REGISTERED OFFICE

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CIN: L24110TG1991PLC012471

Date: January 25, 2024

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

Dear Sir,

Sub: Transcript of the Earnings Conference call for Q3 of FY24.
Ref: Our letter dated 11.01.2024 for intimation of the schedule of the Earnings Conference call for Q3 of FY24.

Pursuant to regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the earnings conference call of the Company for Q3 of FY24 is enclosed with this letter and has been uploaded on the website of the Company at the below-mentioned link:

https://granulesindia.com/investors/investor-resources/earnings-call-transcripts/

Kindly take the above information on record.

For GRANULES INDIA LIMITED

CHAITANYA TUMMALA

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CHAITANYA TUMMALA
(COMPANY SECRETARY & COMPLIANCE OFFICER)

“Granules India Limited Q3 & 9M FY24 Earnings Conference Call”

January 23, 2024

MANAGEMENT: **DR. KRISHNA PRASAD CHIGURUPATI – CHAIRMAN AND MANAGING DIRECTOR**
DR. K.V.S RAM RAO – JOINT MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MS. PRIYANKA CHIGURUPATI – EXECUTIVE DIRECTOR
MR. MUKESH SURANA – CHIEF FINANCIAL OFFICER
MR. PUNEET VARSHNEY – HEAD INVESTOR RELATIONS & GM FINANCE

MODERATOR: **MR. IRFAN RAEEN – ORIENT CAPITAL PTY LTD.**

Moderator: Ladies and gentlemen, good day and welcome to Granules India Limited Q3 and 9 months FY24 Earnings Conference Call.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Over to you, sir.

Irfan Raeen: On behalf of Granules India Limited, I extend a very warm welcome to all participants on Q3 and 9 months FY24 Financial Results Discussion Call.

Today on our call, we have Dr. Krishna Prasad sir – Chairman and Managing Director; Dr. K.V.S. Ram Rao sir – Joint Managing Director and Chief Executive Officer; Ms. Priyanka ma'am – Executive Director (GPI & GUSA); Mr. Mukesh Surana – Chief Financial Officer; and Mr. Puneet – Head (Investor Relations) & GM (Finance).

Before beginning with this call, I would like to give a short disclaimer:

This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions, and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties.

With this, I would have to hand over the call to Krishna Prasad sir for his opening remarks. Over to you, sir.

Dr. Krishna Prasad: Thank you, Irfan. A very good evening to all of you, ladies and gentlemen. And thank you very much for attending our Q3 Earnings Call today.

A detailed presentation of our Q3 FY24 performance has been uploaded on our website. And I'm sure all of you must have gone through it by now.

We had a stable Q3 after the IT incident had an impact on our previous 2 quarters' performance. Our Finished Dosage contribution during the quarter had increased to 66% resulting in an improved VA of 57% and improved EBITDA of 21.7% for the quarter. Our operating cash flow for Q3 stood at Rs.188 crores, driven by better collections and an improved EBITDA margin. Our operational expenditure is higher compared to the previous year, driven by higher manpower cost, which is built for higher revenue and growth.

We expect the Formulation segment to drive the volume growth in the short-to-near term, primarily in North America and Europe. We are gearing up our Finished Dosage capacity to cater to this incremental demand. The construction of the new Formulation facility at Genome

Valley as part of Granules Life Sciences is progressing at a good pace. This plant when fully completed will add another 8 billion dosages to our Finished Dosage capacity.

We inaugurated the pilot plant at this site in the month of November 2023. In addition to new filings, commercial supply of monograph tablets is expected to start in Q2 FY25 which will gradually be ramped up during the coming year to go up to 2.5 billion capacities in the first phase. We expect the second phase to be completed by Q3.

During the quarter, we received approvals for 3 ANDAs from US FDA and 1 EU approval. Launches of these and a few previously approved products were delayed, and we expect to catch up in the next few quarters. During this quarter, we filed 2 ANDAs for the US. As of today, we have 62 approved and tentatively approved US ANDAs; 8 European dossiers, two in the UK, six in Canada, and three in other geographies – a total of 75 dossiers approved and 21 global dossiers to be approved. We have a total of 36 US DMFs, 24 CEPs, 5 EDMFs, 9 KDMFs, 5 Canadian DMFs, 5 Chinese DMFs, 2 Japanese DMFs, and over 50 filed across several regions. We are anticipating a higher number of ANDAs filing during Q4 FY24 and accordingly a higher R&D outlay.

At Granules India Limited, sustainability is a core element of our DNA. We are committed to healing lives sustainably through pioneering green science. I am happy to share that Granules India Limited has been honored with the prestigious Economic Times RE-Pharma Award for Excellence in contribution towards sustainability. This recognition is not just an honor but a significant motivator bolstering our confidence to continue our journey with conviction. At CZRO, a green pharma initiative, we are focusing on strengthening our core business for backward integration of paracetamol and metformin in a sustainable manner. In the first phase at Vizag, we are putting up a pilot plant for DCDA and commercial production of PAP. The DCDA plant at Vizag with a capacity of 108 tonnes per annum is expected to start by Q4 FY24. The PAP plant at Vizag with 10,000 tonne capacity is expected to be completed by the end of FY25. The project work at the main Kakinada plant is expected to start in FY25.

Over the past 2 years of organizational transformation, we have strengthened the organization and the leadership at R&D, operations, and other functions. The focus now turns to further strengthening the sales & marketing organization. I am pleased to announce the joining of Mr. David Gonzalez as CMO of B2B business. David joins us from Polpharma, and he has been previously associated with Teva and Glenmark Life Sciences in global roles. Most importantly, we have also strengthened our board by inducting Mr. Sethurathnam Ravi as Independent Director. Mr. Ravi was and is on boards of many prestigious companies in the public and private sectors in various capacities including Chairman in some of them. We have also inducted Ms. Priyanka Chigurupati as Executive Director. Priyanka will be responsible for global marketing, portfolio, and new product launches.

With this, ladies and gentlemen, I hand over the call to Dr. K.V.S. Ram Rao.

Dr. K.V.S. Ram Rao: Good evening everyone. As briefed in my last couple of conversations, there is a paradigm shift in the management of portfolio of new products from the traditional Para 2 filing, the company has shifted its focus to Para 3 and Para 4 filings. The shift in focus is followed by strengthening of portfolio teams, R&D teams, and technology transfer teams to enable smooth integration and filings of the products. The new portfolio of the organization is aimed at not only oral solids but also other dosage forms, leveraging the capability of Granules' technological capabilities in API and formulations. Significant progress has happened on these dosage forms, and we expect to file new dosage form ANDAs in the next financial year. The mix of portfolio includes launch on approval, Day 181, first to launch, and NCE-1 products. Most of these products are in the area of non-oncology.

Granules has built excellent infrastructure in APIs and formulations in oncology at our Vizag facility. We have started building a very strong portfolio of oncology products. The dosage forms of oncology products include oral solids and others. The portfolio, again, is focused on Day 1, NCE-1, and first-to-launch products. The approach here is also global product development. This should enable us to leverage our infrastructural and R&D capabilities and build a very strong oncology pipeline for the organization. This strategic shift in portfolio has led us to build platforms around the strength of Granules and the global product development should enable us to become a strong player in most of the chosen geographies including the US.

I'm happy to say that this year, we will have double-digit filing of DMFs and ANDAs including Quarter 4, the progress demonstrates our commitment in execution of our strategy. This is going to increase the R&D spend in Quarter 4. Yet another significant aspect of strategy is to focus on sustainable new technologies. The technology development team has made significant progress on application of biocatalysis. Two products have completed the pilot scale and commercial production plants are under preparation, and the 3rd molecule has done the optimization in the lab and we are planning to commercialize the product.

Global cost leadership has been one of the strategic levers identified by the organization. While the backward integration from CZRO will give us leadership for paracetamol and metformin, we have started our work on additional 10 products which are critical for the organization in terms of both profit optimization and protecting market share in geographies of interest. The program is expected to bring in the desired results a year from now. With global product development as the chosen portfolio in oncology and non-oncology products, we have now embarked on a commercial excellence program. This program will serve as a catalyst for our business growth and business building in both new and existing commercial portfolios across the chosen geographies. To accomplish this, we have recently appointed a new Chief of Sales & Marketing as explained by the Chairman earlier.

We are also actively reinforcing our commercial team to ensure we have the necessary talent and expertise to expand in these chosen geographies. This also includes our capabilities in regulatory filings and addressing the nuances of regulatory requirements across the geographies to enable smooth market entry and long-term success. This leadership capability building,

excellence in our commercial processes, and customer centricity will be instrumental in the success of this program. This should result in larger market opportunities and drive profitability and growth for the organization.

With this, I hand it over to Mukesh, CFO.

Mukesh Surana: Let me take you all through the top financial parameters now.

Revenue:

The 3rd quarter revenues were Rs. 11,556 million as compared to Rs. 11,461 million in Q3 FY23, a growth of 1% in value terms. Sales in the US region grew well, led by both existing and new products. Revenue declined by 3% as compared to Q2 FY24. The sales breakup as per business division and the geographic division are presented in our investor presentation which is available on the website. You can see that the focus on Formulation sales has increased resulting in the momentum shifting from API and PFI to Formulations.

Value Added:

Our value added as a percentage of sales for Q3 FY24 was 57% as compared to 48.4% in Q3 FY23. The value-added percentage as compared to Q3 FY23 has increased by 8.6% points, primarily on account of better product mix - increase in sales of formulations. Price erosions were more than offset by the reduction in prices of key raw materials. The value added as a percentage of sales for Q3 FY24 is up by 5.3% points from Q2 FY24 as well, primarily on account of better product mix - increase in sales of formulations coupled with the reduction in rates and prices of key raw materials.

EBITDA and EBITDA margin:

EBITDA for the quarter was Rs. 2,505 million which is 21.7% of sales as compared to Rs. 2,313 million, 20.2% of sales in Q3 FY23, a value growth of 8% over the previous year primarily on account of better product mix. EBITDA for Q3 FY24 is up by 3.8% points from Q2 FY24 with a value growth of 18%, primarily on account of better product mix - increase in sales of formulations, coupled with reduction in price of key raw materials.

R&D:

Our R&D spend for the quarter was Rs. 468 million as compared to Rs. 229 million in Q3 FY23 and Rs. 496 million in Q2 FY24. We are going to continue to spend on R&D in the coming quarters as well.

Net Debt:

Our net debt was Rs. 9,285 million as compared to Rs. 7,671 million at the beginning of the year. The net debt has increased by Rs. 1,614 million, primarily on account of reduction in operating cash flow. Net debt has decreased by Rs. 610 million from September 2023, primarily on account of improvement in operating cash flow in Q3.

Cash to Cash Cycle:

Our cash-to-cash cycle was 162 days in the current quarter as compared to 132 days at the beginning of the year and 162 days in the previous quarter.

Operational Cash Flow:

Operational cash flow for the quarter was Rs. 1,880 million as compared to Rs. 329 million in Q2 FY24. Higher EBITDA and improved cash realization from receivables resulted in higher operating cash flow.

Capex spent during the year was Rs. 1,047 million.

ROCE:

ROCE for Q3 FY24 is 15.3% as compared to 12.9% in Q2 FY24, primarily on account of increase in EBITDA due to the reasons stated earlier.

With this, I open the floor for questions.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.

Tushar Manudhane: Sir, just on this DCDA, now that plant is expected to start in Q4 FY24, so effectively stabilization and then meaningful contribution to profitability when should we start expecting?

Dr. Krishna Prasad: Tushar, like I said in my remarks, the pilot plant from where we would be doing filings and also site transfers has already been inaugurated. Work is going on on the filings. Meanwhile, in the same block in another floor, we are putting up some compression machines and coating machines where we will be doing monograph products for the US, which doesn't need an FDA inspection to start with; they'll come later. Meanwhile, when we do new product filing and also site transfers, the FDA will come to inspect us even before the main block is ready. Once they inspect this pilot plant where there is some product running, the site is approved and then we are ready to go which will be in Q3-Q4 of next fiscal. We can straightaway start production.

Meanwhile, we will also look for expediting the European approval. So, rather than waiting for 1.5 to 2 years applying after the site starts, we are applying for an FDA approval from the pilot plant itself and also some production will happen there from Q2 of next fiscal – Q2 or end of Q1.

Tushar Manudhane: This is to do with DCDA, right? Not the FDA?

Dr. Krishna Prasad: DCDA pilot plant trial runs will start in March of this quarter.

Tushar Manudhane: So, effectively, the commercial meaningful benefit will start hitting….

Dr. Krishna Prasad: The commercial, again after the pilot plant run, we will have to possibly modify the main equipment a little bit if required and then erection and all that will go into FY26, Tushar. PAP will start in '25 but this will go into '26. That will happen in the big site in Kakinada with renewable power.

Tushar Manudhane: Sir, the LATAM business with this inventory in the channel, is largely that correction done or you can expect some more in the coming quarters?

Dr. Krishna Prasad: It's a mix of inventory correction and also some of our important customers have lost certain government tenders. So, I'm not sure it will come back to normal, but it will definitely improve. And as of today, we are a little tight on capacity. In case we don't have too much PFI from LATAM, we will make it up for PFI from some other market. That's not a big issue. That's not going to hit us too bad.

Tushar Manudhane: Likewise, paracetamol as a product given that this quarter was not great as far as paracetamol in Europe is concerned, but how to think about it in the coming quarters?

Dr. K.V.S. Ram Rao: I think our paracetamol, again, the inventory which have been built up by our customers, include Europe, and as we see and move into Quarter 4 and Quarter 1, I think the inventory levels are expected to come down, and then will start picking up the business in Europe for paracetamol. The trend will continue for some time in Quarter 4 because we bounced back to normalcy.

Dr. Krishna Prasad: Basically, there has also been a sale price decrease in paracetamol. So, when you look at revenue numbers, they will come down, but the margins are intact since raw material prices also have come down.

Tushar Manudhane: Lastly, the metoprolol, when do you expect it to launch in the US?

Dr. Krishna Prasad: It's on the sea, delayed by the ship going around the cape. Once it reaches, I think they will start.

Moderator: The next question is from the line of Tarang Agrawal from Old Bridge Asset Management. Please go ahead.

Tarang Agrawal: Just a couple of questions. This recent dichotomy seen in your performance in your US and ex-US business; while I understand the situation with LATAM and the general trend of raw material prices going down, I just wanted to get a sense on your comment on both US as well as ex-US business. In the US, if you could give us a sense on how your volume has grown this quarter and some of the key products that have contributed to that? And similarly, if you could give us a sense on what really has happened in Europe and ROW business, maybe some commentary on the volumes there.

Dr. Krishna Prasad: Actually, the US Finished Dosage business has grown and continues to grow, mainly driven by new products made from India and also products made at our US facility. The controlled substances business is growing and some of our new launches are also contributing. And as we launch a few more products, the revenues of FDs in the US are going to increase. Europe was mainly a paracetamol driven market and especially API. So, we had the sale price reduction in paracetamol and that's why the revenues have come down. And while volumes will be there, the revenue will definitely not catch up to the old level where after COVID, the prices were very high. I don't expect the price to go there. However, our formulations that we are launching in Europe are going to drive the growth in this region, and we see a steady increase in Europe too. So, while the US will be doing better than Europe in the short term, like I say 1 year or 1.5 years, after that, the growth rate in both geographies should sort of be equalized. LATAM, we are now trying to get into Finished Dosages in LATAM and it's going to take some time. While it will improve as a percentage of revenue, I don't think it will go back to those old levels because the US and Europe are growing very fast, and as a percentage, LATAM will continue to be low.

Tarang Agrawal: Just a follow-up; if I look at your dossier filings for Europe, right from June 2021 till December 2023, almost 2-1/2 years, the number has moved up from, say, 5 total filings to about 9 filings. How should we see this? Should the intensity or the speed of these filings increase as we move forward?

Dr. K.V.S. Ram Rao: As I said in my brief, the focus is on global product development and we are getting into the filings across the chosen geographies in the globe. Europe is a preferred destination. Already we have started working on more filings in Europe and you will see this number increasing very rapidly each quarter from Quarter 4 onwards, and we will to be able to see a lot of traction in Europe on the dossiers and also a lot of focus on the launches of these dossiers which we have filed sometime back. So, Europe is going to be definitely a value-added formulation supply business through dossiers. That is the focus of the organization. And also the portfolio that we have created in the last 1.5 years, I think all those are also destined to be filed in Europe in the next 2 to 3 quarters of time.

Moderator: The next question is from the line of Sajal Kapoor, an individual investor. Please go ahead.

Sajal Kapoor: How much of the gross block is not optimally utilized today or waiting for ramp up but we are incurring fixed costs there?

Dr. Krishna Prasad: Mr. Kapoor, the number will be given by Mukesh in terms of rupees. But the Vizag site at unit #5, the onco and the other APIs, due to delay in approvals of some of our formulations, which will be using APIs from that site, that have been idle for a long, long time. And also, onco block has been idle. You just heard Dr. Ram Rao say that there are lots of very exciting plans for onco, APIs, and FDs. And we also expect with some approvals for some of the MUPS products formulations we have filed, the APIs will start being manufactured in that site; and maybe within a year or so, we should start seeing some good revenues from there. In terms of gross block, Mukesh will answer that question.

Mukesh Surana: The net block is about Rs. 350 odd crores where we use commercial as well as R&D. So, partially it is commercial and partially it is R&D.

Sajal Kapoor: Dr. Prasad, I just wanted to understand, as a percentage, by the sound of what you just explained in the response, it seems like a significant or a material part, if not significant, of the gross block is still fairly underutilized but the fixed costs are already flowing through the P&L. Is that a fair assumption?

Dr. Krishna Prasad: You are perfectly right, Mr. Kapoor. That still forms a sizable portion of our net block.

Sajal Kapoor: And the second related question is, what could be the EBITDA on about 70% capacity utilization assuming no material change in product mix and no material change in the cost of raw material? With 70% capacity utilization, we keep the same product mix as in the current quarter, let's say, assumption, of course, and the cost of material also remains kind of largely stable. I'm just trying to get a sense on what could be the optimal EBITDA margins and ROCE because the current numbers are not giving a true reflection of the business potential.

Mukesh Surana: Currently, we still have a lot of room for capacity utilization both in Gagillapur as well as Bonthapally which are our largest plants. And there the utilization is higher than 70% but still we have room to go up to 90% to 95%. And also, we are continuously investing on debottlenecking and also improving production. It's a continuous process. And currently, we have in Gagillapur, the capacity in the range of 23 billion to 24 billion. With various improvements, we can further increase. And we are also adding one more facility, Granules Life Sciences. So, always it will be ever evolving. We will continuously add capacity. We will always have some capacity to be utilized.

Sajal Kapoor: Just a small clarification. Yes, I get that Mukesh. On a dedicated capacity, we expect no less than 95% steady state utilization. But on the fungible capacity, is it difficult to go beyond, let's say 85%? So, capacity utilization on a blended basis on a steady state will be hovering between, let's say, 85% and 95%, including both fungible and dedicated capacity. Assuming we don't do any fresh CapEx which is not correct – I know that what I'm trying to understand is, can we get to 25% EBITDA margin when we get to optimal capacity utilizations across dedicated and fungible capacities? Or can we even breach 25% with the improvement in the product mix? That's the sense I'm trying to get here.

Dr. Krishna Prasad: I understood that Mr. Kapoor. And basically, with optical product mix it can definitely go up to, a few percentages than what we are doing now, not 25% but close to that. But the product mix will happen with the new launches. So, new launches, we have to see how they go in the market, we are quite excited, but we have to see how they perform. Definitely, the margins will go up. And again, another thing to add here is if you, if we remove Unit-V, where you rightly said, a lot of assets is not being utilized. Definitely our EBITDA levels will be higher than what you are saying. That means when that asset is utilized we can see some much better numbers.

Moderator: Thank you. The next question is from the line of CA Nihar Shah from Crown capital. Please go ahead.

CA Nihar Shah: I have two questions. One is on margin, though our margin has seen a good jump this quarter, like we are around 21.5% to 22% level. So, what are the sustainable rate at which we are looking at going ahead?

Dr. Krishna Prasad: It will be around this number Nihar definitely, and like I always say that we are always aiming for above 20% and every quarter, or maybe year-on-year, we will see the EBITDA levels going up. Definitely and as like I said, when discussing with Mr. Kapoor, the product mix which when it becomes optimal definitely the margins will go up. But it will take maybe a few quarters to see the effects.

CA Nihar Shah: Understood. And also our revenue this quarter went down on quarter-on-quarter basis like slightly. So, we are looking to improve from this at what rate and how can we look the revenue outlook for next year?

Dr. Krishna Prasad: Next year should be quite decent. But again, to answer your question for this quarter, the revenue I won't say de-growth, no growth in revenue was caused because of prices of Paracetamol, like I said the margins were there. If you see the value-add was fairly good. But the revenue came down and next year definitely we will see an upward trend. Also, this year, if you see we also lost the first quarter. So, this quarter, this year is going to be not so exciting, but next year seems to be going great.

CA Nihar Shah: So, any ballpark figure, what kind of revenue are we looking for next year or any year-on-year growth rate which you would like to give?

Dr. Krishna Prasad: No, we made it clear a few quarters ago that we will stop giving guidance. But you will see the improvement Nihar.

Moderator: Thank you. The next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Shetty: Sir, basically on the US business and just to understand more on the gross margin side, the entire gross margin expansion, that we are seeing a sharp jump from quarter-to-quarter as well as on

Y-o-Y basis, it is mainly driven by this US business only or some other factors are also contributing it?

Dr. Krishna Prasad: It's a mix, actually it's a mix of product mix, which we are selling in the US. So, you are right, it is the US business that is giving us a higher value add.

Rashmi Shetty: Okay. So, if I try and understand, what is the volume growth currently, which you are seeing in the US business and what is the kind of price erosion that we are seeing in the US?

Mukesh Surana: We have multiple products; some are in metric tonne and some are in tablets so it is difficult to give.

Rashmi Shetty: On an average if you can give something, some ballpark number just to understand?

Mukesh Surana: So, currently we are much higher in terms of volume compared to the value. So, just to give some ballpark number, the price erosion range ranges from 6% to 10% at selling price levels. Raw material level will be much higher.

Rashmi Shetty: Got it. And, what, I understand that the FD sales contribution has seen a sharp jump if I just compare nine months data to nine months data of FY23 from 50% contribution it has gone to 61% and our API and PFI segment has actually come down. So, whether this kind of performance will be there in the subsequent quarter also or we will see some fluctuation going ahead?

Dr. Krishna Prasad: There will be some fluctuations Rashmi, but definitely they will be at the same sort of at these levels with minor fluctuations.

Rashmi Shetty: Okay, but this from 61%, any aim or anything which you are targeting that in next two years the FD contribution to overall sales to go to any particular number?

Dr. Krishna Prasad: I cannot give you a number, but definitely our objective is to have an increased FD contribution because the FDs gives us the best margin. So, we are aiming for a higher percentage, and we definitely see the number growing, I cannot give you an exact numbers.

Rashmi Shetty: Okay. And what is the outlook on the API and PFI business because we have seen a big decline this quarter, this year which I understand is due to the pricing and also due to the Paracetamol pricing on higher base. But going ahead, have you seen that most of the impact has already come in and now the prices are stable, or do you feel that we are going to see much more impact in the coming quarters also?

Dr. Krishna Prasad: Again, our objective is to convert API's and PFIs into FDs, which has started, so you will not see any as a percentage. The APS BFIs would stay approximately around this range.

Priyanka Chigurupati: Rashmi, just to add to that, can we say the percentages that remain same, but the volume growth will be quite significant, which means in terms of absolute numbers, you will see an increase primarily on the larger volume API. There has been a little bit of inventory stocking that happened because of COVID for some molecules, which as we go increase, because our customers will be depleting in the existing inventory. So, we do have some capacity available for them and we will be utilizing that going forward.

Rashmi Shetty: Okay. And in your FD business, how much does US geography contribute, as of now. Now the US has become a big business, so you can at least give some idea. Only in your FD segment, how much is the US contribution, followed by Europe?

Dr. Krishna Prasad: Majority of our FD business is from US, Rashmi so as major part, Europe is growing now.

Rashmi Shetty: Okay. And how many launches have we done till date? Till date in the sense for this year in the US business only for this year?

Priyanka Chigurupati: We've done about four to five launches this year. But some of them have been soft launches like CMD indicated in his speech earlier. Some of them have been delayed because of logistics issues. But those will be resolved because we are building inventory in the US before we take on new businesses and we will see our continuous stream of launches going forward. In Q4, we estimate to launch between three to four products and Q1 in addition to gaining more market share from the existing products we'll be launching about three to four products.

Rashmi Shetty: So, this year you will end up by eight to 10 launches?

Priyanka Chigurupati: No, we will have about four or five launches yet another three launches about seven new launches.

Rashmi Shetty: Seven to eight launches and next year how much are we targeting?

Priyanka Chigurupati: With the visibility we have across the regions we will have between four to eight launches with the current visibility.

Moderator: Thank you. Our next question is from the line of Harith Ahamed from Avendus Spark. Please go ahead.

Harith Ahamed: So, in recent months, you had some interesting approvals like generics of Toprol-XL, Protonix and a few others. So, can you give an update on launches of these products and how the market shares have ramped up and also try to understand if there is a change in the contribution from our top five core molecules, which has historically been above 80%?

Priyanka Chigurupati: So, like I mentioned just now when Rashmi was speaking to us, we have delayed a few launches intentionally because of logistics issues. Now that said, we have already launched four to five products we will be launching during a soft launch of three products in this Q4. And going

forward, we'll be doing the remaining launches. Sorry, what was the second half of your question?

Harith Ahamed: Given these are molecules outside our core, top five molecules. I was trying to understand if, there will be a change in the contribution or decrease in the contribution from top five molecules when we launch these products?

Priyanka Chigurupati: Yes. So, as we have always committed, if you see our numbers over the last couple of years in quarters, our core contribution has always been around 85%. As of this quarter, it's about 72%, so this goal is always to increase the contribution from the new products, and you will see that going forward as well.

Dr. Krishna Prasad: Harith to add to that also, the margin contribution from the newer products is quite decent compared to the older products as of today.

Harith Ahamed: Did I hear correctly that the core molecules this quarter contributed 72%?

Dr. Krishna Prasad: Priyanka, yes.

Priyanka Chigurupati: Sorry, you cut off for me.

Dr. Krishna Prasad: She is right, around 72%.

Harith Ahamed: Okay, 72% of the overall revenues?

Dr. Krishna Prasad: That's right.

Harith Ahamed: Not the FD revenues?

Dr. Krishna Prasad: No. Overall.

Harith Ahamed: Okay. And when I think of CAPEX in FY25, in FY24, we are tracking around Rs. 400 crores, estimated for the full year. Now when we are starting phase two at Kakinada how should we think about CAPEX in FY25 and this phrase two at Kakinada approximately, how much will be the overall spend and over what timelines?

Mukesh Surana: Harith, I will give you a complete perspective on the CAPEX, as of now for first three quarters we have spent Rs. 283 crores and we are expecting to spend for the full year around Rs. 500 crores so that is the reduction in the capital expenditure primarily Granules Czro and that Kakinada as Chairman has explained in will start in F25 and commercial will start in F26 so there will be some deferment of capital expenditure but not so much substantial in the next year as well. Next year, we are planning for overall Rs. 600 crore CAPEX, Rs. 200 would be regular and Rs.400 crores would be on the growth project like Granule Life Science and Granule Czro and few other projects which we are exploring**.**

Moderator: Thank you. The next question is from the line of Bino Pathiparambil from Elara Capital. Please go ahead.

Bino Pathiparambil: Just a quick one on raw material. So, when you say the decline in raw material prices helped margin, are there any two or three key raw materials which has mainly contributed to this?

Dr. Krishna Prasad: The main thing is the biggest product for us today are Paracetamol and Metformin. And the raw material for Paracetamol is PAP para-aminophenol and Metformin is DCDA. So, both these products prices have come down drastically. Of course, so as the selling price grew, but these are the two main products that have contributed.

Bino Pathiparambil: Understood. And what do you attribute this reduction in prices to and how do you think it will remain though?

Dr. Krishna Prasad: Sorry, I lost you, I didn't get you.

Bino Pathiparambil: What would you ascribe this reduction in prices of these raw materials to, is there a specific reason and how you think it will sustain at those levels?

Dr. Krishna Prasad: During COVID that this price has shot up, there were shortages and now after COVID new capacities also were added and as of today their surplus material and I do have every reason to believe with the surplus capacity available the prices should hold on for a few years. Plus, or minus some percentage**.**

Moderator: Thank you. The next question is from the line of Nagesh M an Individual Investor. Please go ahead.

Nagesh M: Just wanted to know your viewpoints on dollar INR how it works in future. And what is your hedging policy, because for the last six, eight months the dollar has been stagnating it around 83 only?

Dr. Krishna Prasad: Mukesh will answer that.

Mukesh Surana: So, dollar-INR there are divergent views, our internal view is, in this range for next quarter and also next year in this range of 82 to 83. And as a hedging policy, we have a risk management policy and also we have a clear hedging policy in terms of whatever net exposures are there we take time to time coverage.

Nagesh M: Okay. What will be the average dollar rupee for your entire nine months period this year, realization?

Mukesh Surana: Around Rs. 82.5.

Nagesh M: Okay. One more question is, is there any chances of getting a bonus shares, because the company has not issued any bonus?

Dr. Krishna Prasad: Nagesh we did two buybacks, and that was really something we thought we were doing something very good. So, now with all the CAPEX and other things that we are doing, we may not do a buyback at least another year or two. Bonus shares, we have not thought of it, and we don't think I can commit at this moment in time.

Nagesh M: Okay. And any chances of the pledge of shares being totally released because you have done the reduction for a very long time and now it is stagnated?

Dr. Krishna Prasad: It will be totally released. You will see that shortly.

Moderator: Thank you. The next question is from the line of Vikas Sharda from NT Asset Management. Please go ahead.

Vikas Sharda: You mentioned that the raw material prices for like PAP and DCDA have fallen quite sharply this year. So, I was just wondering when you are talking about backward integration in your, Czro subsidiary. So, how does the viability of those projects change with say the changes in the prices or are these not really linked, how do you look at that prospect of that backward integration?

Dr. Krishna Prasad: Even though the price dropped, when we make a product, going based on current yields, and other data we have now, we should still be profitable, not an exorbitant profit, but we will be profitable. And we have been able to justify our investment. More than just this, I've mentioned many times, the entire world is dependent on China for DCDA, and the geopolitical crisis somewhere there can lead to global shortages of Metformin. So, once we make the DCDA ourselves, it's a lot of self-reliance and customers would prefer to buy from a company which is fully integrated, and the other advantages. We will have the lowest carbon footprint when we make our DCDA, our product Metformin will be green compared to anybody else. Even though you don't see it today, a few years from today, you will see the effects. And people, every company in the world pharma company, distribution company, including Walmart's and all have taken targets for achieving net zero, and the only way they can achieve that number is to buy products with less carbon footprint. And they do believe there will also be a premium for having products with carbon footprint. To Sum it, its self-reliability and also premium price based on green chemistry, in addition to nominal margin.

Vikas Sharda: Thank you. And one more question that, like when one looks at say the revenue growth for this quarter overall, it's a 1%. How would you look at the volume growth versus the price movement mix?

Mukesh Surana: So, it depends on a lot of product combinations and also a new metric tonne and tablets. On average, from lower side to the higher side 5% to 6% to 10% range of price erosion has been there.

Moderator: Thank you. The next question is from the line of Saurabh Shukla, an Individual Investor. Please go ahead.

Saurabh Shukla: Actually, I have two questions. The first one is, like related to this R&D section, which is research and development. So, may I know how much increase we can see in the R&D spending in the upcoming quarters for the financial years and in addition to this, is there any specific new products in the pipeline that is going to be adding new portfolios?

Mukesh Surana: R&D expenditure, we are spending 4% of sales, this quarter we have spent about 47 crores. In the Q4 we probably would be spending much more than the 47 crores. As a percentage to sales also, we will increase our spend in Q4. A lot of filings are in process in the next two months. So, expenditure is going to go up and some new launches.

Dr. K.V.S. Ram Rao: So, on the new product launches, Priyanka has just spoken. So, we have done about four to five launches now. New products in R&D. So, as I said in my brief, regarding the new products in R&D, we do 10 to 12 filings every year. And this you will see, based on our R&D expenditure that we are already slated for Q4, we will be ramping up around 10 to 12 every year, not only in the US, but I've also mentioned that this is a global product development. And we will be looking at not only filing in the US, but extending these filings into the chosen geographies, including Europe. So, overall, we will be looking at as Chairman has pointed out earlier, more of converting assets into a good finished dose players in markets outside the US along with the API sales. So, it will be 10 to 12 products every year in the R&D for at least the coming couple of years.

Dr. Krishna Prasad: A lot of development oncology also is happening in the R&D as of today and will continue.

Saurabh Shukla: Okay. One more question, like as I said, as I saw there are two sites that are being, Vizag and Kakinada apart from that, is there any other like other new sites that Granules India basically going into find out in India or any other geographies in the upcoming years or upcoming quarter itself. And I just wanted to please emphasize that part, that is the question.

Dr. Krishna Prasad: Let me try to understand your question a little better, it wasn't clear. So, are you asking if other than Kakinada are we having any other expansions in different geographies?

Saurabh Shukla: Correct.

Dr. Krishna Prasad: Okay, we have a lot of investments going on right now. And even though Kakinada is delayed, it's not going to be small. And also, we have this in Genome Valley, which is a different site other than current formulation facility, about 500 crores of investment is going on there. And recently, we have started a packaging unit at a fairly high investment in Virginia, in addition to

our GPI facility. So, we have already invested in we have made plans for some more. And as I see it today, I don't think any other geography is visible.

Moderator: Thank you. Ladies and gentlemen that was the last question of the day. I now hand the conference over to Mr. Krishna Prasad for closing comments.

Dr. Krishna Prasad: Ladies and gentlemen, thank you very much for attending this call. And I hope that you have got all your answers. And if you have any other questions, please feel free to reach out to our team Puneet or Mukesh, and we will be glad to clarify. So, once again, thank you very much. And have a good evening.

Moderator: On the behalf of Granules India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.