Safe harbor

The Presentation is to provide the general background information about the Company's activities as at the date of the Presentation. The information contained herein is for general information purposes only and based on estimates and should not be considered as a recommendation that any investor should subscribe / purchase the company shares. The Company makes no representation or warranty, express or implied, as to, and does not accept any responsibility or liability with respect to, the fairness, accuracy, completeness or correctness of any information contained herein.

This presentation may include certain "forward looking statements". These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements. Important factors that could cause actual results to differ materially from our expectations include, amongst others general economic and business conditions in India, ability to successfully implement our strategy, our research and development efforts, our growth and expansion plans and technological changes, changes in the value of the Rupee and other currencies, changes in the Indian and international interest rates, change in laws and regulations that apply to the Indian and global pharmaceuticals industries, increasing competition, changes in political conditions in India or any other country and changes in the foreign exchange control regulations in India. Neither the company, nor its directors and any of the affiliates or employee have any obligation to update or otherwise revise any forward-looking statements. The readers may use their own judgment and are advised to make their own calculations before deciding on any matter based on the information given herein.

Quarter at a Glance

- Continued growth across key geographies US up 36% and Europe up 47% YTD
- Strong improvement in Gross Margins ~755 bps yoy and ~208 bps qoq
- Strong EBITDA Margin Trajectory stood at ~23.2% in Q3FY20 after expensing out full R&D
- Focus on Building strong Product pipeline
- Momentum continues in the US Business, and higher contribution from Finished dosages
- Reduction in Net Debt/EBITDA despite continued growth and investments in business
- Continuous focus on Quality and Compliance

Highlights of the Quarter

Approved ANDAS

- US FDA has approved the ANDA filed by Granules India Limited for Loratadine Tablets USP, 10 mg (OTC).
- US FDA has approved the ANDA filed for APAP /Butalbetal Capsules USP,50/300 mg by Granules pharmaceutical Inc.
- US FDA has approved the ANDA filed for Fexofenadine Hydrochloride Tablets USP, 60 mg and 180 mg (OTC).

Clarification on NDMA

- NDMA is absent in Metformin Hydrochloride for batches produced by Granules.

Establishment Inspection Report

- EIR for Granules Pharmaceuticals, Inc. facility, a wholly-owned foreign subsidiary of the Company located in Chantilly, Virginia, USA.

Recall Update

- Voluntary recall done for Ranitidine in the US market as they contain unacceptable levels of N-nitrosodimethylamine (NDMA). Impact of recall is insignificant

Joint venture and Buy-Back update

- Biocause JV has progressed further with a one-time provision charged for impairment of INR 320.3 Mn provision taken in Q3FY20
- Board of directors approved a buyback proposal of INR 200 per share at total value of INR 2500 Mn

Agenda

1. Q3FY20 Key highlights
2. Our Company
3. Levers for Growth
4. Robust Financials; goals
5. Key Investment Highlights

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1. **Q3FY20 Highlights**
2. Our Company
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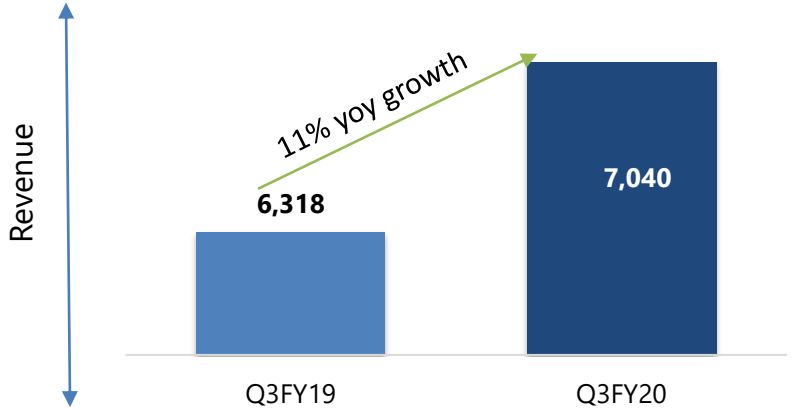
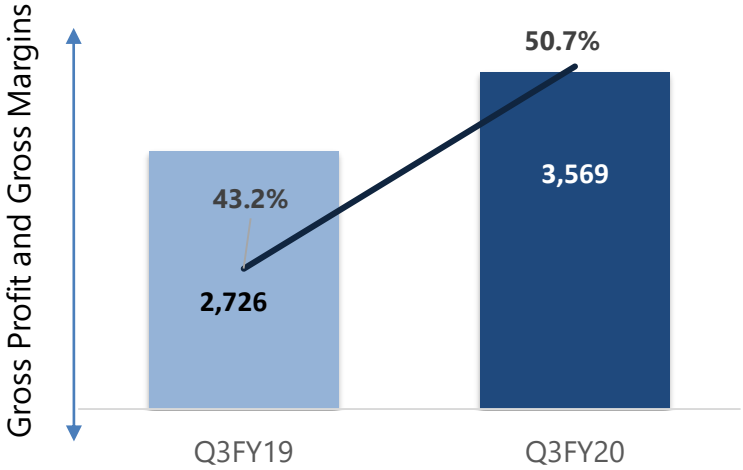
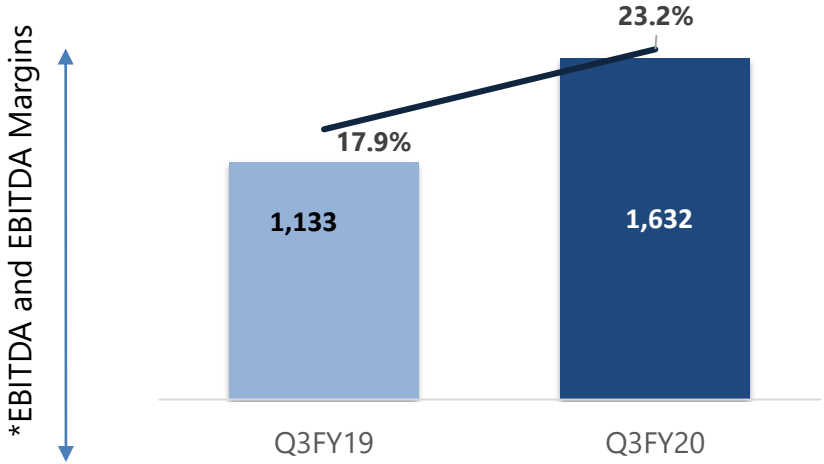
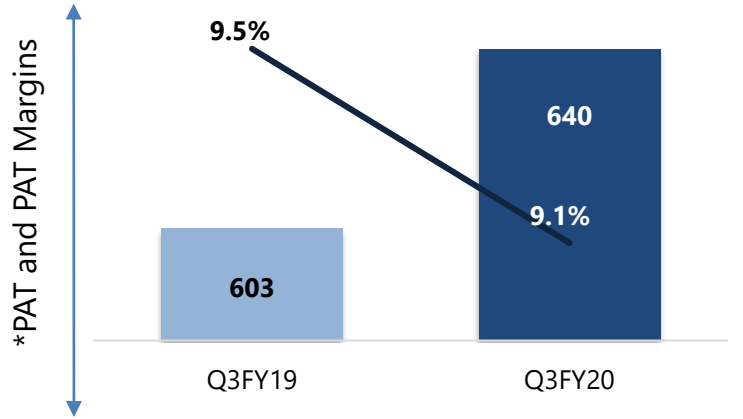
Q3FY20 Financial Highlights

(₹ Mn)









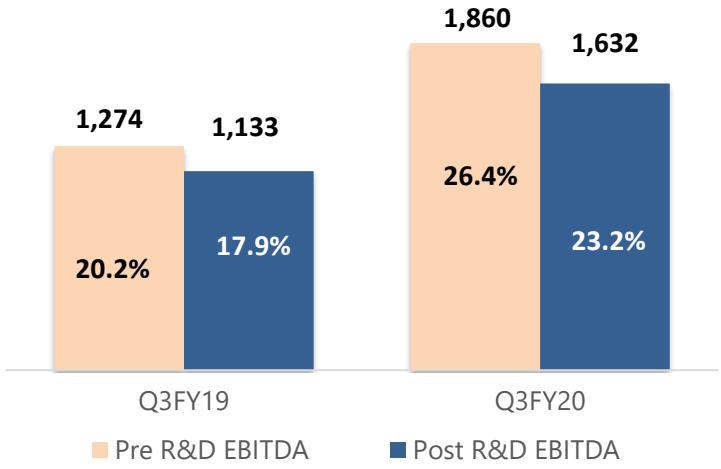
Note:- PAT after one time Exceptional item charged ~320 mn provided for impairment in Biocause
EBITDA after charging for R&D spend

Key Highlights

- Revenue contribution was mainly on an account of new launches
- Gross margin expanded due to better product mix
- Adoption of strategy to charge full R&D spend from Q3FY20
- PAT after one-time exceptional item charge of ~INR 320 mn provided for impairment in Biocause

(₹ Mn)

PRE & POST R&D EBITDA and EBITDA %



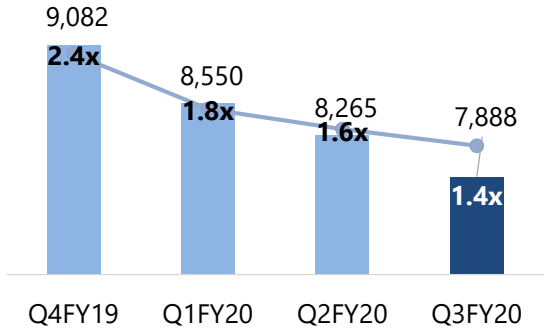
Continuous improvement on set financial goals

(₹ Mn)

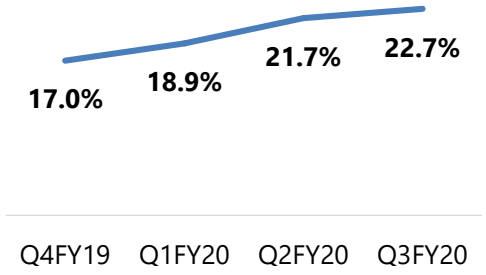
1 **Focus on reduction of debt, target 1x net debt to EBITDA by FY22**

2 **ROCE target of 20%+, Free cash flow generation**

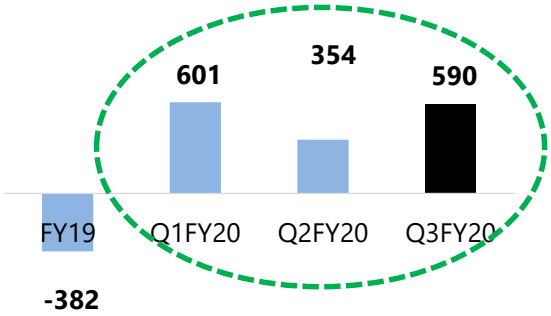
Net Debt & Net debt-to-EBITDA (x)



ROCE (%)



FCF



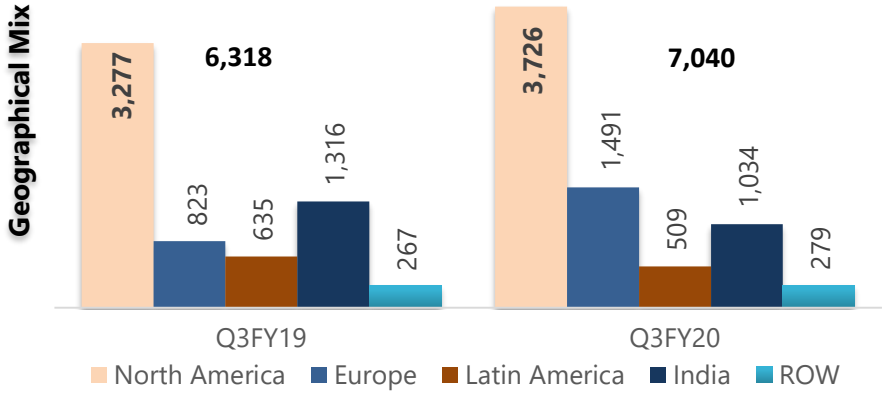
3 **Capex cycle completed, operating leverage to result in ~1% EBITDA margin improvement every year**

Note: ROCE = [EBIT/Avg. Capital Employed] excluding JV's

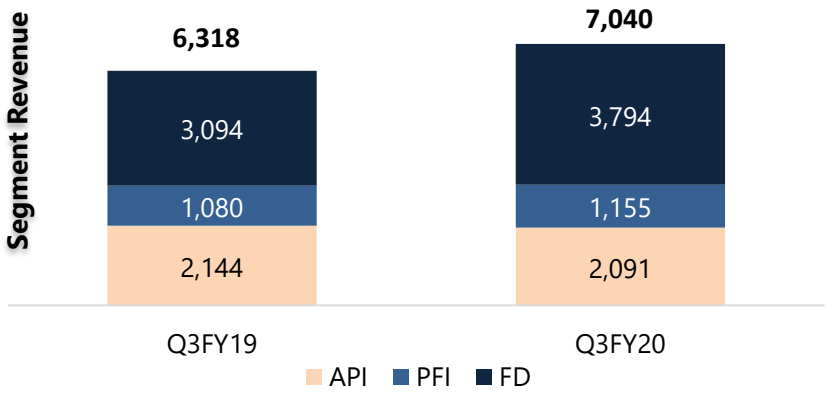
Increasing contribution from higher-margin FDs, generics, while remaining backward integrated in APIs

(₹ Mn)

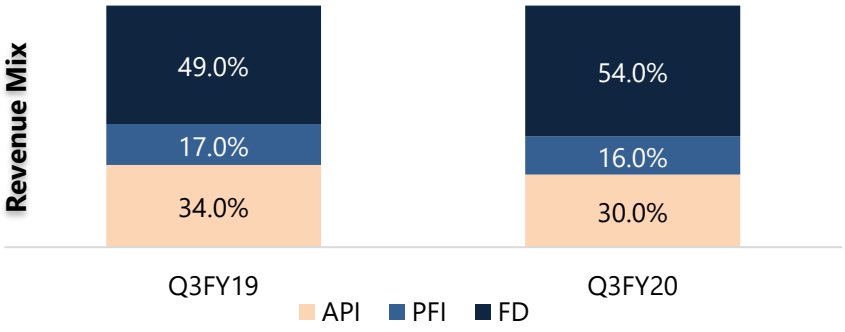
Contribution from Europe is increased from 13% to 21%



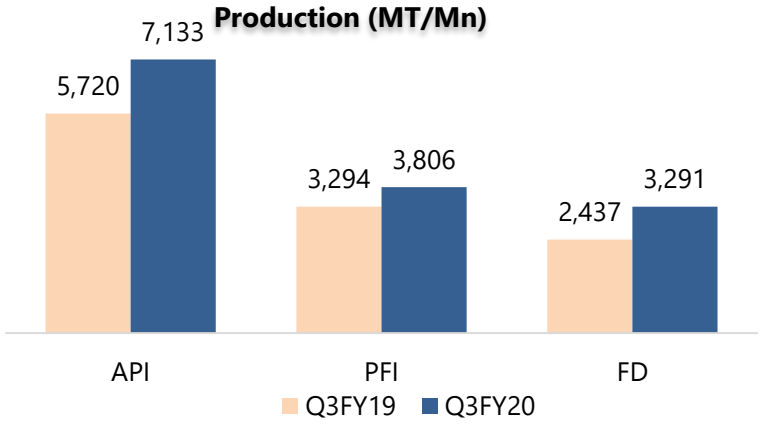
Finish Dosage segment grew 23% YOY



Contribution from FD increased to 54%



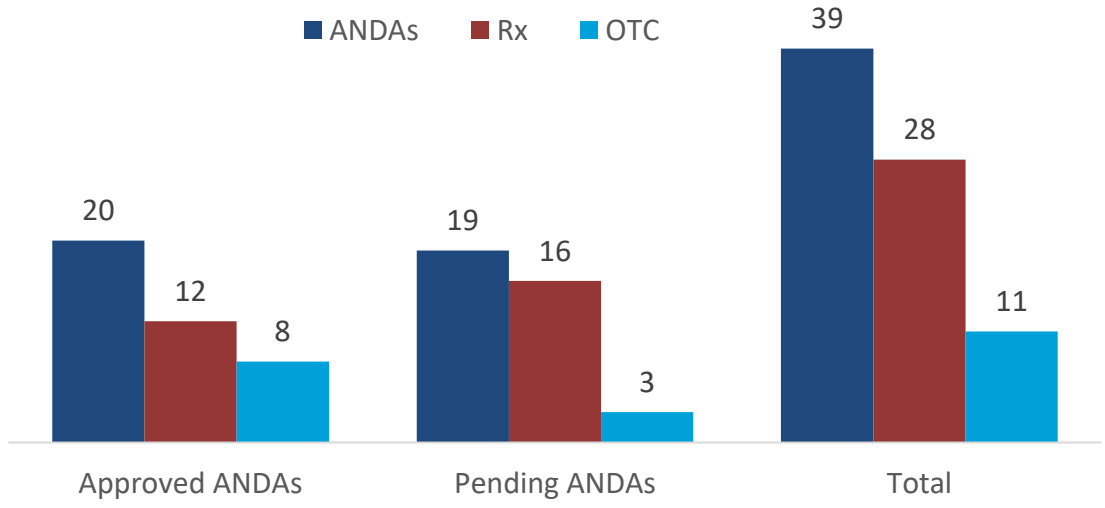
Production (MT/Mn)



ANDAs Portfolio & Pipeline (As on 31st Dec 2019)

20 + 19 = 39 ANDAs

ANDAs Portfolio



Filings is mainly on limited competition, some extended releases and controlled substances

Agenda

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2. **Our Company**
3. Levers for Growth
4. Robust Financials; goals
5. Key Investment Highlights

Fast growing, integrated pharmaceutical company

- ✓ Focus on volume based products such as **Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol and newly added Cetrizine and Fexofenadine**
- ✓ **Large scale manufacturing with sustained competitive advantage** & secured supply source for the customers
- ✓ **Pioneered the concept of commercializing PFIs** — suits large volume drugs

- ✓ **Fully integrated infrastructure** including R&D, manufacturing and marketing to enable "Make in America"
- ✓ Business-to-Consumer model (B2C)
- ✓ Focus on developing **controlled substances and niche/differentiated modified and extended-release** products in varied dosage forms

- ✓ Auxiliary growth engine
- ✓ **Multi-product and multi-stage API to FD manufacturing site**
- ✓ **Fully integrated facility to offer APIs (Onco and Non Onco) and FDs in onco therapeutics,** a top growth segment

A vertically-integrated, fast-growing pharmaceutical company

APIs → **PFIs** → **FDs** → **Sales & Marketing**

Inhouse Active Pharmaceutical Ingredients (**API**) manufacturing with focus on efficiently creating high-quality APIs in key therapeutic categories

World's largest Pharmaceutical formulation Ingredients (PFI) facility at Gagilapur. PFIs taken from drums to hopper and compressed into tablets directly

Multiple Finished Dosage (FDs) forms comprising tablets, caplets and press-fit capsules in bulk, blister packs and bottles

B2B: Work with strategic partners who sell the finished dosages to end customers
B2C: Granules Consumer Health and Granules Pharmaceuticals Inc; **our front end Sales & Marketing** divisions in US for OTC & Rx products respectively

Granules at a glance

Building Blocks

Large scale of operations

Operational efficiencies

Long-term customer relationships

Adherence to regulatory compliances

Installed Capacity

36,560 TPA of API

290 KL capacity of API

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

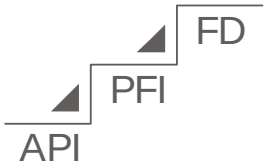
Revenue Mix

86% of revenues are exports

73% 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

90+ people at GPI, Chantilly- VA

Intangible Assets

39 ANDA filings; 20 approved

18 US & 7 European DMFs

15 CEPs with EDQM

10 other country's DMFs

Manufacturing Base

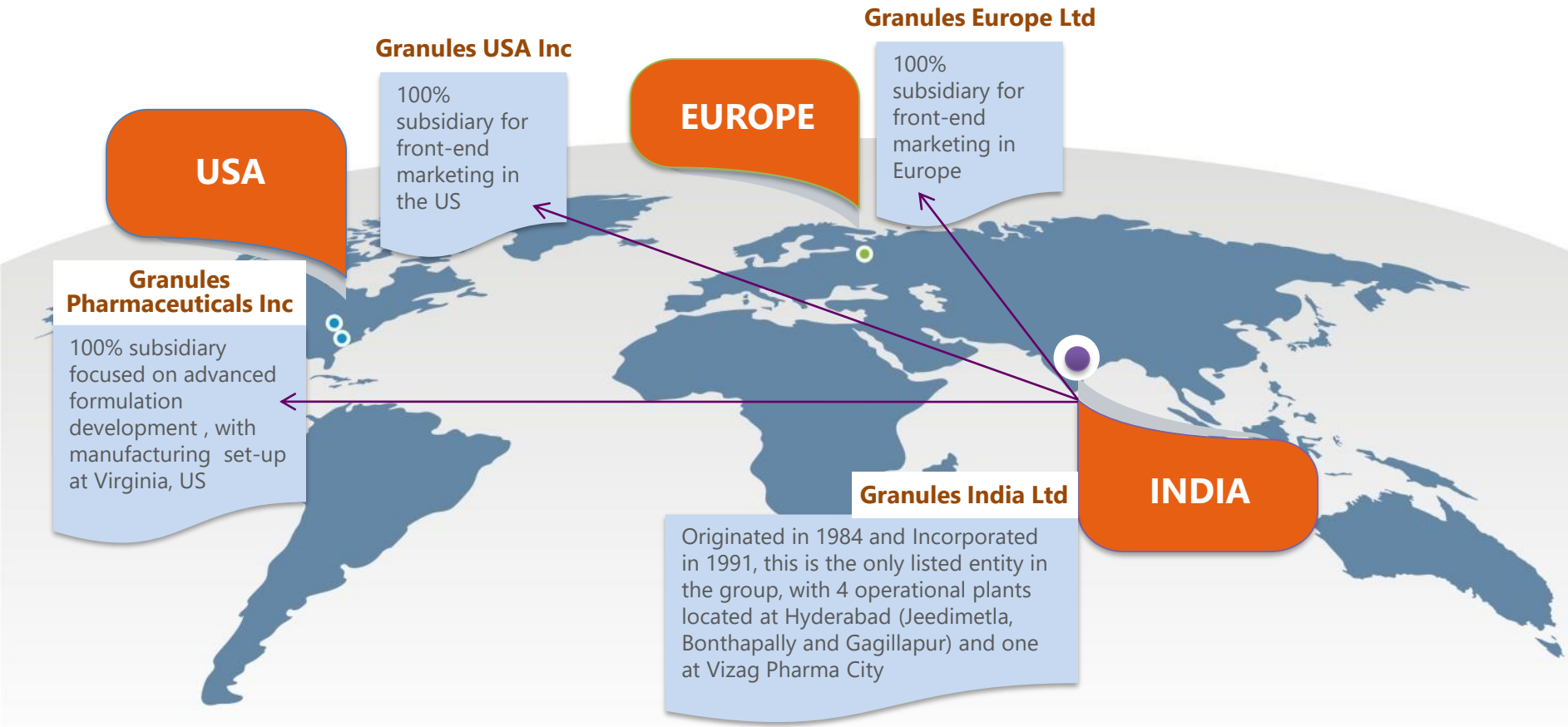
6 operational manufacturing facilities; 5 in India, 1 in US

One of the world's largest paracetamol API facilities

World's largest PFI facility

One of the largest single-site FD facilities

Our Global footprint; with presence in over 50 countries



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Core Business

An Overview

- Presence across the entire pharmaceutical manufacturing value chain from API to finished dosages
- Large-scale manufacturing enables not only to 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, Cetrizine, and Fexofenadine
- Pioneered the concept of commercializing PFIs which is for large volume molecules
- 3 US FDA-approved plants located in Hyderabad (Jeedimetla, Bonthapally, Gagillapur) and 1 in Vizag

Growth Drivers

1. **Expanded to 7 molecules**: Fexofenadine & Cetirizine added to the existing core portfolio in FY20
2. **Expanded capacities in (API + FD) high volume products** (Paracetamol, Metformin, Ibuprofen, Guaifenesin, Methocarbamol)
3. **Ramp up of utilization at the new capacities** to expand global market shares in these APIs and integrated from API to FD.
4. **Widening existing portfolio into several dosage forms**

   E.g. Paracetamol 500mg, Paracetamol 650mg, Metformin XR
5. **Expanding market to other regions by extending our filings footprints in UK and Europe**

Economies of scale driving profitability

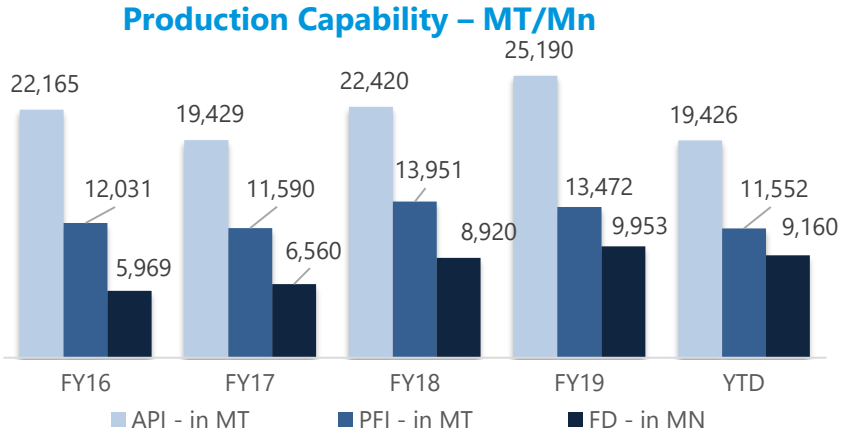
Empowering business sustainability through.....

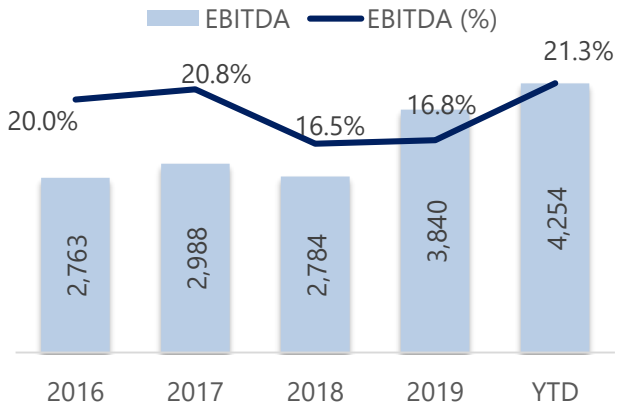
Progressively invested in expanding capacities

Leverage economies of scale

Volume play with large batches results in lower testing costs & lower batch to batch variability

On-time In full (OTIF), reduction in testing costs and quality assurance





US Generics: Granules Pharmaceuticals Inc.

- Fully integrated infrastructure from R&D, manufacturing to sales and marketing enabling "Make in America" (TAA compliance for Govt. business)
- Balanced product portfolio, combination of internal capabilities and market dynamics.
- Strategic portfolio selection focusing on limited competition products across oral solids; tablets, capsules, oral solids and powder for oral solutions
- US FDA approved facility in Virginia with a team strength of 90+.
- 100,000 sft facility with established R&D and Manufacturing capabilities with all necessary approvals for development and manufacturing of controlled substances.
- Business to Consumer — front end sales and marketing for Rx & OTC products

1. Gained traction with a **first to generic product**; Methergine in June 2014. Set up a front ends sales and **marketing division and launched 5 products under the GPI label (as of date)**. "Control your own destiny"

2. **28 Rx ANDAs filed and 12 ANDAs approved currently. 16 products to be approved. 9 products under development between GPI and GIL (Rx).**

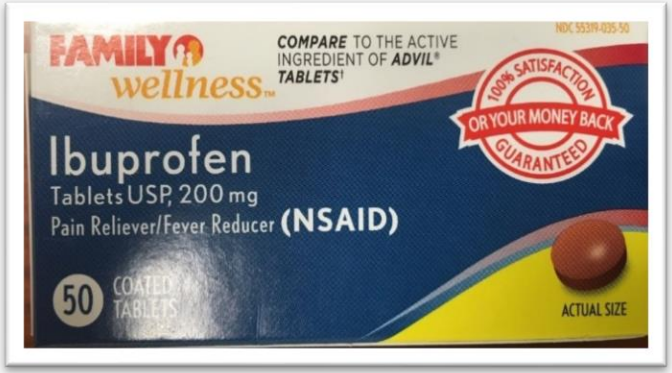
3. **Expects 8-9 launches in FY21** with an addressable market size of about 2.5bn USD based on IQVIA

4. Near to medium -term opportunities (within the next 2-3 quarters) include 7 ANDA approvals for immediate release products with limited API sources, modified-release oral solids, controlled substance modified release products, oral solutions and powders

5. 80% of the GPI products have less than or below three to four players as of date.

US Generics: GUSA

- **B2B**: Marketing & Distribution arm for API's, PFIs and FDs (Rx & OTC) from GIL
- **B2C:** Granules Consumer Health; our front end division for private label OTC products
- Incorporated in 2003 to set up a sales and marketing arm for real time communication with customers
- Set up to market APIs & PFIs to some of the largest OTC and Rx customers in the US; branded and non branded
- First FD launched in 2010 to market our first ANDA through a partner in US
- GCH - our front end division for private label OTC products incorporated in 2014
- **Supply over 100 SKUs to both B2B and private and home label customers**. Supplying to both is a part of our risk mitigation strategy which enables us to focus on our manufacturing capabilities while taking advantage of the partner's distribution capabilities (B2B)
- **8 OTC ANDA products approved. 3 filed and 4 in pipeline developed.**



Multi APIs/Oncology

- Two Multi-product and multi-stage manufacturing facilities in Vizag
  - **Facility 1**: Directly relates to our core business with ~15 APIs, fully commercialized and profitable

  - **Facility 2**: Multi API facility with Onco capabilities, fully integrated facility to offer a) APIs and FDs in onco therapeutics, a top growth segment and b) development of new APIs. To be operational by Q4FY20

1. Multi-product API and oncology manufacturing facility; integrated API-to-FD facility for oncology
2. **Infrastructure**: IT-enabled infrastructure to ensure efficiency and compliance
3. **Customer Centricity**: Supplying to domestic and international markets with own and customer products
4. **Regulatory Record**: Products are under stability testing and expect faster site approval once filed
5. **Portfolio**: Robust product pipeline for other limited-competition APIs focused on **forward integration.**

Joint Venture Divestments

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

Rationale for exit in August, 2019

- High dependence on JV partner for product marketing and pricing supply resulted in lower capacity utilization and lower return on capital

Granules Biocause

Investment sold to JV partner for INR 1,116.2 Mn

- Entered in 2007
- INR 1,436.5 Mn: Book value of investment as on 30 June 2019
- Divestment completed with a one-time charge for impairment of INR 320.3 Mn provision

Rationale for exit in October 2019

- Improved availability of Ibuprofen API in domestic and international markets has rendered the JV obsolete
- Large investments required for China regulatory compliances

Strong Production and Infrastructure Capabilities



Value chain	Facility location	Installed capacity	Approvals
API	Bonthapally	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED
	Jeedimetla	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO
	Vizag	290 KL	U.S. 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	

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 Manufacturing Operations of Granules India Limited (standalone division) and marketing of regions other than United States. 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

Sandip Neogi
Chief Financial Officer

Chartered Accountant and Cost Accountant with post qualification experience of 28 years. Worked in areas of Strategic Financial Planning and Analysis, Business valuations, Risk Management, SEC Expertise, Mergers & Acquisitions, Treasury, US and Indian GAAP Accounting and Internal controls

GSR Prasad
Chief Operating Officer

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

Atul Dhavle
Chief Human Resources Officer

In his over 26 years with reputed organizations such as Mahindra & Mahindra, DuPont, Welspun and Dr Reddy's, Mr Dhavle has handled various responsibilities in human resources and operational excellence, He is a graduate in production engineering from Nagpur University and has a postgraduate certificate in business management from XLRI

Priyanka Chigurupati
Executive Director , GPI

Responsible for the US Generics business including commercial and strategic initiatives. Ms Chigurupati's numerous roles in her 6 years at Granules' divisions in the US and India include the Core Business, Emerging Business and Consumer Health

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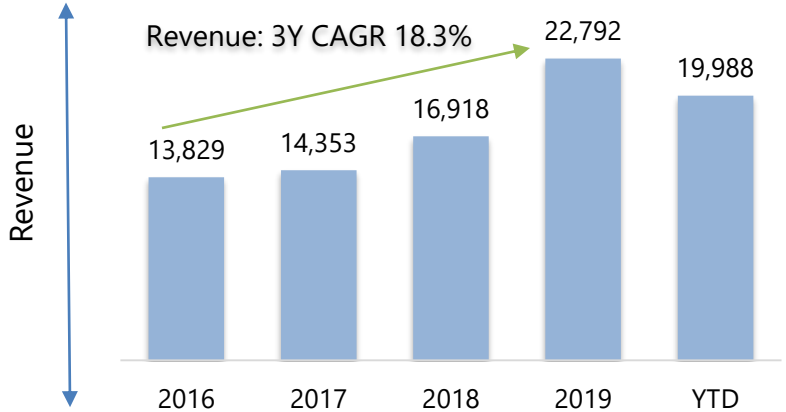
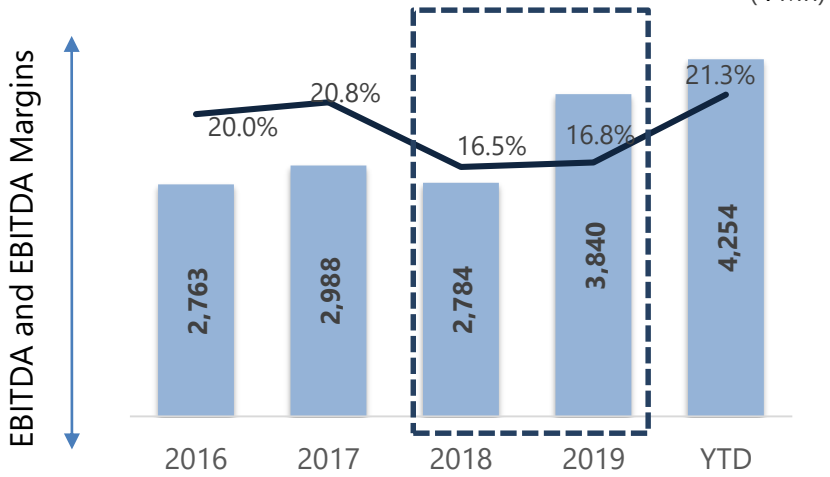
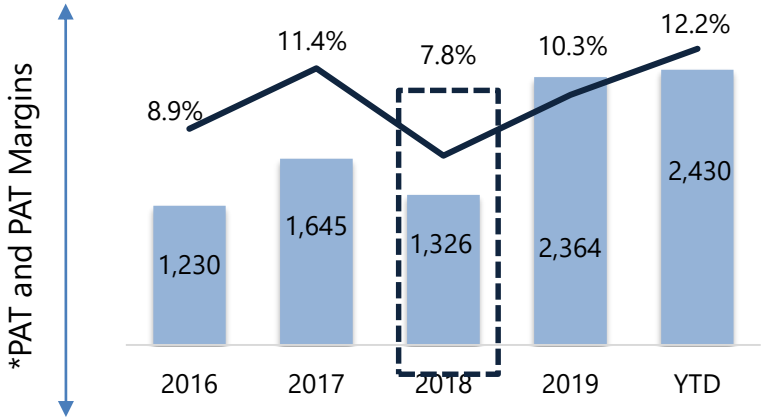
Building on solid base; unlocking value underway



(₹ Mn)





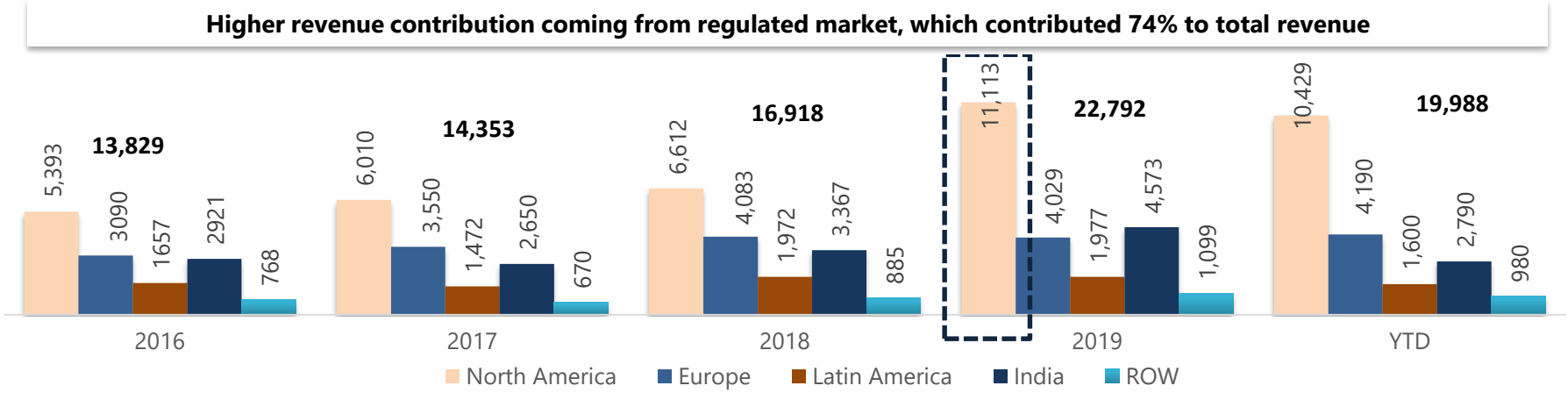
Invested Capex to drive

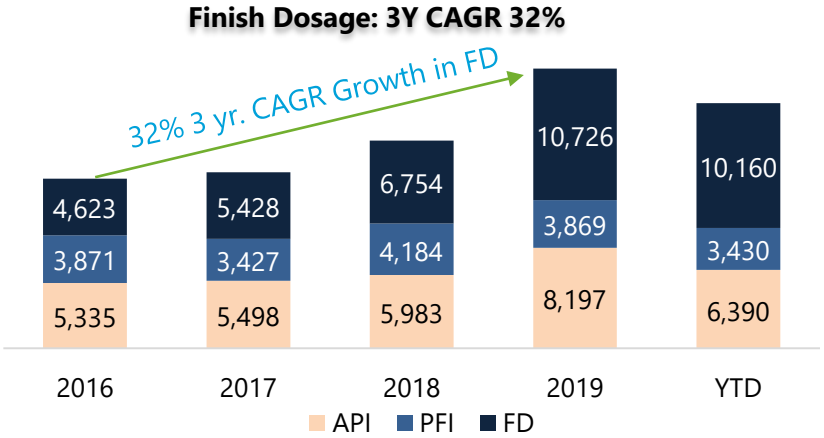
- **~20% 3-year CAGR in revenues**
- **~25% 3-year CAGR in profits**
- **Steady-state EBITDA margin at 21%**

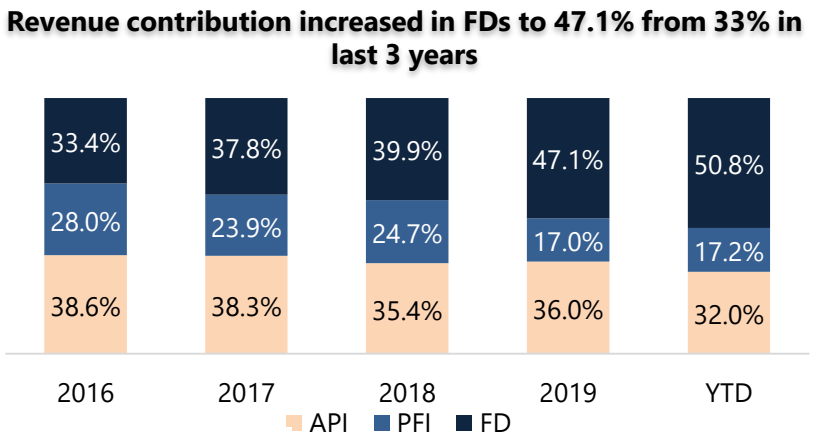
Note: Nos excluding multi API/ oncology business segment
*PAT after exceptional one time of ~320 mn charged for impairment

Increasing contribution from higher-margin FDs, generics, while remaining backward integrated in APIs

(₹ Mn)



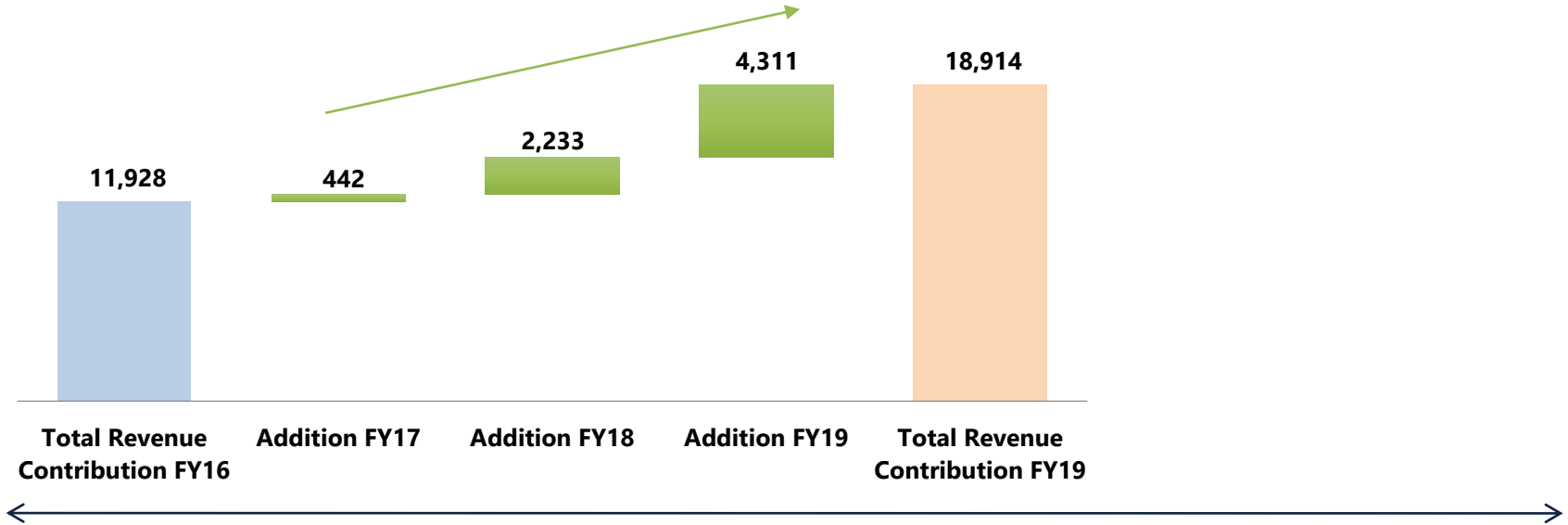




Note: Nos excluding multi API/ oncology business segment

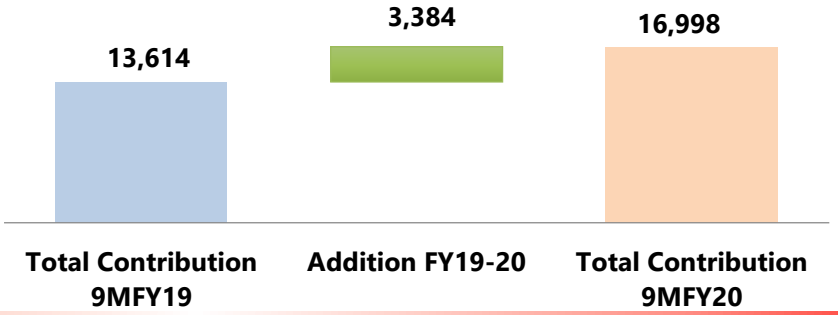
Growth led by high-volume molecules

(₹ Mn)



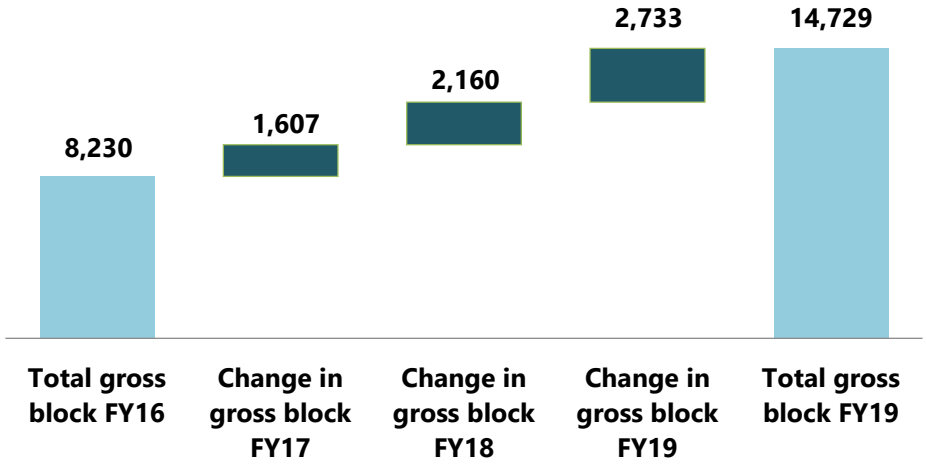
High-volume based molecule business contribution

Revenue contribution from core molecules



Completed capex cycle to unleash value

(₹ Mn)

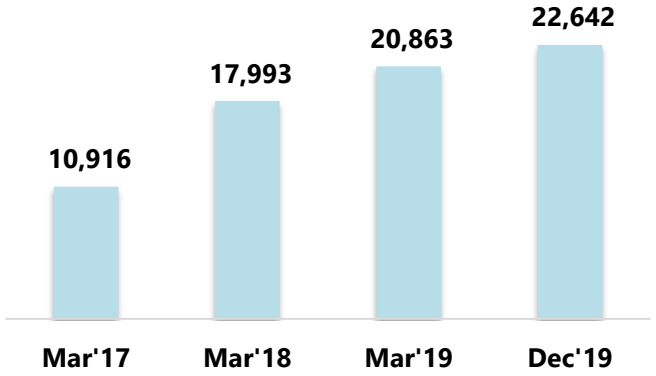


Capex Funding details

Funded through	₹ Mn
QIP	3,000
ECB	5,500
Warrants (Promoters' Pledge)	2,000
Internal Accruals	2,000

Particulars	FY16	FY17	FY18	FY19	YTD
Cash outflow for Capex	1,622	3,166	4,464	2,788	1,600
Asset Turnover	1.8x	1.6x	1.5x	1.7x	1.8x

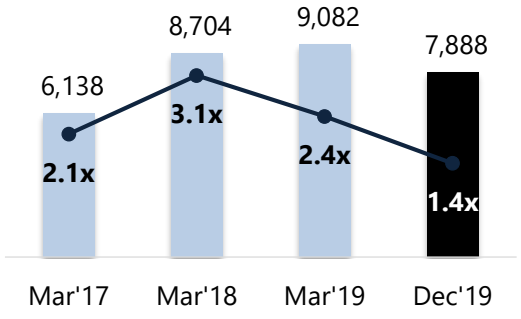
Capital Employed



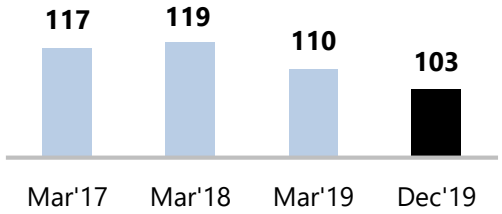
Improving returns; focus on FCF generation

(₹ Mn)

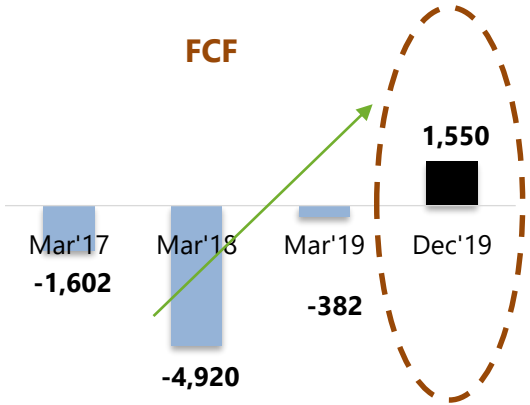
Net Debt & Net debt-to-EBITDA (x)



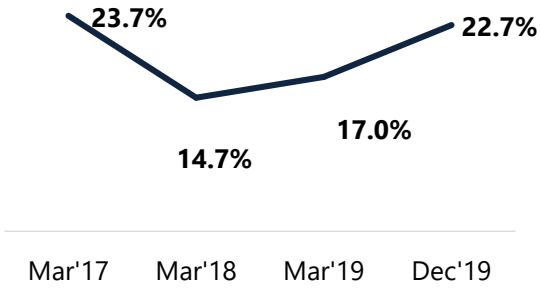
Cash-to-Cash cycle (days)



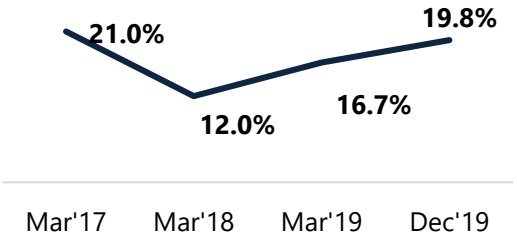
FCF



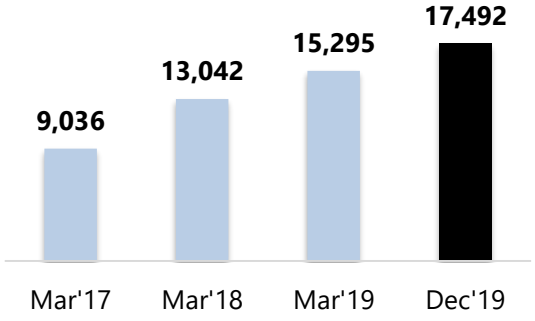
ROCE (%)



ROE (%)



Net Worth



Note: 1. Nos excluding multi API/ oncology business segment
2. ROCE = [EBIT/Avg. Capital Employed] excl. Jv's
3. ROE including one time Exceptional item provided for impairment in Biocause

Agenda

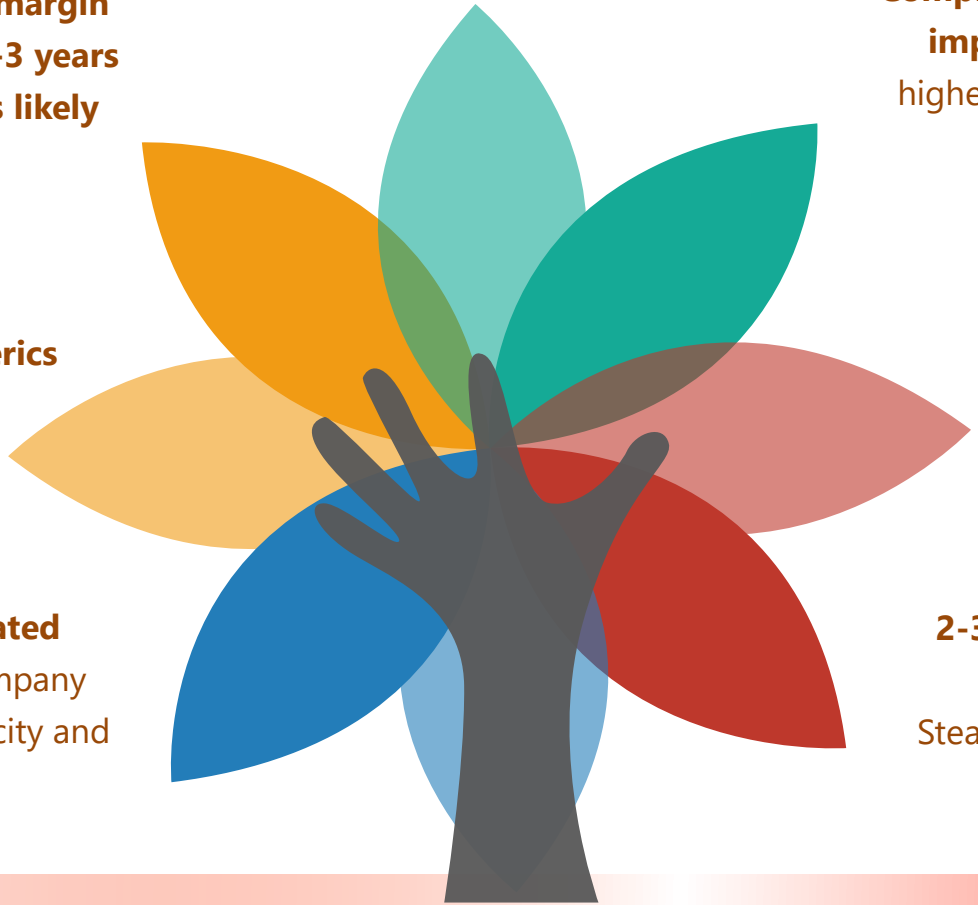
1. Q3FY20 Highlights
2. Our Company
3. Levers for Growth
4. Robust Financials; goals
5. **Key Investment Highlights**

Key Investment Highlights

Commercialization of Multi API/ Oncology block in Vizag

Shift towards **high margin business; in next 2-3 years ~65% of revenues likely from FDs**

Completed Capex; EBITDA improvement due to higher capacity utilization



Scale up of US generics business

Balance Sheet strengthening continues with reduction in debt . Going forward, no incremental large Capex planned

Vertically integrated pharmaceutical company with significant capacity and scale

2-3 year Financials Goals:
Revenue CAGR ~20%
Steady-state EBITDA of 21+%
PAT CAGR ~25%
ROCE of 20%+

Thank you

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