



**REGISTERED OFFICE**

**GRANULES INDIA LTD.**, 2nd Floor, 3rd Block, My Home Hub,  
Madhapur, Hyderabad - 500 081, Telangana, INDIA.  
Tel: +91 40 30660000, Fax: +91 40 23115145, mail@granulesindia.com, www.granulesindia.com  
CIN: L24110TG1991PLC012471

**Dated June 02, 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 audited financial results for the fourth quarter and year ended March 31, 2020 submitted to you today.

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.

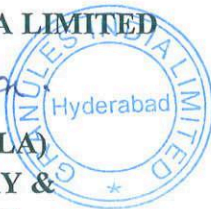
Thanking you.

Yours faithfully,

**FOR, GRANULES INDIA LIMITED**

*G. Chaitanya*

**(CHAITANYA TUMMALA)  
COMPANY SECRETARY &  
COMPLIANCE OFFICER**



# Granules India Limited



**Investor Presentation**  
Q4FY20 & FY20





## 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.

No part of this presentation may be reproduced, quoted or circulated without prior written approval from Granules India Limited.



## Contents

**1**

**COVID-19 Update**

**2**

**Q4FY20 & FY20  
Financial Highlights**

**3**

**Key focus areas for  
FY21**

**4**

**Business Overview**

**5**

**5-year growth trajectory**

**6**

**Core Management team**



**Business operations in the last week of March was at 25% utilization, and gradually resumed to 85% in April with strict compliance to safety and government guidelines**

## Employees

- ❖ Engaged with international consultants across the globe for formulating safety, health and social distancing policy for employees and their families.
- ❖ Number of people in our facilities were limited to only those who are essential and may not be able to work remotely
- ❖ Social distancing in canteens and in company transport and shift system to reduce density on site

## Customers

- ❖ Working with customers on timely delivery of essential medicine
- ❖ Continue to have normal supply levels for most of our products
- ❖ We currently believe supply of our medicines will remain at normal levels throughout the pandemic

## Supply Chain

- ❖ All our plants remain open to meet demand for our essential medicines
- ❖ Adequate inventory of raw materials and finished products across our global.
- ❖ Safe supply and transportation of our medicines and APIs remains largely uninterrupted

## Business Continuity

- ❖ Critical operations continued through the lockdown at 25% utilization levels
- ❖ Minimal impact to our R&D programs and product launches
- ❖ Digitalization of work from home for employees implemented immediately after the announcement of the lockdown.
- ❖ No job losses related to COVID-19

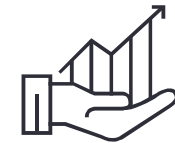


## Quarter at a Glance

2

Q4FY20 & FY20  
Financial Highlights

- ❖ **Impact of COVID-19 pandemic on the business:** Increase in demand in March across all channels due to hoarding, seeing a slight reduction in the months of April and May in the US markets but continue to have a strong order book going forward



- ❖ Granules spent towards COVID-19:
  - ✓ **Donated INR 30 Mn towards various Covid relief funds**
  - ✓ **Spent INR 170 Mn till current date towards the safety of our employees and their families**



- ❖ **Received 5 product approvals from US FDA**

Hydro/APAP Tab (Jan 3rd) Valgan PFOS (Jan 31st) Colchicine Tab (Feb 5th) Colchicine Cap (Feb 10th) KCL ER Tab (Mar 4th)

- ❖ Revenue degrew **2.2% due to restriction imposed on export of Paracetamol API, PFI and FD's; which it was removed for PFI & FD's in the month of April and for the API in month of May.**
- ❖ Gross Margin expanded by 750 bps YoY; due to launch of new profitable products from GPI and increase in FD sales.
- ❖ EBITDA impacted due to one time INR 217 Mn impairment of investments in US Pharma
- ❖ PAT grew 44.2% YoY including exceptional income of INR 597 Mn from sale of Omnicem JV

- ❖ **USFDA successfully completed the inspection of Gagillapur, Hyderabad facility in February 2020**
- ❖ **Successfully completed European inspection in Unit 5 Vizag**



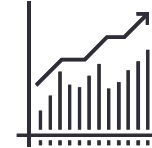


## FY20 at a Glance

2

Q4FY20 & FY20  
Financial Highlights

- ❖ Revenue up 14% yoy, EBITDA margin expanded 337 bps yoy (including impairment of investments) followed by PAT growth of 42% yoy in FY20 on back of strong performance growth driven by FD sales
- ❖ Reduction of Net debt position by 33%
- ❖ ROE and ROCE Improved to 19.9% and 20.5% respectively mainly due to the improved profits



- ❖ Generated free cash of INR 2,640 Mn in FY 20 and a further addition of INR 1,123Mn from the sale of Granules- Biocause.
- ❖ The "Buy back," of shares to the extent of 2,500 Mn (4.9% of paid up capital) is expected to be completed by the end of June

- ❖ Completed divestment of 2 nonstrategic JVs; Biocause & Omnicem and received consideration of INR 2,220 Mn out of which INR 1,100 Mn was realized in May although recorded as divestment in FY20 books.
- ❖ During the year, the Company took the opportunity to strengthen its senior leadership team with the appointment of Mr Sandip Neogi as CFO



- ❖ Received approvals 12 and Total approvals of 29 products till date
- ❖ Filed 45 ANDAs and 3 EU Dossiers and 16 CEPs and 20 US DMFs till date
- ❖ Launched 5 products in the US
- ❖ More conservative approach in R&D has been adopted since Q3FY20

- ❖ Invested 400 Mn as part of our maintenance CAPEX towards enhancing capacities at Gagillapur which will start yielding results from April 2020
- ❖ Completed USFDA Audit for Gagillapur facilities in Hyderabad and Receive EIR for GPI in the US
- ❖ Completed capitalization of Unit 5 and started to depreciate the assets from Q4FY20





## Exceptional income and One off in FY20

### Granules Omnichem

Investment sold to JV partner for INR 1,098.5 Mn

- ❑ Entered in 2012
- ❑ INR 500.8 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 1,112.3 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

**Completed divestment of 2 nonstrategic JVs; Biocause & Omnichem and received consideration INR 2,220 Mn out of which INR 1,100 Mn received in May 2020 from Omnichem  
FY20 PAT includes INR 277 Mn as exceptional gain from sale of Omnichem JV and long term gain tax is INR 278.7 Mn**

**US Pharma: Impaired INR 220 Mn of investment in FY 20 in addition to a write off of INR 112 Mn against milestones paid to US Pharma for a few products. Book value of the investment as on date: INR 413 Mn and Balance in the books INR 190 Mn**

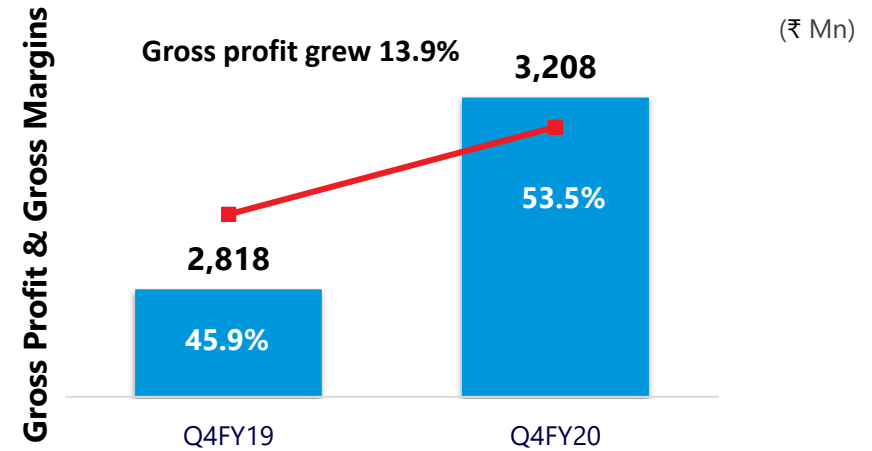
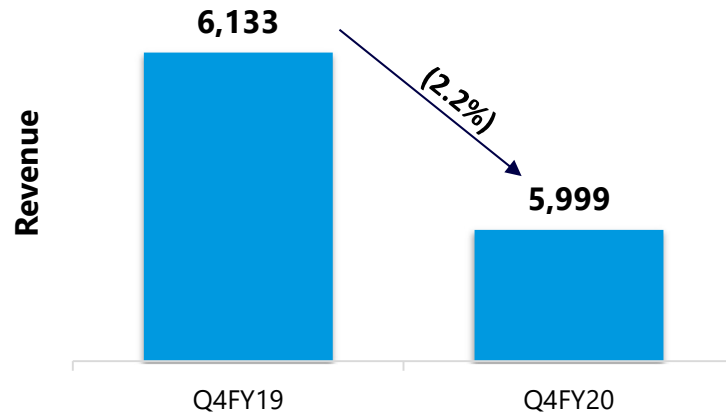




## Q4FY20...Revenue & Gross Margin

2

Q4FY20 & FY20  
Financial Highlights



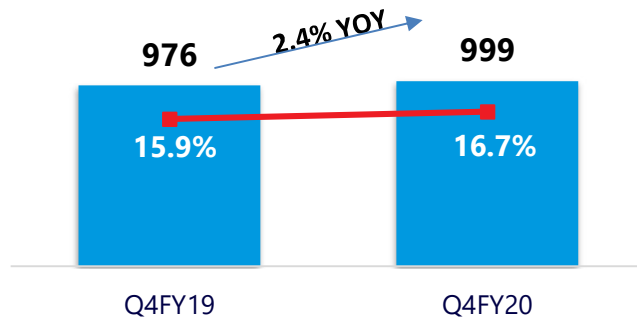
Revenue de-grew 2.2% due to restriction imposed on export of Paracetamol API, PFI and FD's (which was uplifted for PFI & FD's in the month of April and for the API in month of May) and disruption in logistics.



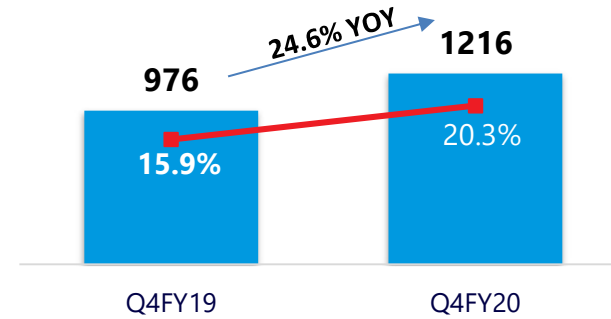
## Q4FY20...EBITDA & EBITDA MARGIN

(₹ Mn)

EBITDA & EBITDA Margin with one time expense



EBITDA & EBITDA Margin without one time expense



EBITDA and EBITDA Margin was impacted due to one-off expense of INR 217 Mn towards impairment of US pharma as a conservative measure due to delay in new product launches and approval

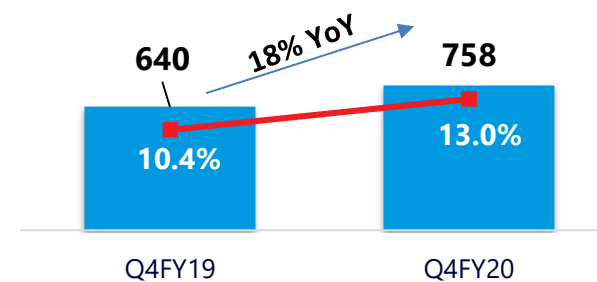
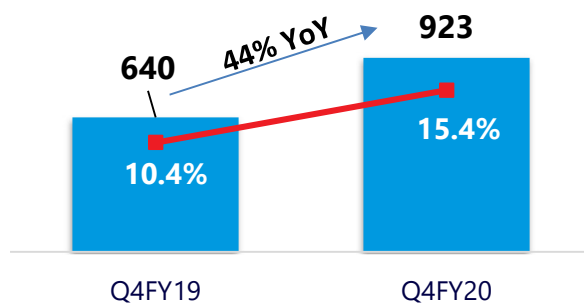


## Q4 FY20...PAT & PAT Margin

(₹ Mn)

PAT and PAT margin with exceptional item

PAT and PAT margin without exceptional item and one off



**Q4FY20 PAT includes exceptional gain of INR 597 Mn from the sale of Omnichem JV and long term capital gain tax payable on the same is INR 278.7 Mn**

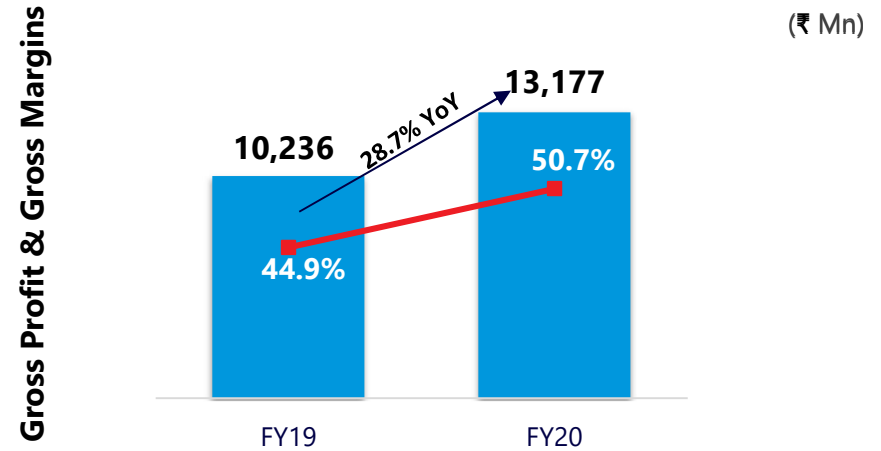
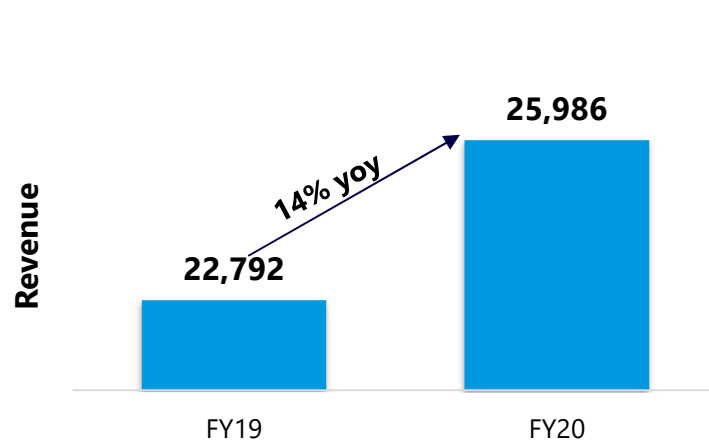
PAT	923
Exceptional items	(598)
Long term capital gain Tax on exceptional items	279
Impairment of Investments	217
Deferred tax reversal	(63)
<b>PAT without one-off's &amp; exceptional items</b>	<b>758</b>



## FY 20...Revenue & Gross Margin

2

Q4FY20 & FY20  
Financial Highlights



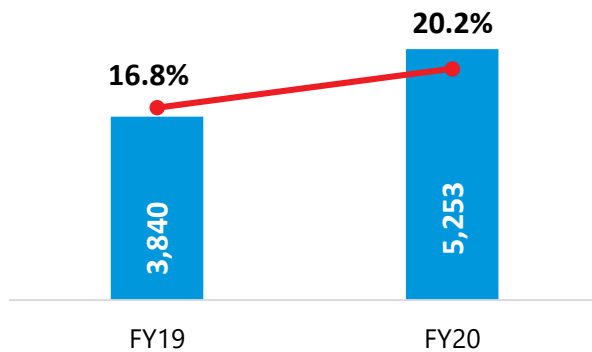
Revenue slightly impacted due to restriction imposed on export of Paracetamol API, PFI and FD's (which was uplifted for PFI & FD's in the month of April and for the API in month of May) and disruption in logistics.



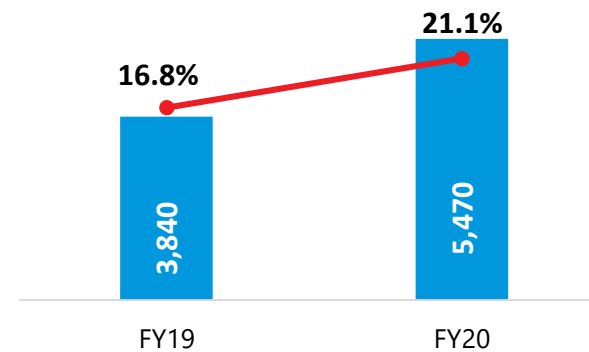
## FY20... EBITDA & EBITDA MARGIN

(₹ Mn)

EBITDA & EBITDA Margins with one time expense



EBITDA & EBITDA Margins without one time expense



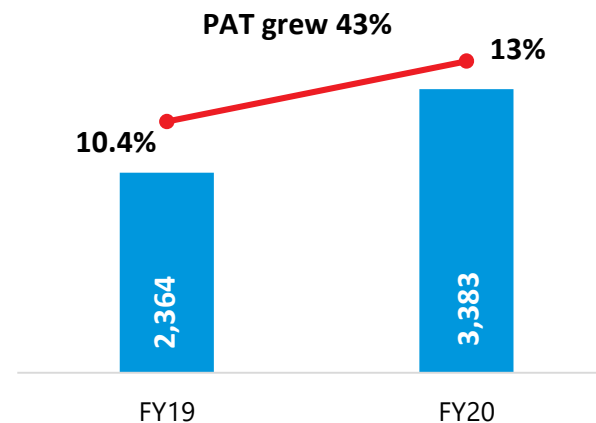
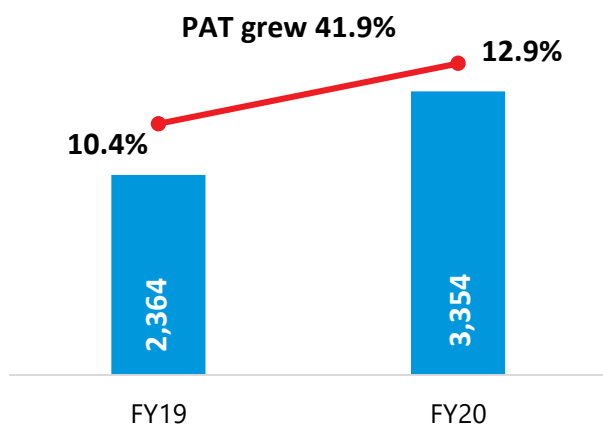
EBITDA and EBITDA Margin was impacted due to one-off expense of INR 217 Mn towards impairment of US pharma as a conservative measure due to delay in new product launches and approval



## FY 20..PAT & PAT Margin

PAT & PAT Margins with one time expense and Exceptional items

PAT & PAT Margins without one time expense and Exceptional items



**FY20 PAT included net exceptional gain of INR 277 Mn from the sale of both the JV's and long term capital gain tax payable on the same is INR 278.7 Mn**

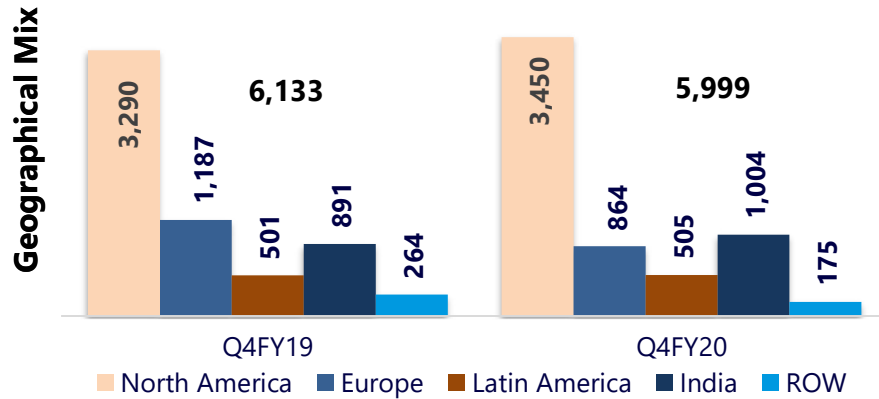
PAT	3,354
Exceptional items	(277)
Long term capital gain Tax on exceptional items	279
Impairment of Investments	217
Deferred tax reversal	(189)
<b>PAT without one-off's &amp; exceptional items</b>	<b>3,383</b>



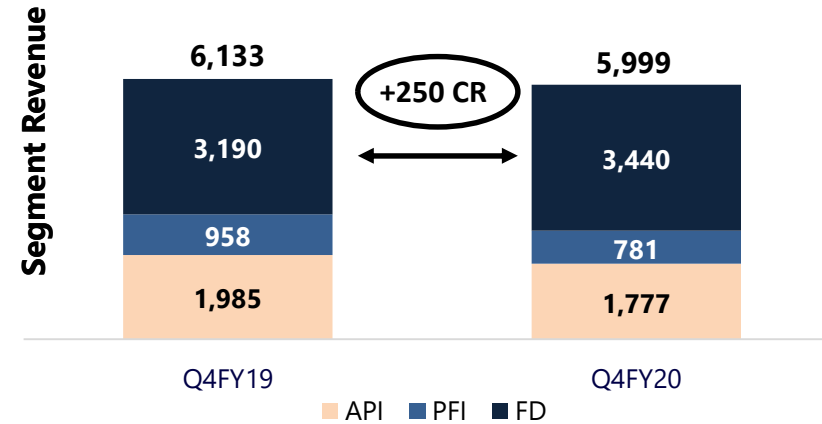
# Increasing contribution from higher-margin FDs, generics, while remaining backward integrated in APIs

(₹ Mn)

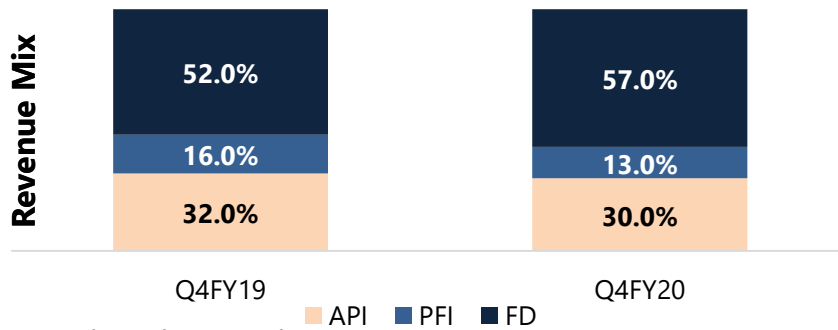
Growth contributed from North America and India in Q4FY20



Finish Dosage segment grew 7.8% YOY



Contribution from FD increased to 57%



Finished dosage segment grew 7.8% YoY as 3<sup>rd</sup> party API and PFI sales converted into FD sales to fit into our "control our destiny," and "maximize profitability," strategies"

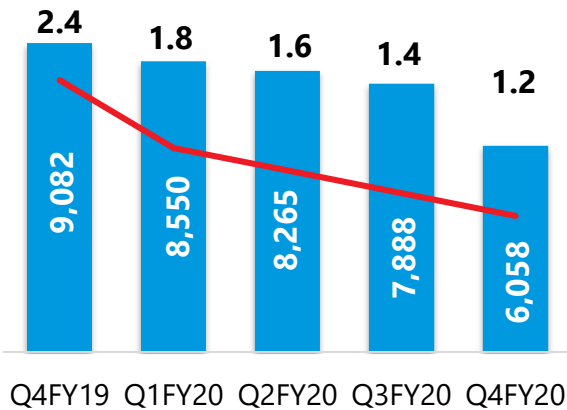


# Continuous improvement on set financial goals

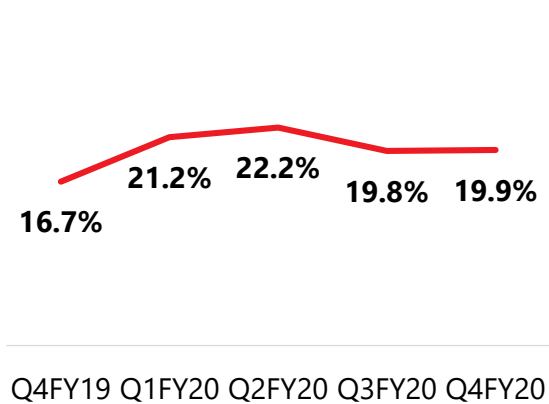
2

Q4FY20 & FY20  
Financial Highlights

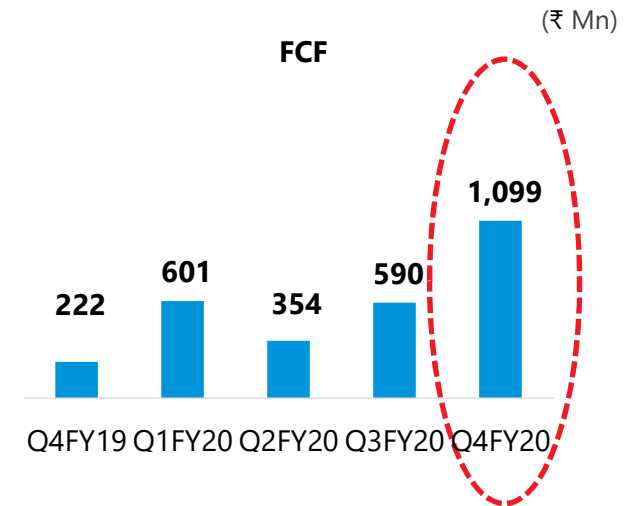
### Net Debt & Net debt-to-EBITDA (x)



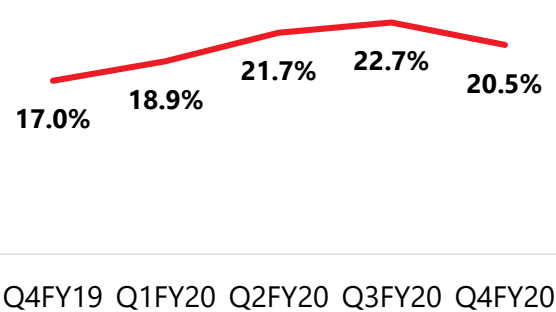
### ROE (%)



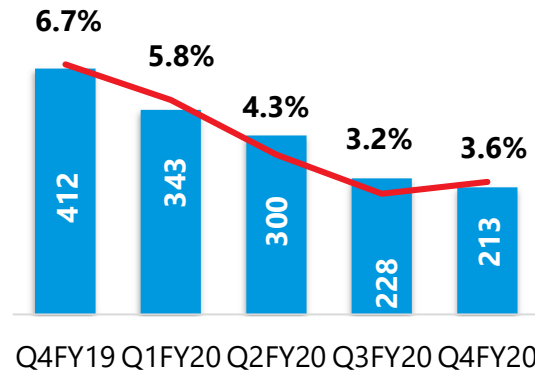
### FCF



### ROCE (%)



### R&D and R&D % of sales



Note: ROCE = [EBIT/Avg. Capital Employed] excluding JVs  
 FCF= Cash flow from operating activities - Capex  
 Granules India Limited.





## Key focus areas for FY21

3

Key focus areas for FY21

1

To ensure timely launches of 9 products expected in FY 21 while also increasing the market share of existing products by passing on cost benefits realized through operational efficiencies

2

To ensure employee safety while increasing productivity and improve Regulatory compliance

3

To focus on Cash conservation and liquidity management  
To focus on Free cash flow generation and ensure reduction in gross debt

4

To focus on Working capital management with high focus on inventory management to ensure supply security

5

To focus on profitability through better capacity utilization and by enhancing product mix and operational cost efficiencies

6

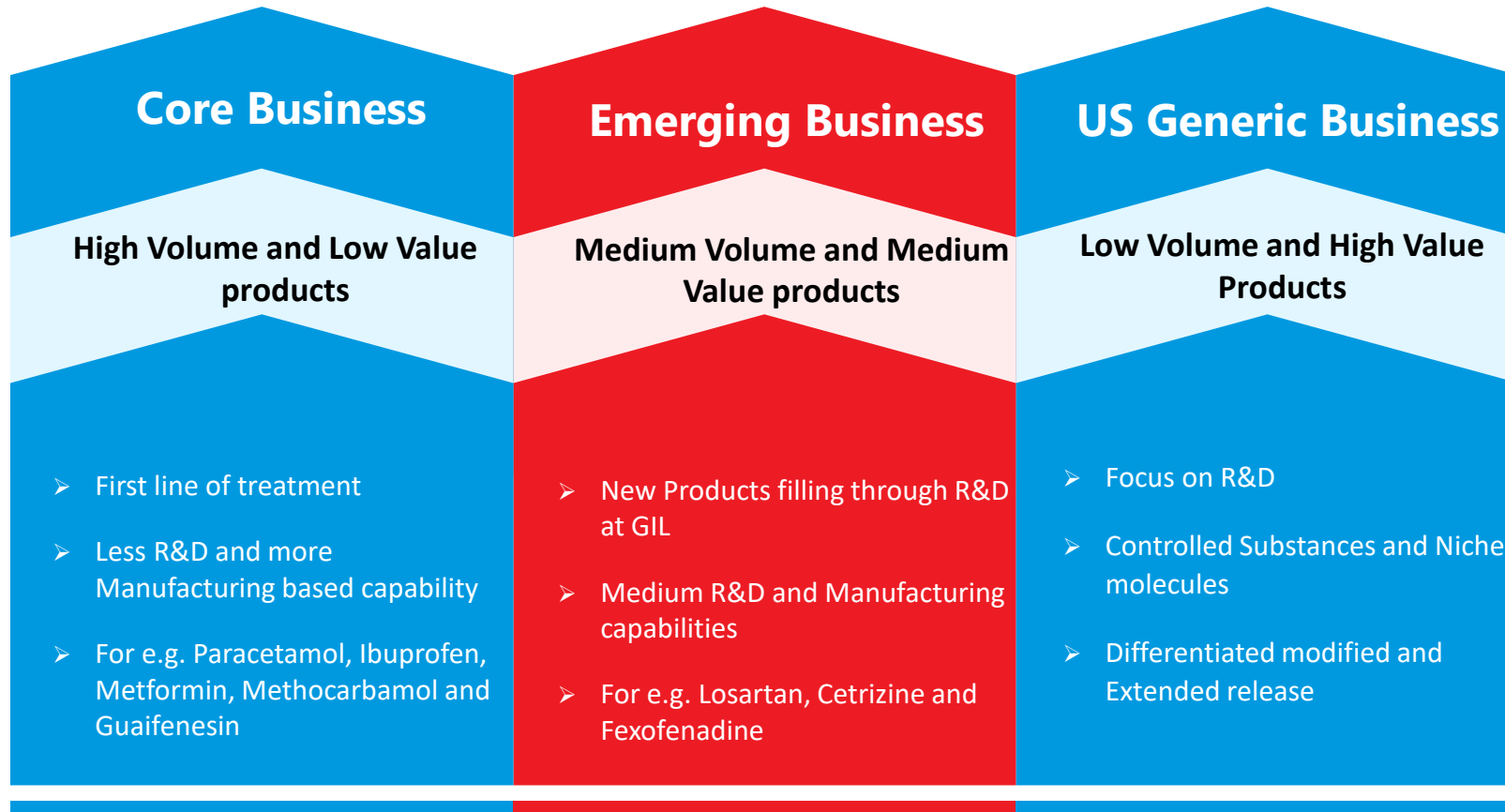
To continue to rationalizing R&D portfolio while building towards sustainability  
To ensure timely progress of the completion of new block construction in Gagillapur and other expansion activities



## Evolving Business Strategy for R&D

3

Key focus areas for FY21



**Total R&D spend majority ~70% will go towards Core and Emerging Business and ~30% will go towards US generic business**



## Fast growing, integrated pharma company

4

Business Overview



- ✓ Focus on volume-based products such as **Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin, Methocarbamol and newly added Losartan, 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 and FDs in onco therapeutics**, a top growth segment



## Vertically-integrated, high-growth company

4

Business Overview

### APIs

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

### PFI

**World's largest Pre-formulation Ingredients (PFI) facility** at Gagillapur. PFIs taken from drums to hopper and compressed into tablets directly

### FDs

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

### Marketing & Distribution

**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 and Distribution divisions** in US for OTC & Rx products respectively



## The Granules India Advantage

4

Business Overview

01

Engineering R&D solutions for large scale manufacturing, strengthening our core molecules for existing and future APIs. R&D has ability to make us untouchable.

02

Presence across the value chain: APIs, PFIs and FDs which builds in efficiencies at multiple levels and ensures security of supply

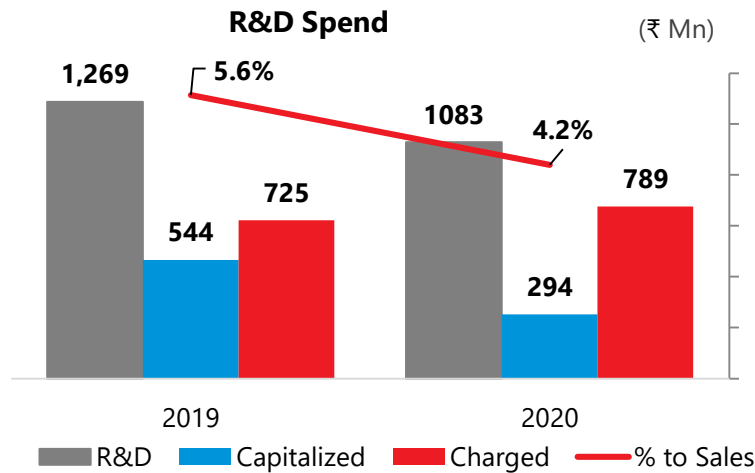
03

Strong regulatory history; Quality and regulatory compliance built into our DNA

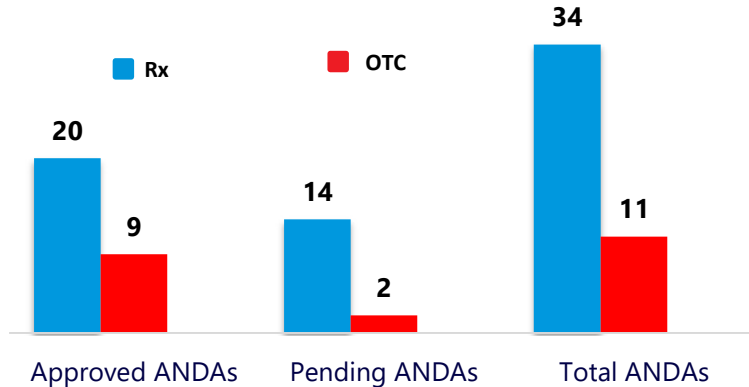




## Manufacturing excellence driven by innovation in state-of-the-art facilities and Research & Development



### ANDA Portfolio (As on 31st March 2020)



### R&D Capabilities

- R&D to develop products that create intellectual wealth and commercialize cost-effective, quality products in diversified therapeutic areas
- R&D equipment, which are geometrically scaled down for trouble-free scale-up of commercialization, as per the 10x principle
- Dossier development in CTD / e-CTD formats, suitable for global submissions of PFIs and Finished Dosage products
- Ability to manufacture rapid release gel cap and bilayer tablets

DMFs Filed	No
USDMFs	20
CEPs	16
EDMFs	7
KDMFs	6
CDN DMFs	4
EDMFs	1



# Strong Regulatory Compliance history



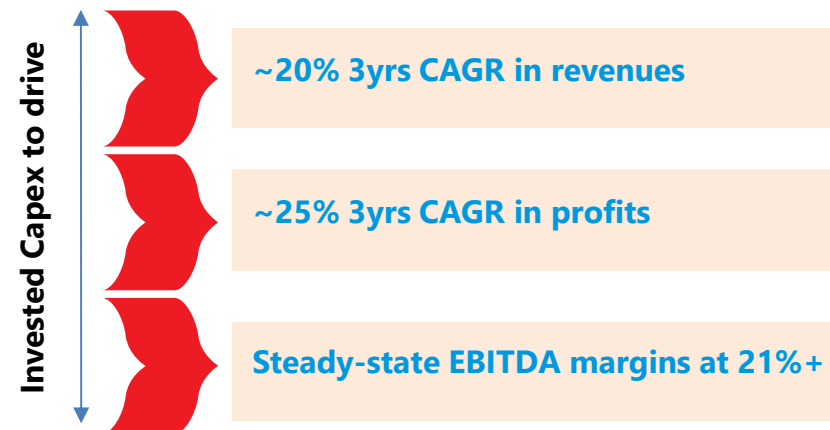
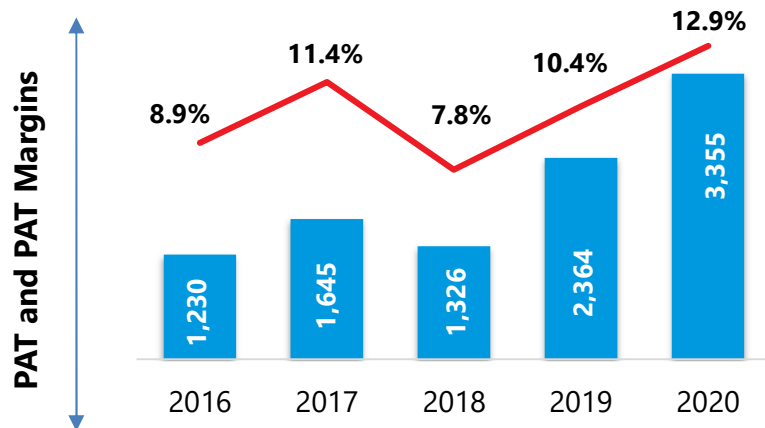
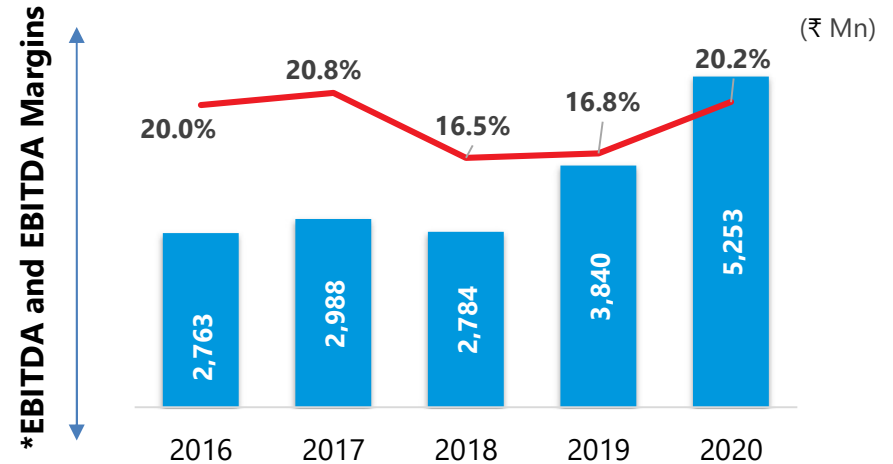
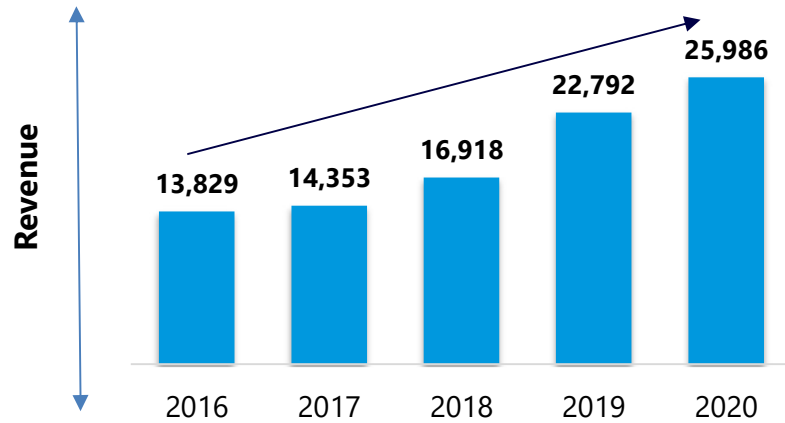
Value chain	Facility location	Installed capacity	Approvals	Inspection Date	Outcome
API	Bonthapally	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED	July-19	Clear
	Jeedimetla	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO	March-18	Clear
	Vizag (Unit IV)	290 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM	Dec-15	Clear
	Vizag (Unit V)		EU GMP	April-20	
PFI	Gagillapur	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED	Feb-20	Clear
	Jeedimetla	1,440 TPA	WHO GMP, COFEPRIS, INFARMED	March-18	Clear
FD	Gagillapur	19.8 Bn	US FDA, MCC, COFEPRIS, TGA, INFARMED	Feb-20	Clear
	Virginia, USA	1.5 Bn	US FDA, DEA	August-19	Clear
API Intermediates	Bonthapally	61.5 KL			



# Building on solid base; unlocking value underway

5

5-year growth trajectory



Note:-\*FY20 EBITDA includes one time expense of INR 217 Mn for impairment of investment in the US

Note: Nos excluding multi API/ oncology business segment

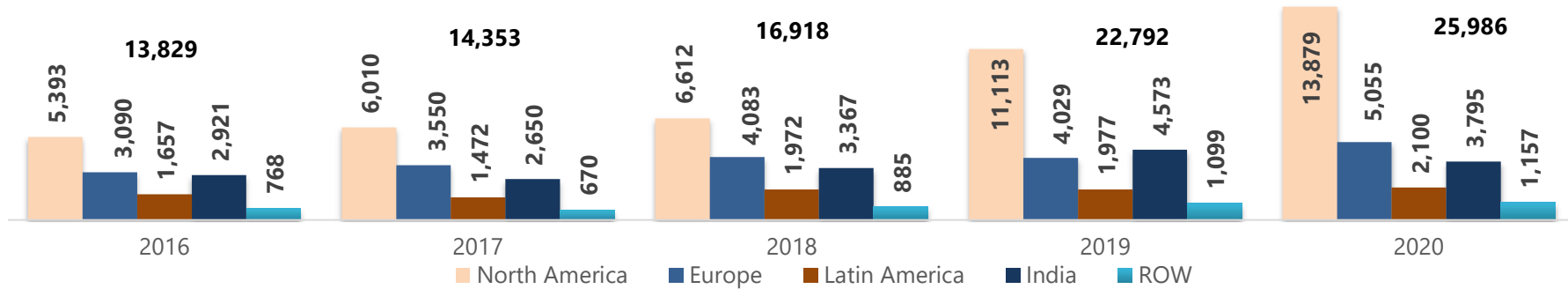




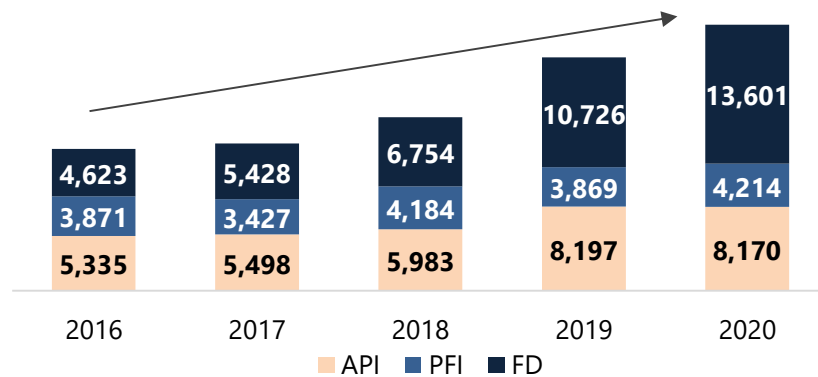
# Increasing contribution from FDs while remaining backward integrated in APIs : 5 years trajectory

(₹ Mn)

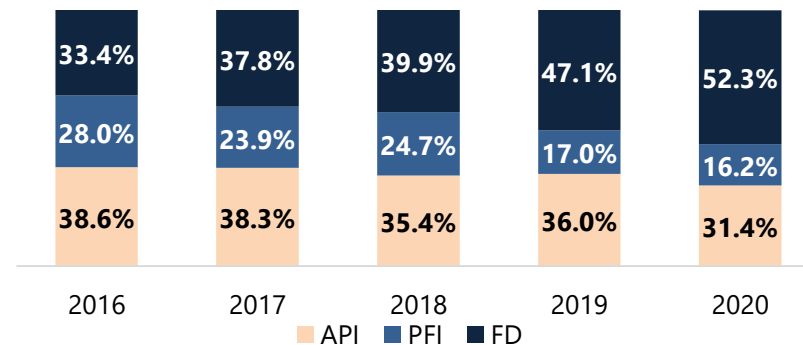
Higher revenue contribution coming from regulated market, which contributed 73% to total revenue



Finish Dosage: 5Y CAGR 35%



Revenue contribution increased in FDs to 52% from 32% in last 5yrs





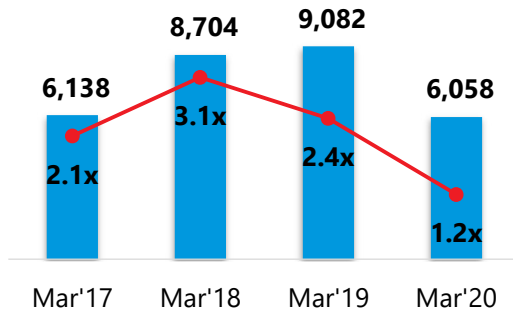
# Improving returns; focus on FCF generation

5

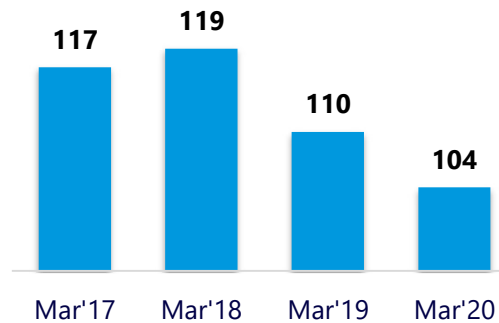
5-year growth trajectory

(₹ Mn)

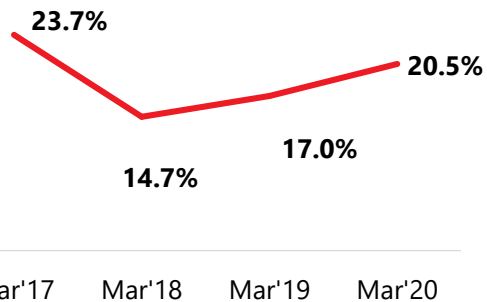
### Net Debt & Net debt-to-EBITDA (x)



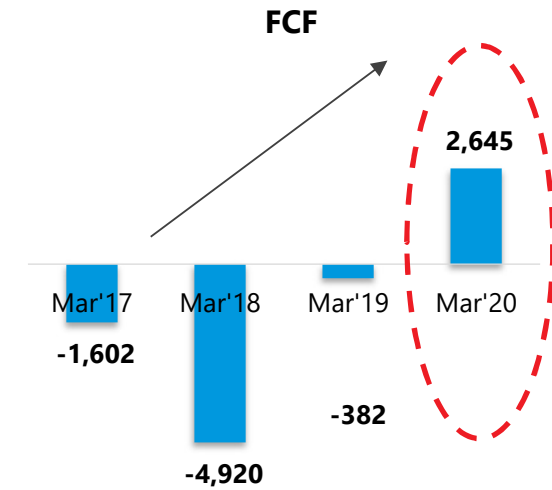
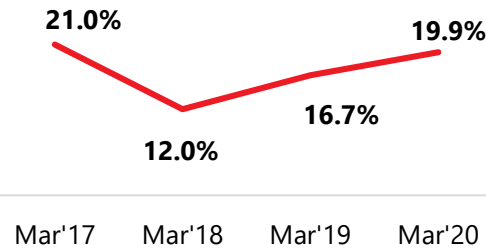
### Cash-to-Cash cycle (days)



### ROCE (%)



### ROE (%)



Note: 1. Nos excluding multi API/ oncology business segment  
 2. JV income is not incl. in Mar'19 and Mar'20 ROCE = [EBIT/Avg. Capital Employed (Total assets-current liabilities)]  
 3. FCF= Cash flow from operating activities - Capex



## Core Management Team

6

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



### **Priyanka Chirugupati**

*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



### **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 Environment, 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



# GRANULES

## Thank you

Granules India Ltd

Floor 2 Block 3 My Home Hub Madhapur  
Hyderabad 500081

CIN: L24110TG1991PLC012471

Voice: +91 40 30660000/30663600 Fax: +91 40  
23115145/30663602

[www.granulesindia.com](http://www.granulesindia.com)

Sandip Neogi (CFO)/ Krishna Raghunathan (VP Finance)

Granules India Ltd

[Sandip.Neogi@granulesindia.com](mailto:Sandip.Neogi@granulesindia.com)

[krishna.raghunathan@granulesindia.com](mailto:krishna.raghunathan@granulesindia.com)

Richa Singh

Ernst & Young Investor Relations Practice

Voice: +91 9167772135/+912261920000/ Extn. 60850

[www.granulesindia.com](http://www.granulesindia.com) | [richa10.singh@in.ey.com](mailto:richa10.singh@in.ey.com)

 532482

 **NSE** GRANULES

 **Bloomberg** GRAN:IN

 **REUTERS** GRAN:NS