



Transforming Healthcare through Innovation and Sustainability

What's Inside

Strategic Review

Message from the Chairman & Managing Director	2
Transforming for the Greater Good	4
Our Legacy	8
At a Glance	10
Business Segments	12
Performance Highlights	14
Business Strategy	16
Strengthening Our Core	18
R&D and Innovation	20
Sustainability	22
Our Sustainable Journey	24
Climate Crisis: Navigating Risks, Seizing Opportunities	26
Net Zero	
Our Compass, Commitment, and Future	28
Granules CZRO	30
Our ESG Approach	32
Materiality Assessment	34
Environment	36
Social	38
Governance	50
Board of Directors	51
Management Team	55
Awards and Recognition	58

Statutory Reports

Business Responsibility and Sustainability Report	60
Management Discussion and Analysis	102
Board's Report	110
Corporate Governance Report	128

Financial Statements

Standalone Financial Statements	150
Consolidated Financial Statements	212
Notice	276

Our Report's Cover

Granules' Annual Report cover is representative of our strategic focus on sustainability, innovation, and the pursuit of science to revolutionise the healthcare industry. It captures elements of our sustainability journey going forward, highlighting the key elements that drive our commitment to a greener future.

From state-of-the-art facilities powered by renewable energy to our focus on science, innovation and green chemistry concepts such as bio catalysis, the entire value chain is vibrantly visualised. Further, the cover is a symbol of our ultimate aim, of making healthier lives and a greener planet possible. There is a healthy family, a thriving ecology and a sustainable environment, illustrating the positive impact we seek to achieve through our transformative work.



Transforming Healthcare through Innovation and Sustainability



Granules has been unrelenting in the pursuit of excellence for nearly four decades. Now, we are adding a new chapter to this endeavor, as we embark on a transformative journey driven by innovation and sustainability and enabled by our ability to leverage science and its progress.

With sustainability as our guiding compass, we are committed to a path that is environmentally responsible and economically viable.

Together, we shall redefine the boundaries of what is possible, while nurturing strong relationships with our stakeholders and creating lasting value for everyone.



MESSAGE FROM THE CHAIRMAN & MANAGING DIRECTOR

Pursuing Purpose-led Growth



As we embark on this ongoing journey, with careful deliberation, we have revitalized our purpose, vision, and values, ensuring they embody our commitment to transformation.

Dear Stakeholders,

I hope you will find the Annual Report 2022-23 to be engaging and informative, as it provides a comprehensive overview of how Granules is managing its business in an increasingly integrated manner to reflect our new purpose of 'Healing lives responsibly through pioneering green science'.

A Year of Growth

I am pleased to report that our Company's performance has shown significant improvement over the past year. In FY 2022-23, we experienced a 20% surge in revenue, accompanied by impressive growth rates of 27% in EBITDA and 25% in PAT.

In terms of operating cash flow, FY 2022-23 was an outstanding year. Thanks to our strategic initiatives, we successfully generated a robust operational cash flow of ₹ 7,387 million. Despite incurring buyback expenses of ₹ 3,110 million and unanticipated capital expenditures of ₹ 919 million for our green technology initiatives, our net debt increased by a modest ₹ 705 million compared to the previous year.

Our revenue growth is particularly noteworthy considering the ongoing price erosion in the US market and the distribution challenges we encountered with our previous third-party logistics provider. This growth can be attributed to the significant increase in sales of API and FD products, particularly in key markets such as the US and EU.

During the year, we have successfully filed seven ANDAs with USFDA, two dossiers in the EU, and two ANDAs in CA. Additionally, we have submitted seven US DMFs and five CEPs. Furthermore, it gives me immense pleasure to announce that we have received approvals for five ANDAs from the USFDA during the same period.

Our capital expenditures for the year amounted to ₹ 4,106 millions underscoring our commitment to investing in our future growth. We have made substantial enhancements to our paracetamol API capacity and anticipate a surge in MUPS block utilization for the upcoming financial year. Furthermore, we are actively expanding our footprint in the EU through strategic business partnerships and the sale of dossiers for our FD products.

Notably, the construction of the new formulation facility at Genome Valley is progressing at a good pace, and we anticipate the completion of Phase 1 by October 2023 and Phase 2 by May 2024. Upon completion, this plant will augment our current capacity of 24 billion units of Finished Dosages (FDs) by an additional eight billion units.

Additionally, we successfully launched our new greenfield

packaging facility in Virginia, USA, and obtained FDA approval. The integration of this facility will significantly bolster our operations in both the OTC and Rx segments of our portfolio. It will also enable us to optimize our supply chain efficiency in the US, resulting in cost reductions and an improved working capital cycle.

Investing in Innovation and R&D

During FY 2022-23, our primary focus was on fortifying our R&D and product development capabilities through innovation and advanced technology platforms. By allocating a significantly higher budget for R&D expenditure, we aim to establish Granules as a research and development-driven organization. These strategic initiatives are geared towards expanding our capabilities, improving the quality of our portfolio, and increasing the number of regulatory filings.

Granules' Commitment to Combatting Climate Change

Climate change represents one of humanity's most pressing challenges. Its impact extends beyond borders, posing profound challenges to the stability of nations, economies, and ecosystems. Consequently, our planet and society face significant obstacles. The economic consequences of climate change are extensive, affecting industries, supply chains, and financial systems on a large scale.

Building a successful business involves identifying and addressing the problems society faces. In the face of the climate crisis, corporations have a crucial responsibility to pioneer innovative solutions and drive positive change. Customers are increasingly seeking sustainable products and services, and businesses that can meet this demand will be well-positioned to succeed in the years to come. By aligning purpose and profit,

Transforming Healthcare through Innovation and Sustainability

As a reflection of our commitment to combat climate change, we have entered a partnership with Greenko to establish the integrated green pharmaceutical zone in Kakinada, Andhra Pradesh. To support this endeavor, we have established Granules CZRO, a wholly-owned subsidiary of Granules India Limited. This subsidiary is dedicated to manufacturing products with a near-zero carbon footprint. We have made substantial advancements in developing various technologies for this purpose and have also formed partnerships with esteemed academic institutions and companies to drive innovation in this domain.

businesses can reshape the world for the better, leaving a lasting legacy for future generations.

Sustainability Initiatives at Granules

Granules has taken a deliberate approach to embedding sustainability within its business operations and decision-making process. Driven by a strong sense of environmental responsibility, Granules is dedicated to achieving Net Zero by 2050, further affirming its commitment to a sustainable future.

During the year, we completed the baselining process, benchmarked sustainability practices, and conducted a materiality assessment. Moving forward, Granules intends to establish and communicate comprehensive goals to all stakeholders, across the identified material areas. Our ambition is to become an industry leader and a global frontrunner in sustainability, driving positive change at scale.

Transforming for the Greater Good

Amidst an ever-changing business landscape, we embrace the potential of innovation and adaptability. Our transformation journey rests on a

steadfast dedication to creating a future-ready organization, capable of thriving in the face of evolving challenges and seizing emerging opportunities. We aim to develop the necessary capabilities and competencies that propel us toward enduring success in today's fiercely competitive environment.

As we embark on this ongoing journey, with careful deliberation, we have revitalized our purpose, vision, and values, ensuring they embody our commitment to transformation. As you read through the report, I hope you gain an overview of what we mean.

In Gratitude

Let me conclude by expressing my heartfelt gratitude to the Board of Directors for their continued guidance. My deepest appreciation goes to our employees for their dedication and pursuit of excellence. Finally, I would also like to extend my gratitude to all our stakeholders for their continued faith and confidence in us.

With best wishes to you and your families,

Dr. Krishna Prasad Chigurupati
Chairman & Managing Director

2050

Granules' Net Zero target year

Transforming for the Greater Good

We are charting a course where purpose, vision, and values intersect, shaping a future that is innovative, sustainable, and meaningful.

Our aim is to cultivate an organizational culture where purpose finds its voice, vision is translated into action, and our actions are guided by our values.

Through collaboration with our stakeholders, we dare to envision a future where healing is responsible, lives are transformed, and sustainability takes center stage.



PURPOSE

Healing lives responsibly through pioneering green science

Our purpose is deeply rooted in our hearts, driving us to responsibly heal lives through pioneering green science. With a strong commitment to environmental stewardship, we strive to integrate sustainability and growth on our journey.



VISION

To establish ourselves as a world leader in green chemical and pharmaceutical industry by harnessing cutting-edge technologies to enhance quality of life.

Our vision is ambitious, inspiring us to push boundaries, redefine possibilities, and create change that extends far beyond our horizons.

VALUES

Challenging Limits

Our unwavering belief in pushing boundaries and thinking beyond the possible drives us to challenge status quo, embrace risk and consistently pursue innovation fearlessly, without necessarily conforming to established practice. In doing so, we leverage the power of science in the best way possible.

Futuristic Thinking

We think about tomorrow and beyond. Our actions and efforts must have a positive and transformative impact for a long time to come, and everything we do is evaluated through this prism.

Customer Driven

Being driven by the customer's best interests is a way of life for us. It fuels our passion to develop tailored solutions that prioritize customer preferences. It inspires us to go above and beyond, and forge lasting, meaningful relationships.

Empowering Employees

People are the beating heart of Granules. They must be encouraged and empowered to be the best version of themselves. Through our approach, we enable and empower our colleagues and communities to achieve their highest potential, co-creating opportunities for collaboration and impact.

Quality Everywhere

Quality excellence is not just a goal but a relentless pursuit embedded in our DNA. We are driven by an approach to achieve 'best-in-class' across our products, operations, processes, and conduct. We believe this is the only way to go further, be a preferred partner for our customers, and inspire confidence and ambition in all stakeholders.

Environmental Stewardship

Being a positive force for the planet and its preservation is a fundamental duty that we fulfill through our efforts in green science, responsible practices, and an approach of trusteeship. Long-term success is based on our ability to partner in fostering a harmonious relationship with the planet and caring for it for the benefit of future generations.



OUR LEGACY

Over Three Decades of Delivering on Promises

From our origins as a paracetamol API manufacturing facility to evolving into a multi-faceted global pharmaceutical company, we have consistently achieved manufacturing excellence, set new benchmarks for quality, and expanded our footprint across the world.

1995

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

1993

Established our first PFI facility at Jeedimetla

1991

Incorporated Granules India Private Limited

1990

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

1984

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

2003

Granules sets up a new 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



► Inauguration of GPAK, 2023

2010

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

2013

Established API R&D facility in Pragathi Nagar

Acquired Auctus Pharma – An API Manufacturing Facility with regulatory approvals

2014

Set up a wholly-owned subsidiary in the US

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

2021

Set up the largest single manufacturing site for a Multi-Unit Pellet system facility

2023

Set up GPAK, which is a 79,000 sq. ft. packaging facility with four packaging suites and a warehousing facility

Established new purpose, mission, and values

2019

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

2016

Laid the foundation for our Oncology API and OSD Plant and a multiple product API Plant in Visakhapatnam

2015

Entered the over-the-counter business

in the US through our label Granules Consumer Healthcare for OTC products to control the value chain

AT A GLANCE

Quality Healthcare that Transforms Lives

Granules stands as one of the largest pharmaceutical manufacturing companies in India. We help translate technologies to enrich lives across North America, Europe, India, and Latin America.

Renowned for our commitment to exceptional quality and unparalleled customer efficiency, we have established a reputation that precedes us. With an illustrious track record spanning nearly 40 years, we have consistently delivered value for our esteemed customers across the globe, and helped them deliver access to quality medicine to those in need.



Our Strategy

At the brink of a transformative phase, we are driven by our ambition to elevate our business to new heights as a science and innovation-driven organization.

> Read more on page 16

One of the Largest

Pharmaceutical Formulation Intermediates (PFI) Facilities in the world

World's Largest

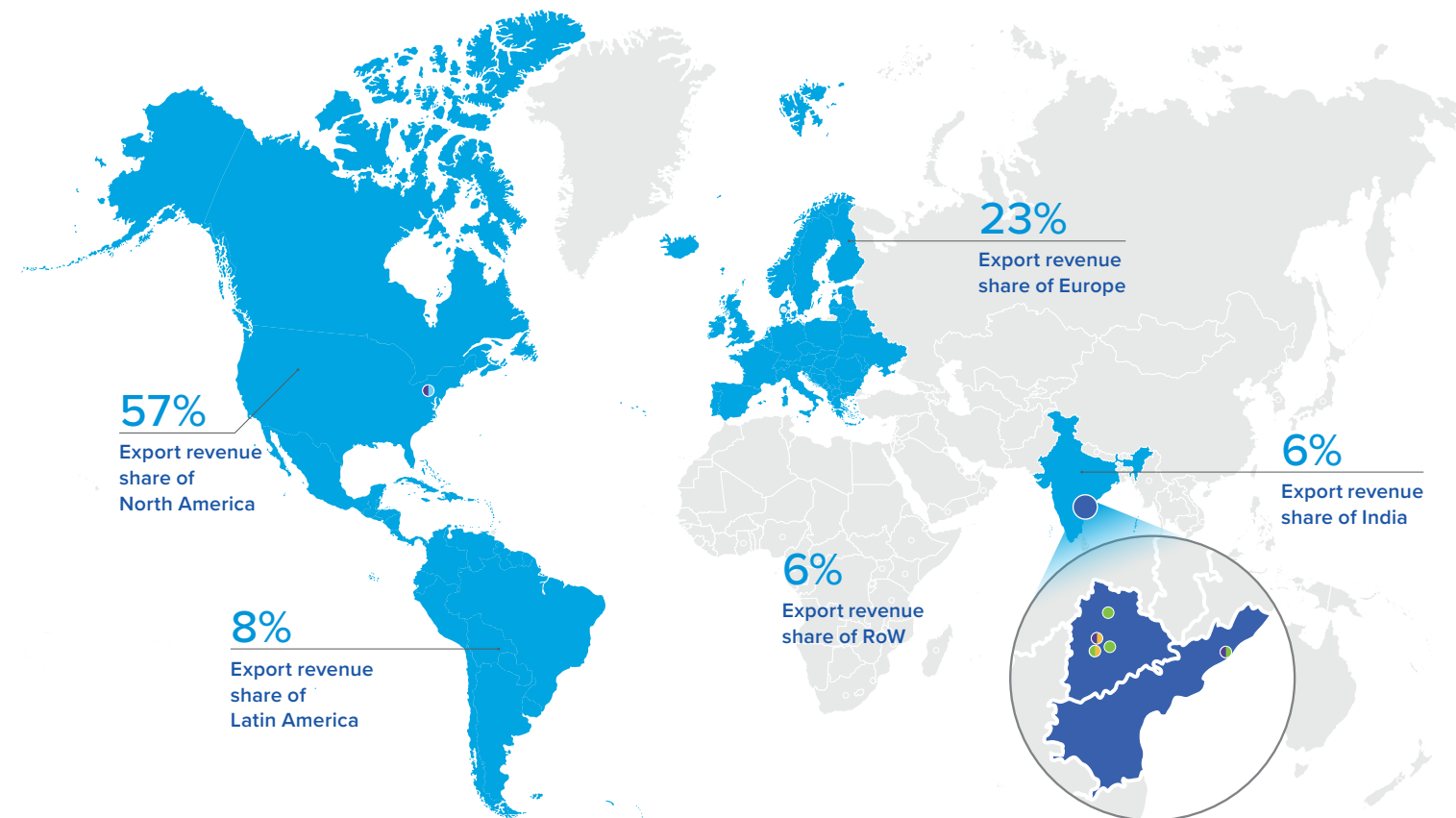
Paracetamol Active Pharmaceutical Ingredients (API) facility

One of the Largest

Single site Finished Dosages (FD) facilities in the world

Manufacturing Capabilities Catering to the World

Spanning across Hyderabad, Visakhapatnam, and Virginia, our eight state-of-the-art manufacturing facilities embody the principles of scale, focused execution, and cost leadership.

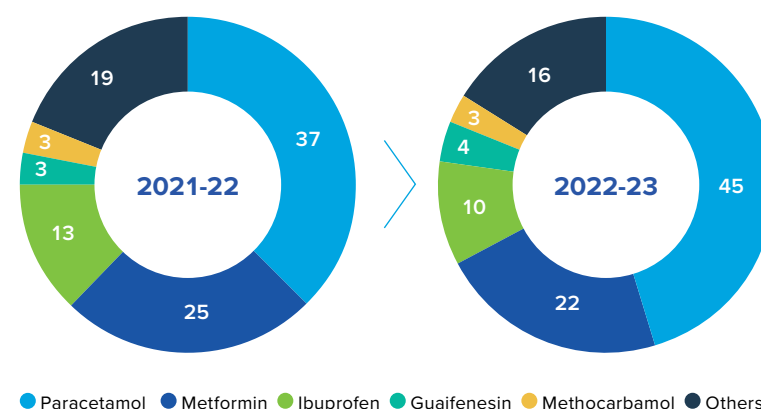


Products

We produce API, PFI, and FD, which are marketed across key markets in North America, Europe, India, and Latin America.

We specialize in the production of API, PFI, and FD, which are marketed across key markets in North America, Europe, India, and Latin America. Our expertise allows us to deliver these products to critical markets, ensuring their widespread availability and accessibility.

Revenue by Product (%)



	Manufacturing Units	Capacity	Regulatory Approvals
API	Bonthapally, Telangana	34,560 TPA	U.S. FDA, EDQM, WHO, COFEPRIS, INFARMED
	Jeedimetla, Telangana	4,800 TPA	U.S. FDA, EDQM, COFEPRIS, WHO, CDCSO
	Vizag (Unit IV), Andhra Pradesh	380 KL	U.S. FDA, KFDA, EU GMP, WHO GMP, EDQM
	Vizag (Unit V), Andhra Pradesh	15 KL	EU GMP
	Bonthapally II (API Intermediate, Telangana)	61.5 KL	
PFI	Gagillapur, Hyderabad	23,200 TPA	US FDA, COFEPRIS, TGA, MCC, INFARMED
	Jeedimetla, Telangana	1,440 TPA	WHO GMP, COFEPRIS, INFARMED
FD	Gagillapur, Hyderabad	26.8 Bn	US FDA, MCC, COFEPRIS, TGA, INFARMED
	Virginia, USA	1.5 Bn	US FDA, DEA
	Vizag (Unit V), Andhra Pradesh	1.1 Bn	EU GMP
Packaging	Virginia, USA	2 OTC lines and 1 Rx line	US FDA

BUSINESS SEGMENTS

Vertically Integrated Across the Value Chain

Driven by scale, strong R&D capabilities, and impeccable regulatory compliance, we operate across the entire pharmaceutical value chain. This comprehensive approach empowers us to provide a diverse range of cost-effective offerings that cater to the evolving needs of the healthcare industry.



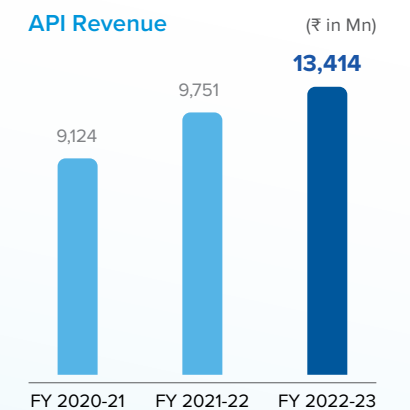
₹45,119 Mn
Total Revenue

Active Pharmaceutical Ingredients (API)

At Granules, we are a leading producer and supplier of Paracetamol, Metformin, Guaifenesin, and Methocarbamol APIs. Renowned for our efficient and cost-effective manufacturing operations, we specialize in delivering high-quality APIs. We continually strive to enhance our API manufacturing capabilities, to add new products to our portfolio pipeline.

30%

Revenue from API business

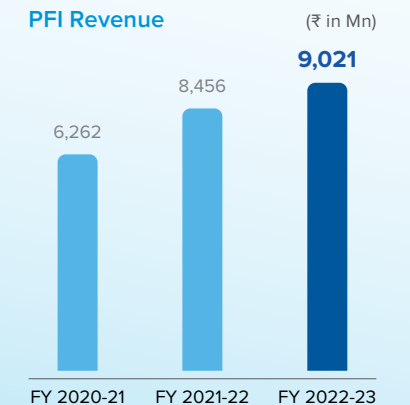


Pharmaceutical Formulation Intermediates (PFI)

We are a leading global manufacturer of PFI with a batch processing capacity of 6 tonnes. We excel in introducing PFIs commercially to optimize cost efficiencies. Our Jeedimetla and Gagillapur facilities enable us to process intermediates and transform them into final doses using compression techniques, making us a preferred supplier to global pharmaceutical companies.

20%

Revenue from PFI business

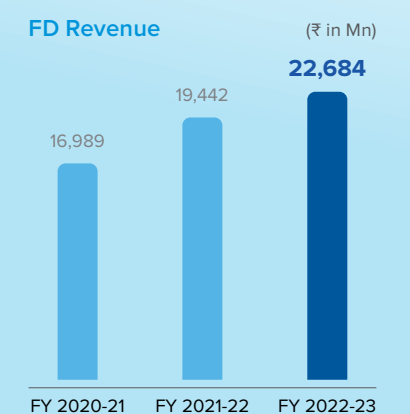


Finished Dosages (FD)

Our current product line-up, consisting of Caplets, Tablets, and Press-fit Capsules, in bulk, blister packs, and bottles, accounts for more than 50% of our total revenue. These products are manufactured at our advanced facility located in Gagillapur. This state-of-the-art unit is equipped with automated processes, resilient infrastructure, and high-quality systems, enabling us to efficiently produce finished dosages that are distributed in over 80 countries worldwide.

50%

Revenue from FD business



PERFORMANCE HIGHLIGHTS

Accelerating Progress
with Responsibility

Financial

Revenue

(₹ in mn)



Revenue growth was driven by strategic commercialization efforts in key geographies, including the US and Europe, reflecting the Company's focus on expanding market share and capitalizing on growth opportunities.

Operating Cash Flow

(₹ in mn)



Improved EBITDA margins and a better cash conversion cycle (CCC) resulted in higher operating cash flow, providing us with financial flexibility for growth and investments.

EBITDA

(₹ in mn)



Higher productivity and cost control led to a higher EBITDA compared to last year, despite a lower value-added margin, demonstrating improved profitability and operational efficiency.

Return on Capital Employed (RoCE)

(in %)



Improved EBITDA margins and asset turnover resulted in a higher RoCE, which in turn reflected effective resource management and enhanced financial performance.



Successfully concluded a share buy-back program of ₹3,110 million, including taxes and transaction costs.



Building for the Future

Secured 5 ANDA approvals from the USFDA, in addition to obtaining approvals for 6 EU dossiers and 3 Canadian dossiers.

Successfully Introduced 24 generic products under the GPI label in the United States.

Acquisition of Sajjala Bio Labs and set up GPAK.



Environmental

28.20%
Reduction in water intensity

14.03%
Reduction in GHG emissions (Scope 1 and Scope 2) intensity

320 KWp
Solar capacity added in FY 2022-23

50%
Of our wastewater is recycled

>85%
Of the solid hazardous waste sent for utilization by cement industries



Social

64%
Permanent workforce

₹110.02 Mn
CSR expenditure

97%
Return-to-work rate

Zero
Fatalities

3
Water tankers built for over 2500 villagers



Governance

100%
Shareholder Grievance Resolved

96%
Average Board Meeting Attendance

50%
Independent Directors on the Board

Business Strategy

Our strategic framework, based on the three levers of strengthening our core, R&D and innovation, and sustainability, revolves around creating strong scientific foundations in green chemicals and pharmaceuticals, fostering sustainability, fueling growth to create value for our stakeholders, and delivering our ambition.



STRENGTHENING OUR CORE

The first strategic lever focuses on strengthening our core capabilities by optimizing efficiency, achieving cost leadership, mitigating supply chain risks, expanding market presence, and progressing along the value chain in strategic markets.



R&D AND INNOVATION

The second strategic lever empowers us to drive innovation and research and development across our entire value chain, from finished formulations to active pharmaceutical ingredients (APIs) and even chemical intermediates. Through groundbreaking technology platforms, we are reshaping the realm of chemistry, igniting new possibilities for advancement.



SUSTAINABILITY

Sustainability, the third strategic lever, lies at the heart of our strategic vision. Aspiring to become a global leader in sustainability, we are committed to achieving Net Zero by 2050. Through transformative initiatives such as the partnership with Greenko, the adoption of eco-friendly technologies such as Biocatalysis, and the integration of sustainability into product development, we are fostering positive change and reshaping responsible business practices.

