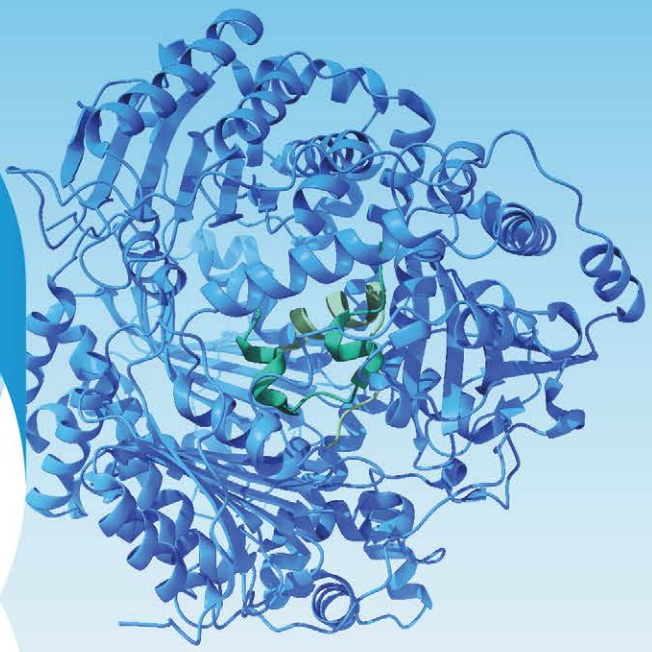
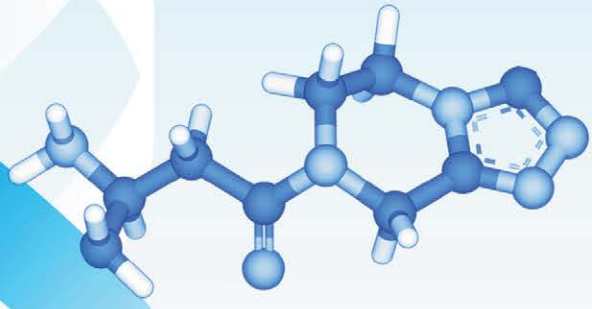
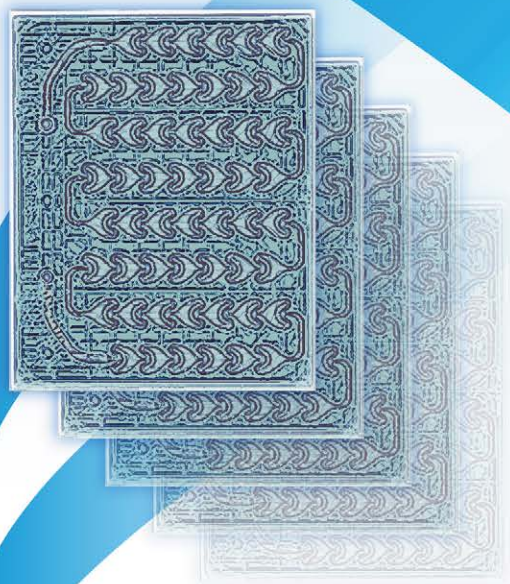
Transforming with science and technology

Innovation | Excellence | Sustainability





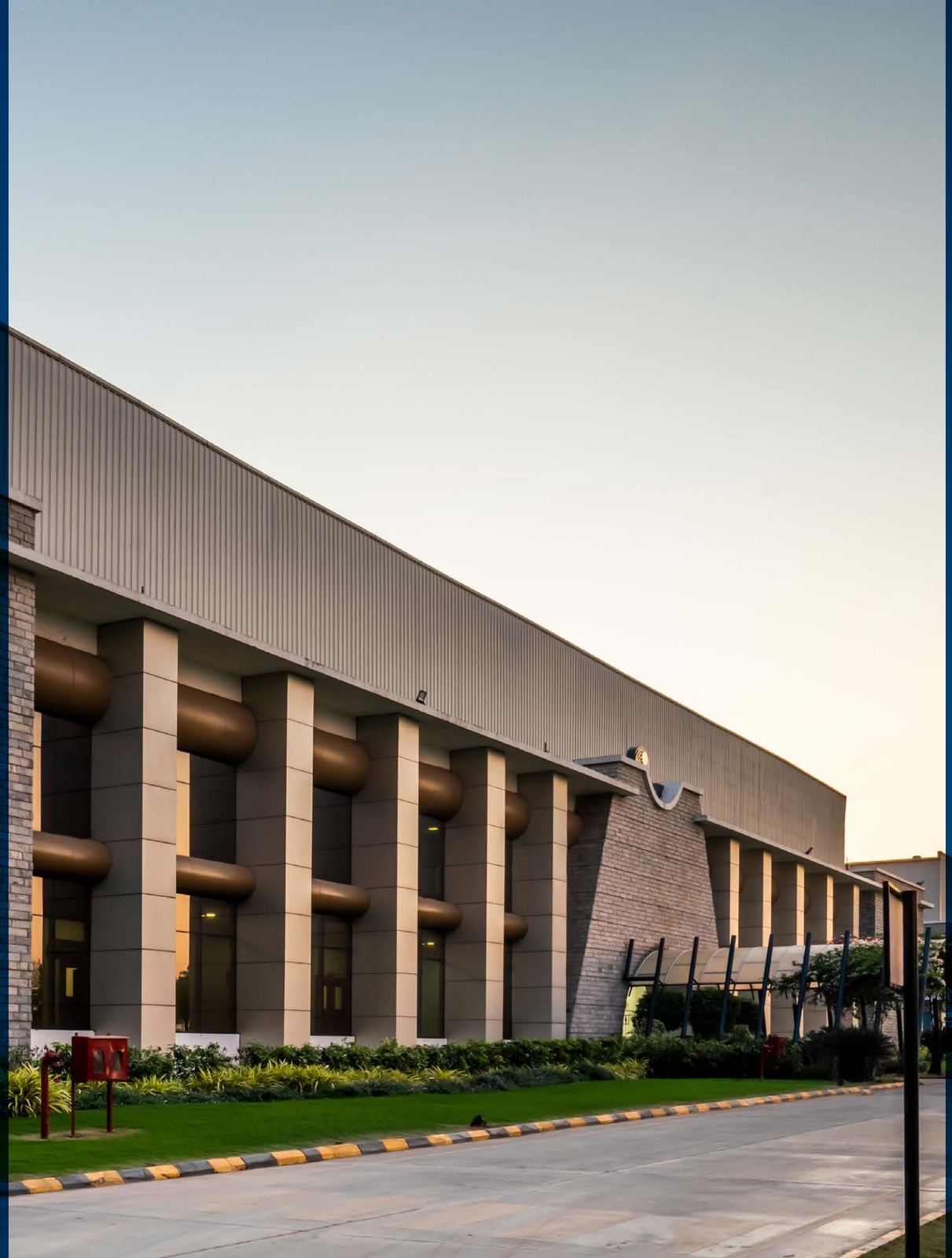


GRANULES

Granules India Limited

Annual Report **2021-22**

Contents



Transforming with science and technology

Innovation | Excellence | Sustainability

Science and technology form the backbone of pharma manufacturing. At Granules India, our spirit of innovation is helping take the business to the next level. Technology will play a critical role in enhancing and optimising capacities, capabilities, processes and quality standards while ensuring cost efficiency for the business and our customers. Extensive and advanced level research and development will keep our product pipeline robust with a diverse range of cost-effective offerings. Excellence is a moving target at Granules. This means that we are continuously calibrating our core and strengthening strategies to deliver more. To become a business that stands for more than profitability and helps create positive impact in the industry, we are adopting and embedding sustainable practices across our operations. Our core focus remains on transforming with times and to this end, we will continue to overrule the status quo and think anew.

FY 2021-22 Highlights

Operational

- Granules has the highest generic prescription in terms of absolute growth 17.8% in the US market
- 6 ANDA approvals from USFDA, and additional approvals for 1 EU dossier and 2 Canadian dossiers
- Launched 24 generic products under GPI label in US
- Filed 2 patents in India directed towards new process for manufacturing intermediates and /or APIs, purification and pharmaceutical composition thereof
- USFDA approval for generic Prazosin Hydrochloride capsules used for the treatment of high blood pressure

Financial

₹ 3,76,492 Lakhs
Income from Operations

₹ 72,223 Lakhs
EBITDA

19.2%
EBITDA Margins

₹ 41,276 Lakhs
PAT

₹ 16.66
EPS

1.64
Asset Turnover

Environmental

3,72,589 KL
Water consumption

76,25,239 kwh
Renewable energy share

81,111 KL
Recycled water used

Social

10%
Women employees

68%
Permanent workforce

₹ 9.13 Cr
CSR expenditure

Governance

100%
Shareholder Grievance Resolved

98%
Average board meeting attendance

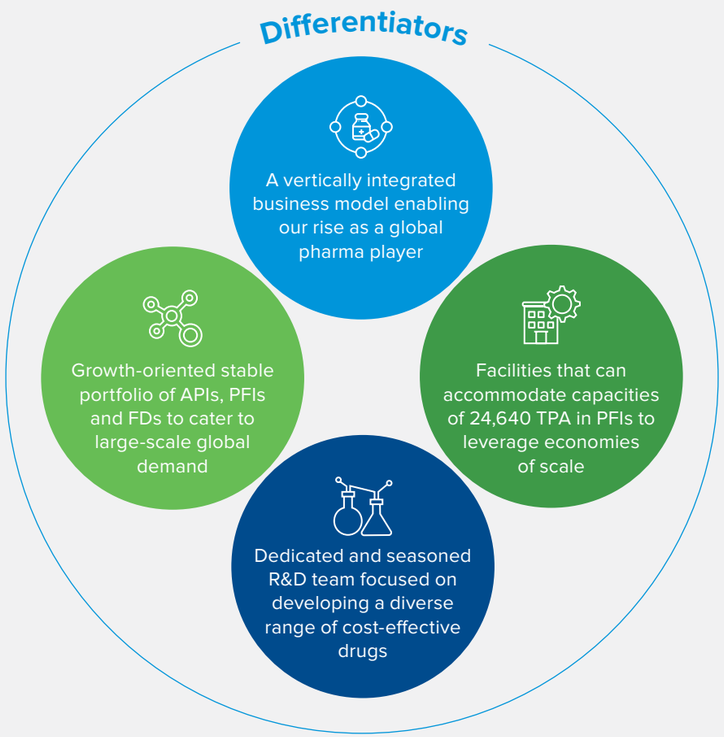
50%
Independent directors on board

COMPANY OVERVIEW

For quality healthcare that transforms lives

Granules India Limited is among India's largest pharma manufacturing companies with over three decades of experience in manufacturing high quality pharmaceutical products. We produce Active Pharmaceutical Ingredients (API), Pharmaceutical Formulation Intermediates (PFI) and Finished doses (FD) and the same are marketed across key markets of North America, Europe, India and Latin America. Powered by vertical integration, scale, manufacturing excellence, focused execution and cost leadership through continuous innovation, we offer high quality, affordable medicines to people across the world.

We have built one of the largest PFI and single site FD facilities in the world. Our's is the world's largest Paracetamol API facility. We have state-of-the-art research and development centres in Hyderabad and Virginia.



VISION

To be the global leader in pharmaceutical manufacturing by process innovation and unparalleled efficiencies.

MISSION

Our drive to be the best is unparalleled. We will match our drive by partnering with global leaders in our markets, building lasting relationships, and foundation for mutual growth and success.

VALUES

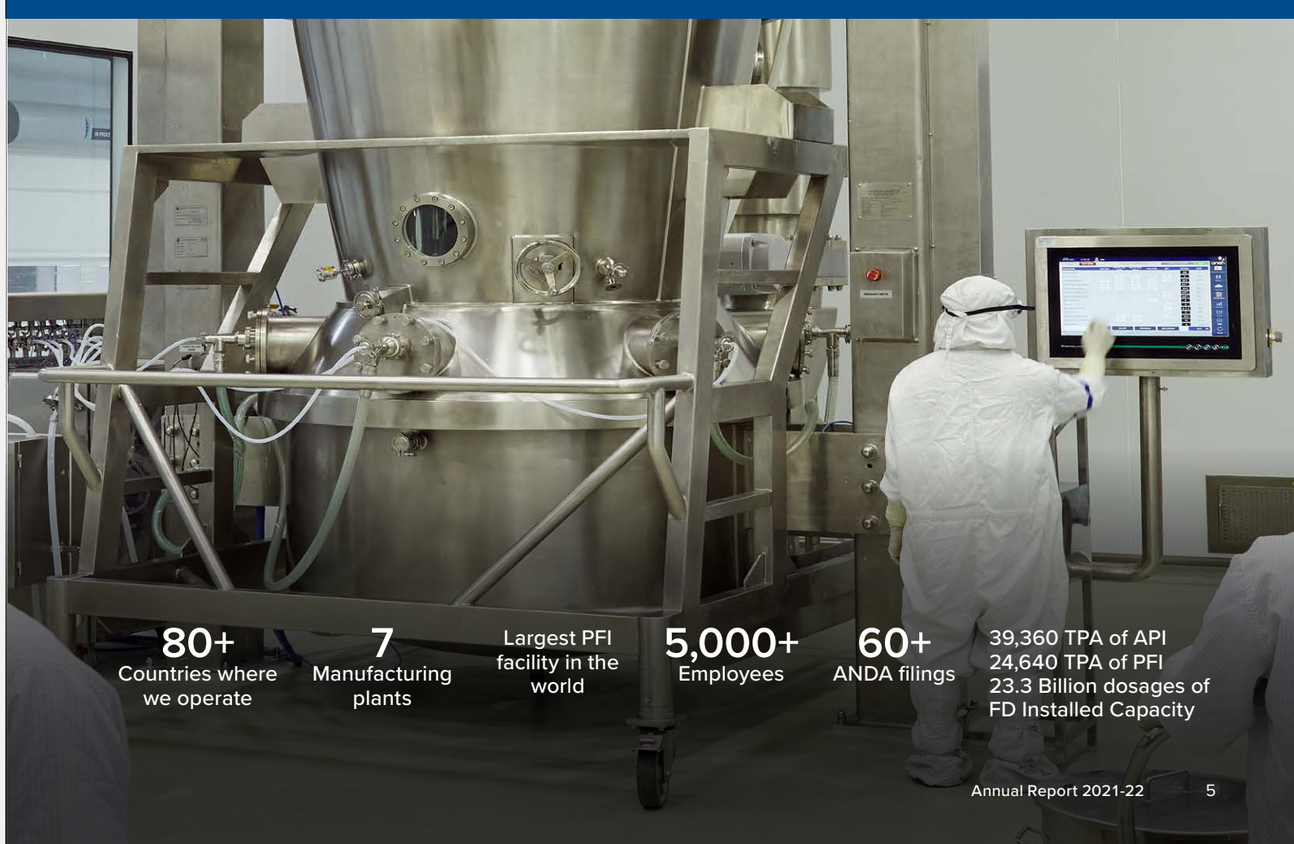
Integrity
We consistently adhere to moral and ethical principles in our thinking as well as actions while conducting our business

Quality
We strive to maintain the highest standards in our products, processes and system all the time

Improvement
We systematically enhance value of our products, processes and services in pursuit of excellence

People
We cultivate a conducive work environment where every employee feels excited and can realise their potential

Customer Centricity
We focus on our energies towards understanding and addressing customer expectations thereby building lasting business relationships



80+ Countries where we operate

7 Manufacturing plants

Largest PFI facility in the world

5,000+ Employees

60+ ANDA filings

39,360 TPA of API
24,640 TPA of PFI
23.3 Billion dosages of FD Installed Capacity

OUR BUSINESS SEGMENTS

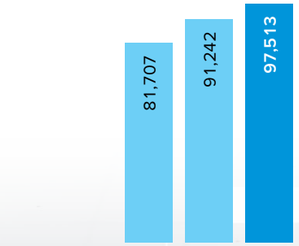
Enhancing efficacy. Diversifying offerings.

Over the years, we have established a strong presence across the healthcare value chain. Our global-scale operations within API, PFI and FD will focus on achieving cost efficiencies and continuous innovation to remain on the cutting edge of supply chain, manufacturing and operational efficiency.

ACTIVE PHARMACEUTICAL INGREDIENTS (API)

APIs are a key focus area at Granules, which helped us emerge as the key manufacturer and supplier of Paracetamol, Metformin, Guaifenesin, and Methocarbamol. We are among the most efficient and cost-effective manufacturers in the world, offering a specialized API portfolio. We work to enhance our API manufacturing capabilities to add new products to our portfolio pipeline.

Revenue (₹ in Lakhs)

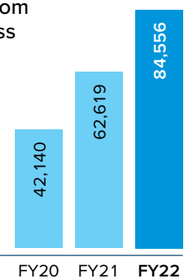


PHARMACEUTICAL FORMULATION INTERMEDIATES (PFI)

With a batch processing capacity of 6 tonnes, we are among the largest PFI manufacturers in the world. We pioneered the commercialization of PFIs, to optimise cost economics of products. This enabled Granules to become a preferred PFI supplier for some of the most renowned global pharma companies. We use our facilities at Jeedimetla and Gagillapur to process the intermediaries and compress them into finished doses.

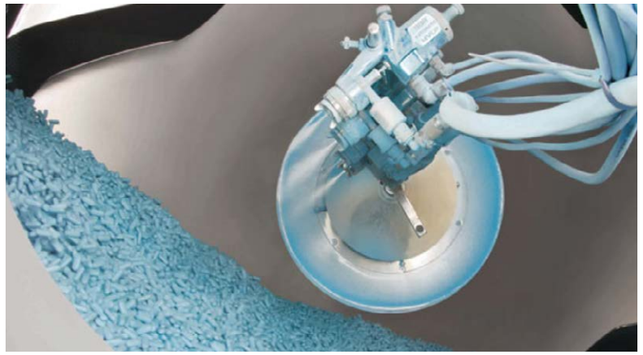
Revenue (₹ in Lakhs)

22%
Revenue from PFI business



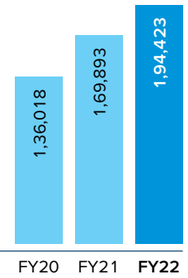
FINISHED DOSAGES (FD)

The existing portfolio that includes Caplets, Tablets as well as Press-fit Capsules in Bulk, Blister packs and Bottles contribute to over half of our revenue. They are manufactured at our state-of-the-art facility at Gagillapur. This unit is equipped with automated processes, robust infrastructure and superior quality systems to efficiently produce finished dosages that are marketed across 80+ countries.



Revenue (₹ in Lakhs)

52%
Revenue from FD

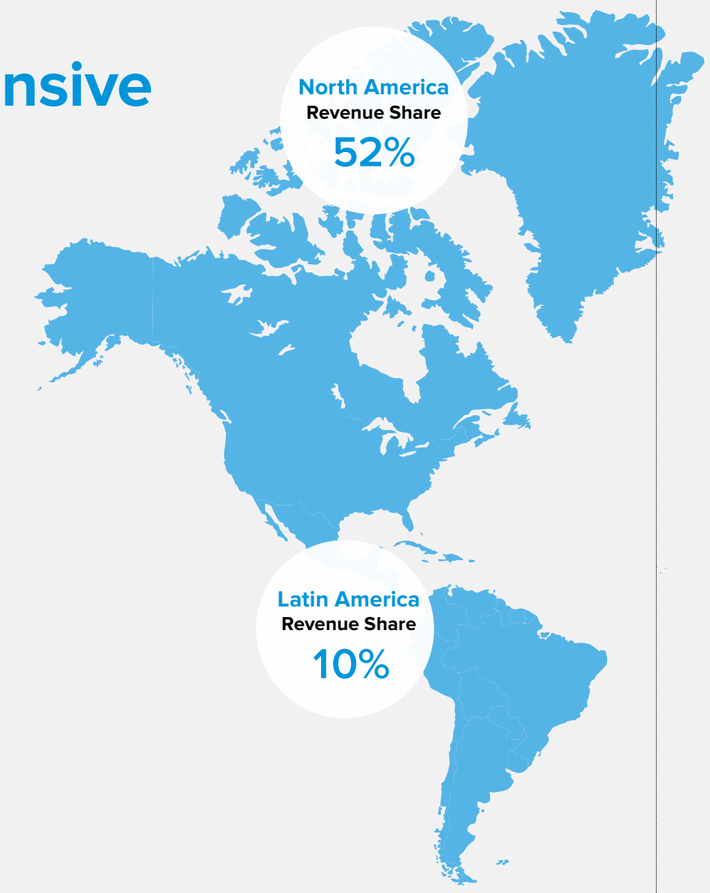


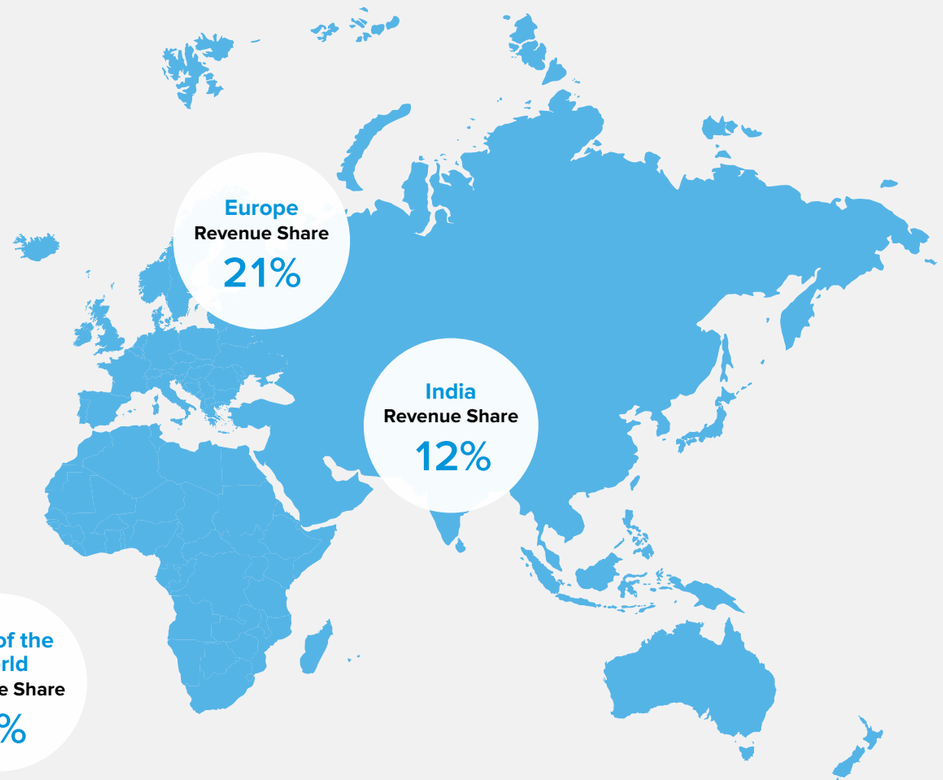
GEOGRAPHIC FOOTPRINT

Building an expansive circle of impact

Our manufacturing facilities are located across Hyderabad, Visakhapatnam and Virginia. We have dedicated API and PFI manufacturing facilities at Bonthapally, Jeedimetla and Gagillapur. We undertake continuous capacity expansion within these facilities.

Our Gagillapur unit is one of the largest single-unit manufacturing site for PFIs and Finished Dosages. At Vizag unit V, we manufacture small to medium volume API that are forward integrated into our finished doses and sold to third-party consumers. We set up a formulations, R&D and manufacturing facility in Virginia, USA to develop and commercialise oral solid dosages in the US under 'Make in America'.





Manufacturing units

Bonthapally, Hyderabad (API facility)	
Capacity	34,560 TPA
Capabilities	5 Paracetamol Grades 5.2 tonne batch size
Regulatory approvals	API - U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED

Jeedimetla, Hyderabad (Multi-Product API and PFI facility)	
Capacity	API- 4,800 TPA PFI Capacity: 1,440 TPA
Capabilities	1.2 tonne PFI batch size
Regulatory approvals	API - U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO PFI - WHO GMP, COFEPRIS, INFARMED

Gagillapur, Hyderabad (Finished Dosage and PFI facility)	
Capacity	PFI Capacity: 23,200 TPA MUPS Capacity: 5 Bn PA FD - 21.8 Bn PA
Capabilities	6 MT PFI batch size High shear and fluid bed granulation Pilot facility with geometrical scale-up
Regulatory approvals	PFI - US FDA, COFEPRIS, TGA, MCC, INFARMED FD - US FDA, MCC, COFEPRIS, TGA, INFARMED

Bonthapally, Hyderabad (API intermediates facility)	
Capacity	61.5 KL

Paravada (U-4), Visakhapatnam (API facility)	
Capacity	API- 380 KL PA
Regulatory approvals	API - U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM

Paravada (U-5), Visakhapatnam (API and FD facility)	
Capacity	API Oncology- 4.33 KL & Non-Oncology/NPD- 10.53 KL. FD: Tablets-1Bn PA and Capsules- 71 Mn PA
Regulatory Approvals	API and FDF - EU GMP

Chantilly, Virginia (R&D and FD Facility)	
Capacity	FD - 1.5 billion units PA 100,000 Sq Feet – R&D & manufacturing capacity
Regulatory approvals	FD - US FDA, DEA

JOURNEY

Three decades of delivering on promises

Since our inception in 1984, we have made decisive strides and innovated continuously to maintain our manufacturing leadership across key pharma markets. Our trajectory emphasises an unyielding purpose of harnessing science and technology to make safe, high-quality and affordable pharmaceutical products.

1984
Formed Triton Laboratories to produce Paracetamol API at our Bonthapally facility in Hyderabad

1990
Opened Triton's second manufacturing facility at Jeedimetla to produce multiple APIs

1991
Incorporated Granules India Private Limited

1993
Established our first PFI facility at Jeedimetla

1995
Became a listed company, following an IPO at the Hyderabad Stock Exchange

2001
Merger of Triton Laboratories with Granules

2003
Set up a large-volume PFI facility in Gagillapur and a wholly owned subsidiary - Granules USA for marketing in the US

2005
Built a new Paracetamol plant in Bonthapally, Hyderabad

2008
Entered the Finished Dosages segment

2010
Received US FDA approval for its first Abbreviated New Drug Application (ANDA)

2013
Established an API R&D facility in Pragathi Nagar, Hyderabad to strengthen our vision of being an integrated player

2014
Acquired Auctus Pharma – an API manufacturing facility with regulatory approvals

Set up a wholly owned subsidiary in the US;

Granules Pharmaceutical began focusing on formulation R&D to forward integrate its APIs

2015
Entered the over-the-counter business in the US through our own label Granules Consumer Healthcare for OTC products to control the value chain

2016
Laid the foundation for our Oncology OSD plant in Visakhapatnam.

2017
Launched Self Directed Team (SDT) programme across manufacturing units to nurture skill development

2018
Commenced LEAN SIX-Sigma programme to inculcate continuous improvement in business process performance

2019
Entered the front-end business for the sale of Rx products in the US under the GPI Label

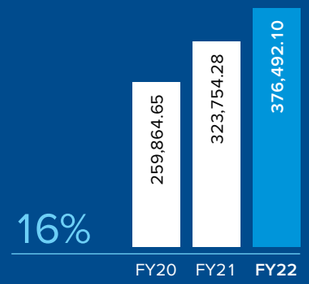
2022
Completed the largest single manufacturing site for multi-unit pellet system facility

KEY PERFORMANCE INDICATORS

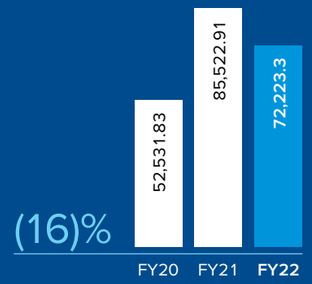
Keeping our fundamentals strong

Our inherent resilience, robust strategy and focus on building future readiness from the ground up, enabled steady performance through an environment of supply chain instabilities and rising input costs.

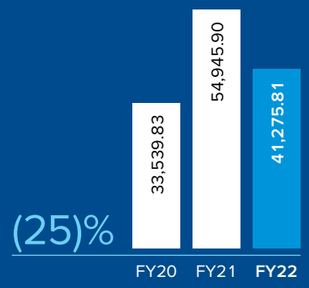
Revenue
(₹ in Lakhs)



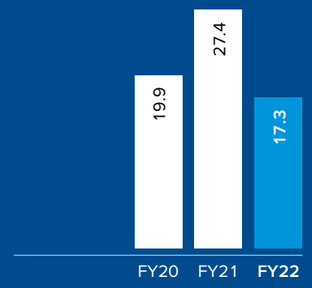
EBITDA
(₹ in Lakhs)



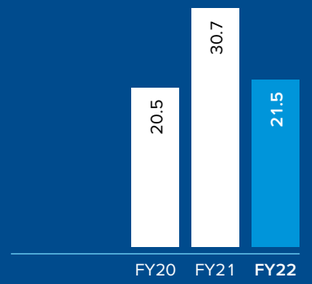
Net Profit
(₹ In Lakhs)



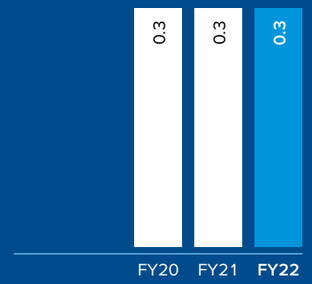
Return on Equity
(%)



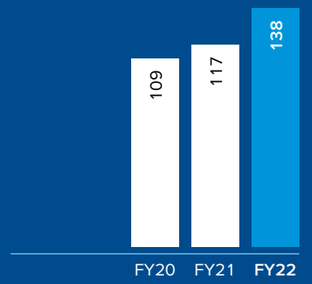
Return on Capital Employed
(%)



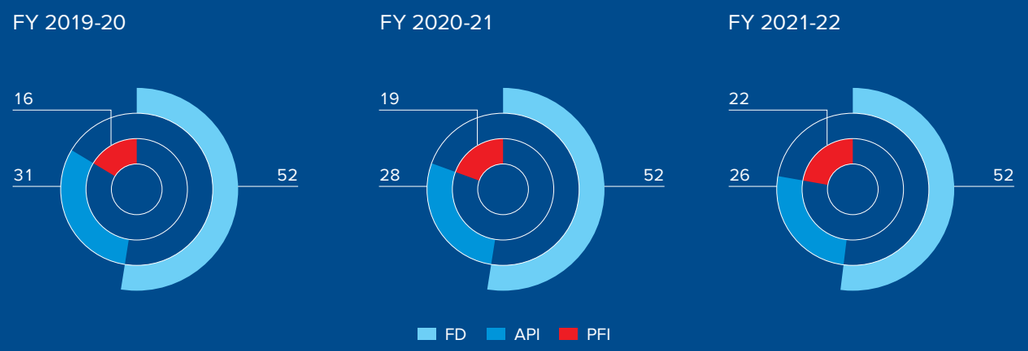
Net Debt to Equity Ratio
(in times)



Cash to Cash Cycle
(In days)



Revenue Break Up (%)



CHAIRMAN'S MESSAGE

Our sustained growth and success are outcomes of manufacturing excellence and focused execution around the core molecules backed by our solid track record of quality, compliance and Environmental Health and Safety (EH&S). We are transforming holistically with science and technology at the helm, to truly become an innovation and science-led enterprise.

Dear Shareholders,

I write this to you with an optimistic view that the worst of the pandemic is behind us. As a society, we have demonstrated unmatched resilience during these turbulent times. The last two years taught us to work even harder towards creating consistent value for our stakeholders. The pandemic-induced disruptions tested our mettle and only those organizations that have strong fundamentals, resources and focused and far-sighted planning thrived through the challenge.

Industry overview

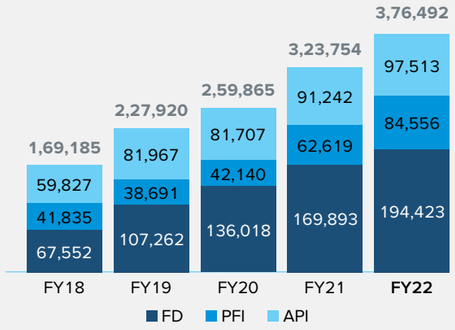
The Indian pharma industry has seen a growth of ~10% in FY 2021-22. This growth is largely due to a push from domestic and emerging markets. India is rightly said to be the pharma capital of the world with 60% of the world's vaccines and 20% of generic medicines demand supplied by our country. It is expected that the Indian pharma industry will reach $120 billion by 2030. This promising outlook opens ample opportunities for us as a Company that has been a preferred choice among customers due to our propositions of efficiency and quality.

Looking back at our performance

We recorded stellar performance during the financial year under review in times of substantial uncertainty. In the last three quarters, we grew in terms of revenue, absolute gross margin, EBITDA and PAT. We delivered despite the disruptions caused during the second and third COVID wave. We were also impacted by the global supply chain disruptions in Q4 due to Russia-Ukraine conflict that impacted the availability and price of raw materials, solvents and catalysts. We continued to face pricing challenge in the US market that resulted in somewhat lower EBITDA and gross margins.

We closed the books at ₹ 3,76,492 Lakhs, which is a growth of 16% over FY 2020-21. The share of fixed doses remains the largest in our portfolio whereas the highest revenue increase was recorded in PFI. Our gross margin for the year was at ₹ 1,88,128 Lakhs, a slight increase over the previous year. This is despite upto 60% hike in some of the raw materials, 40 to 70% in solvents and freight hike of 70%. Our net debt was at ₹ 69,661 Lakhs mainly due to increased inventory and receivables due to increased sales. It was a strategic decision to maintain inventories at a higher level due to COVID and freight delays. There was a 21-day increase in our cash-to-cash cycle, which now stands at 138 days. It was attributed to increase in inventory, receivables and price of raw materials.

Revenue (₹ in Lakhs)



Strategic approach

Over the years we have moved from being an API to fully integrated pharma manufacturer with strong presence across the value chain. Cost leadership and focused innovation continue to remain at the core of our operations. Our sustained growth and success are outcomes of manufacturing excellence and focused execution around the core molecules backed by our solid track record of quality, compliance and Environmental Health and Safety (EH&S). We achieved the leadership position in scaling up key molecules with some of the largest manufacturing facilities under our name. We are now set to embark upon a transformation journey with science and technology at the helm, to truly become an innovation and science-led enterprise.

We are doubling down on R&D, technology and sustainability. A strong R&D for API and formulation, is in the card, thereby enhancing the scale and quality of our pipeline. We wish to bring in technology platforms to reimagine manufacturing through Innovation. Harnessing technology and digitization in chemistry and biotransformations would strengthen existing business and lead to creation of new businesses. We want to achieve backward integration by controlling the supply chain for our selected products through Innovation in Science and technology.

Prioritising sustainability

Today the world of pharma is increasingly moving towards green chemistry. We are aware of the bearings of our operations on GHG emissions. We are designing our processes, products and facilities to be efficient enough to reduce any negative impact on the environment. At Granules, we are involving key stakeholders such as employees, regulators, customers and suppliers in the process of devising our long-term ESG vision. I am confident that green chemistry can be cost-effective through scale optimization and we aspire to work towards achieving carbon neutral status in the future.

I would like to thank our people for demonstrating unbridled devotion to ensuring that our customers' healthcare journeys remain undisrupted through every volatility. I am also grateful to the Board and all our stakeholders for reposing their continued trust in us and for motivating us to keep excelling at what we do. Together, we will realise our vision to ensure quality healthcare for everyone.

Sincerely,

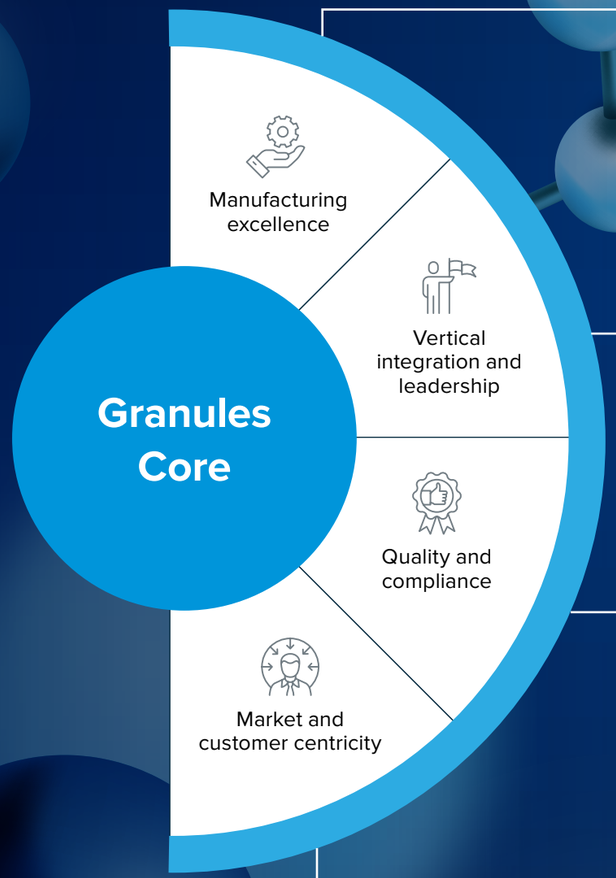
Dr. Krishna Prasad Chigurupati
Chairman & Managing Director

We are doubling down on R&D, technology and sustainability. A strong R&D for API and formulation, is in the card, thereby enhancing the scale and quality of our pipeline. We wish to bring in technology platforms to reimagine manufacturing through Innovation.

STRENGTHENING THE CORE

Calibrating our core to enhance future readiness

Vertical integration, continuous process improvement, enhancement of tech capabilities and stringent compliance with quality standards form the key aspects of our value proposition. Our existing products, customers, pipeline, manufacturing facilities and capabilities form the core strength. We have a reputation and culture of Manufacturing Excellence, Economies of Scale, Large Volume Products and Production Capabilities, and Infrastructure for Controlled Substance and Oncology manufacturing.



- Built on scale
- Focused execution
- Cost leadership through a culture of continuous incremental innovation

- Vertically integrated across the value chain
- Leadership in key molecules. Scale advantage in Paracetamol, Metformin and Ibuprofen
- Among the world's largest facility for Paracetamol API
- One of the world's largest facilities for the PFIs and FDs

- Excellent regulatory track record
- Facilities approved by all major health authorities/regulators

- Successfully built and ramped up the US business
- Customer relationship management with key B2B partners

We are recognized as the most cost-efficient pharmaceutical manufacturer backed by our commitment to quality, compliance and EH&S. With the largest facility for PFI and Finished dosages, we have achieved advantage of scale and leadership in our key molecules.

We are strengthening our core in the following ways:

Targeting global cost leadership in select molecules

Focus on successful new product launches

New business development initiatives

New product development sales

Global leadership molecules

Customer service excellence