

# Earnings Presentation

Q3 FY 22

*Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.*

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## Q3 & 9M FY-22 HIGHLIGHTS

## SUCHETH DAVULURI, VICE-CHAIRMAN & CEO



"The quarter gone past was impacted by a lower than anticipated revenue primarily due to the weak performance of the Prime business which was 20% lower than the quarterly average over the previous year. We have been impacted by customers' issues on the market-share and inventory front for two of our key products. Having said that we have had our highest ever quarterly revenues from the CMS division, and we see growing utilization of Unit-3 for both GDS & CMS businesses."

## SAHARSH DAVULURI, VICE-CHAIRMAN & MD



"FY 22 has been a challenging year for us with volatility both on the revenue and cost fronts. While Q3 revenues have been impacted by the GDS business, the ongoing raw material and supply chain challenges have also tested our mettle. Given the circumstances and on-going investments for the future, profitability margins this quarter are not reflective of the businesses' potential. On the CMS front, we are seeing good traction in new opportunities even as we are focused on delivering the current projects which are exciting in terms of their potential"

9M FY22



## Business Highlights

- ❖ Growth from development projects was offset by Inventory destocking and lower offtake at customers' end
- ❖ Unit 3 ramping up driving business
- ❖ Increased headcount to account for higher business volumes in coming quarters
- ❖ Focus on capabilities for the future



## Financial Highlights

- ❖ Total income was Rs. 699.4 crore in 9MFY22, an increase of 0.8%
- ❖ EBITDA margin decreased by 270 bps from 17.7% to **15.0%** in 9MFY22 due to
  - Increase in raw material prices
  - Logistics issues
  - Higher manpower and other expenses arising from Unit 3 commercialization
- ❖ PAT decreased by 33.9% to Rs. 41.7 crores on account of
  - Higher depreciation led by Unit 3 commercialization

Q3 FY22



## Business Highlights

- ❖ In Prime API, Labetalol performed well even as there was a decrease in revenues
- ❖ Specialty had a decent quarter with key contribution from Ezetimibe
- ❖ CMS revenues driven by development products close to commercialization over the next few quarters
- ❖ Filed DMF's for Aripiprazole (sterile), Vilanterol and Tafamidis Meglumine



## Financial Highlights

- ❖ Total income was Rs. 238.4 crore in Q3FY22, a decrease of 2.9% over Q3 FY21
- ❖ EBITDA margin decreased by 470 bps from 19.0% to **14.3%** in Q3FY22 due to
  - Increase in input prices, shipping costs and logistics issues
  - Higher manpower and other expenses arising from Unit 3 commercialization
- ❖ PAT decreased by 52.3% to Rs. 12.7 crores on account of
  - Higher depreciation led by Unit 3 commercialization

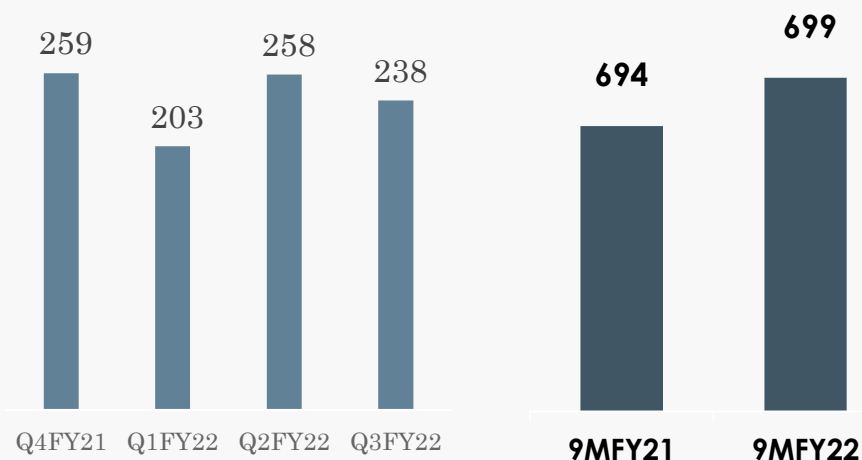
# Profit & Loss Snapshot (Standalone)

Particulars (Rs. Cr)	Q3FY22	Q2FY22	QoQ (%)	Q3FY21	YoY (%)	9MFY22	9MFY21	YoY (%)
Total Income	<b>238.4</b>	258.1	(7.7)%	245.6	(2.9) %	699.4	693.7	0.8%
EBITDA	<b>34.2</b>	43.1	(20.6)%	46.7	(26.8)%	104.9	122.5	(14.3)%
EBITDA Margin	<b>14.3%</b>	16.7%	(240) Bps	19.0%	(470) Bps	15.0%	17.7%	(270) Bps
Profit Before Tax	<b>18.1</b>	27.5	(34.3)%	31.9	(43.2)%	57.6	80.6	(28.6)%
Profit Before Tax Margin	<b>7.6%</b>	10.7%	(310) Bps	13.0%	(540) Bps	8.2%	11.6%	(340) Bps
Profit After Tax	<b>12.7</b>	20.3	(37.4)%	26.7	(52.3)%	41.7	63.1	(33.9)%
Profit After Tax Margin	<b>5.3%</b>	7.9%	(260) Bps	10.9%	(560) Bps	6.0%	9.1%	(310) Bps
Earnings Per Share (Rs.)	<b>9.9</b>	15.8	(37.4)%	20.8	(52.3)%	32.5	49.2	(33.9)%

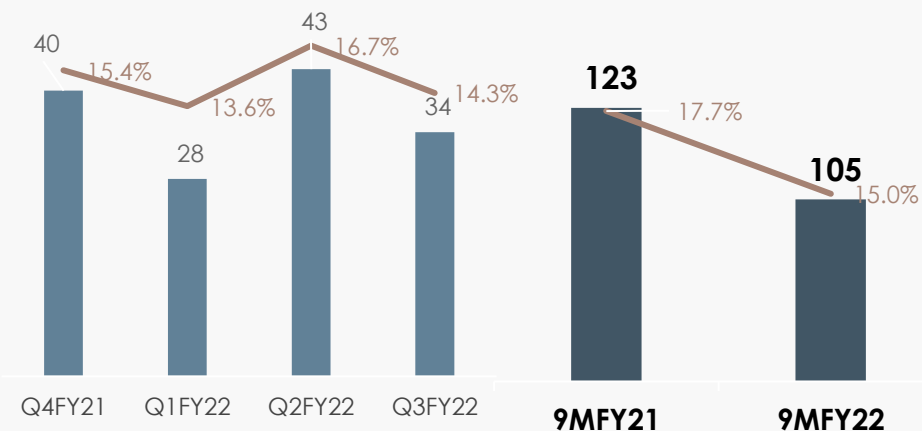


# Financials (Standalone)

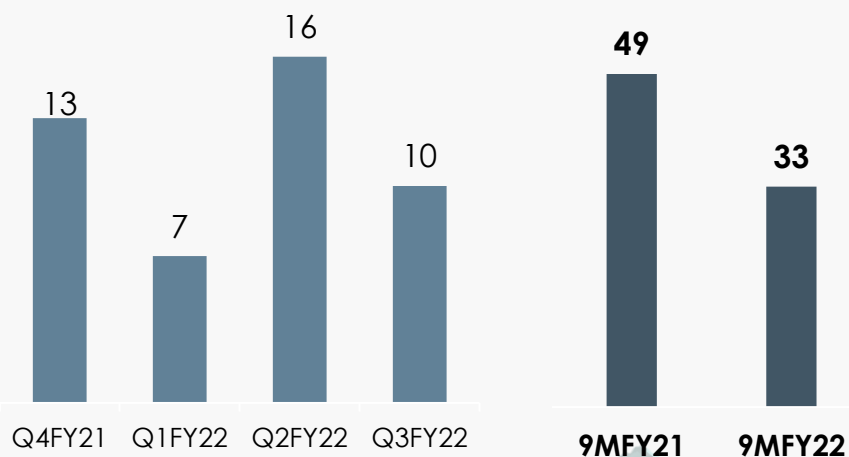
## Revenue (Rs. Cr)



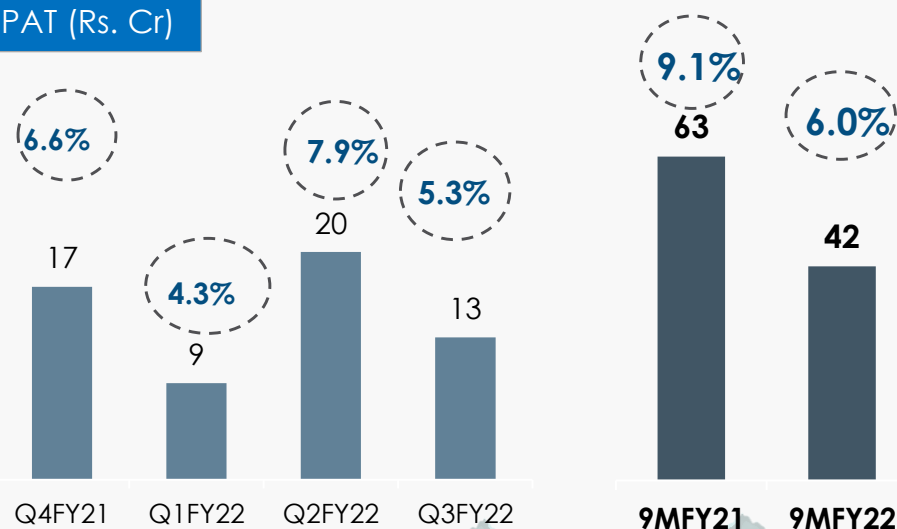
## EBITDA (Rs. Cr) and EBITDA Margin (%)



## EPS (Rs)

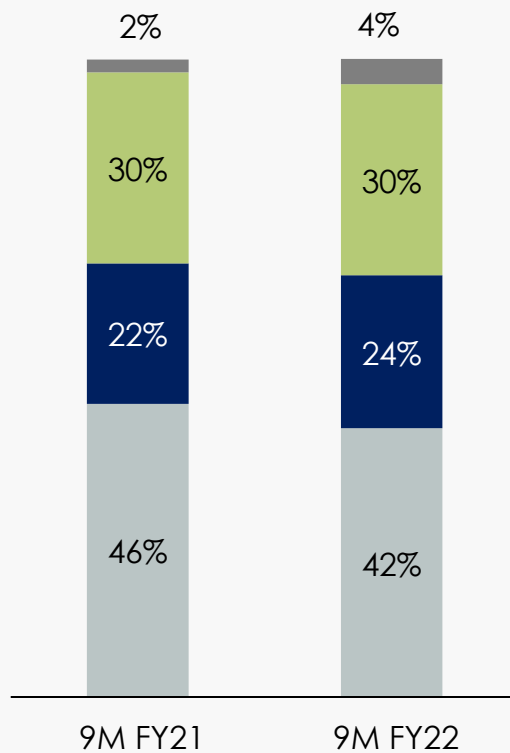


## PAT (Rs. Cr)

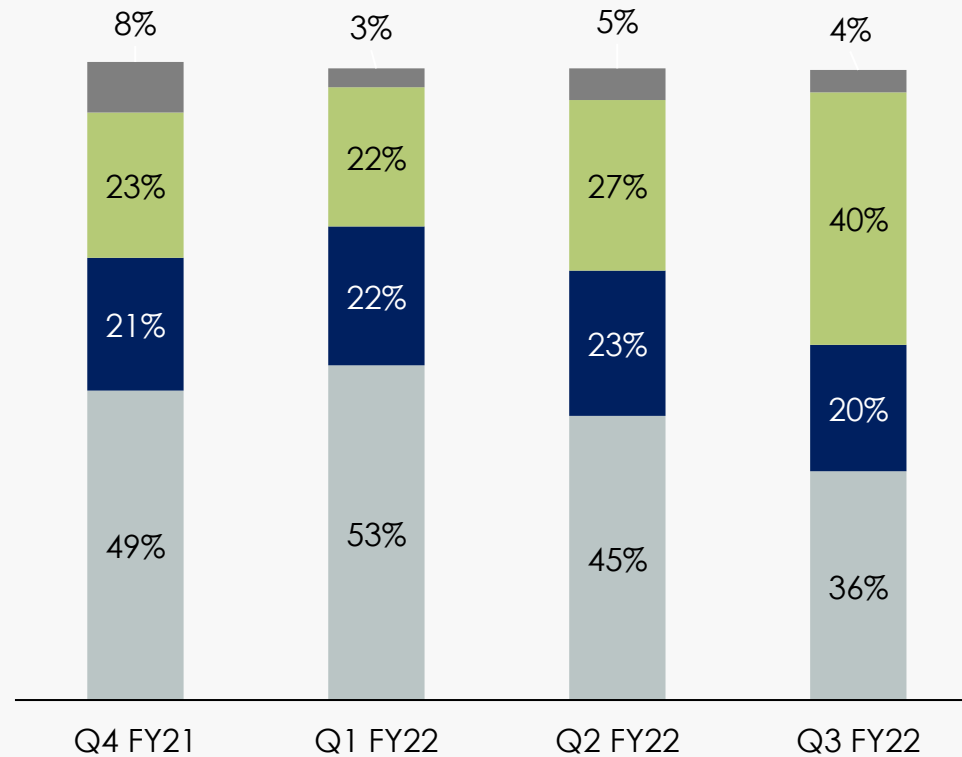


# Key Operating Metrics – Business Salience

YoY Analysis



Quarter on Quarter Movement

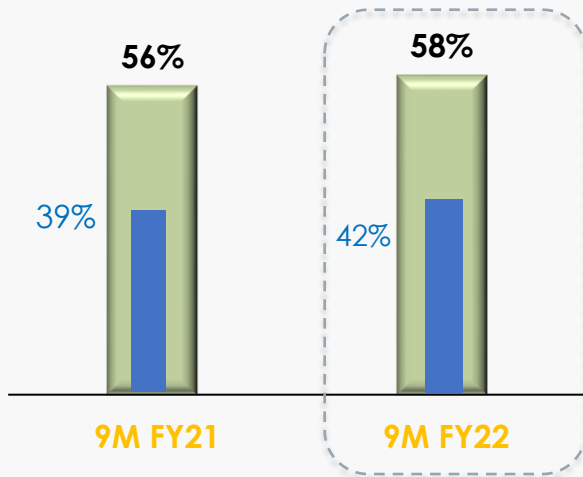


■ Prime ■ Specialty ■ CMS ■ Others

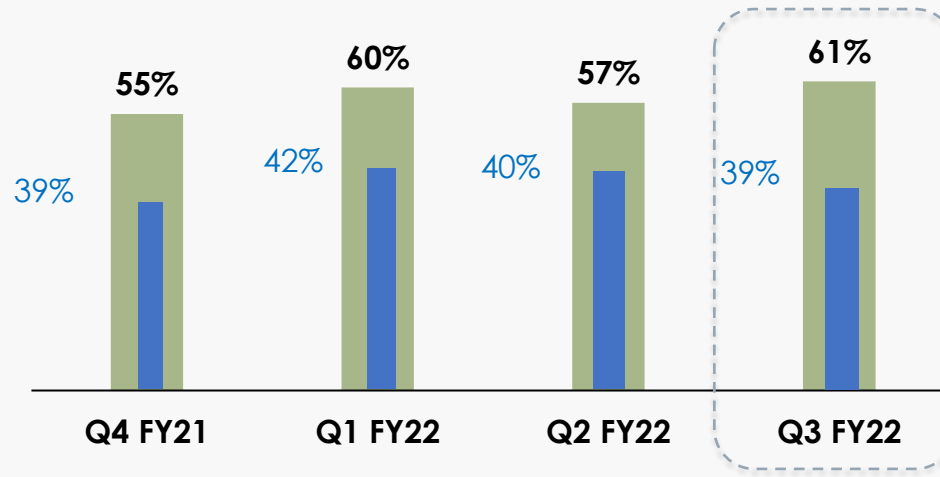
# Business Salience (Overall Company)

## PRODUCT

### YoY Analysis



### QoQ Movement



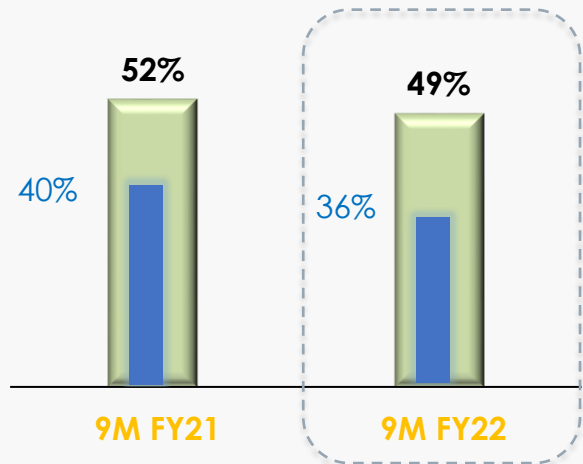
TOP 10

TOP 5

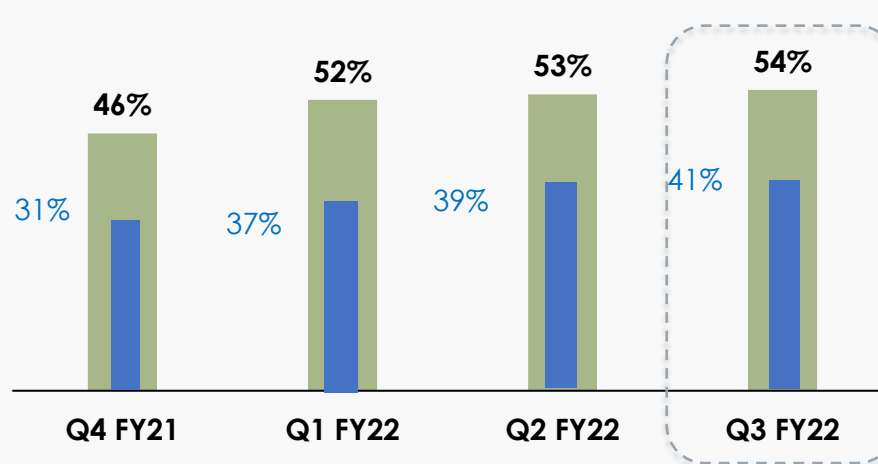
% of Total revenue

## CUSTOMER

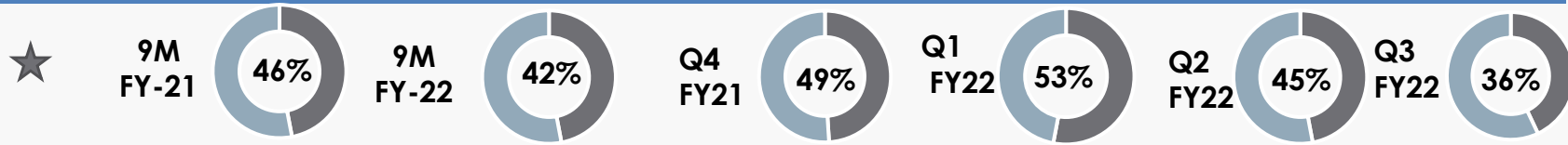
### YoY Analysis



### QoQ Movement

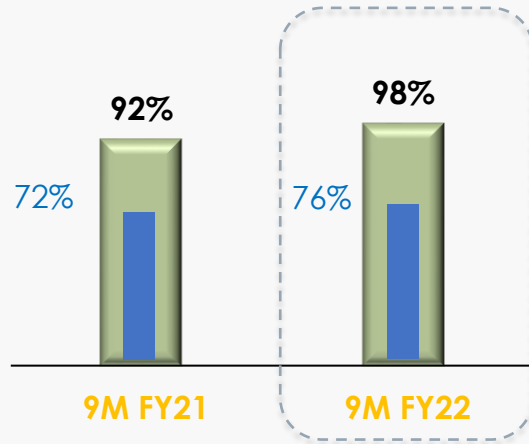


# Business Salience (Prime)

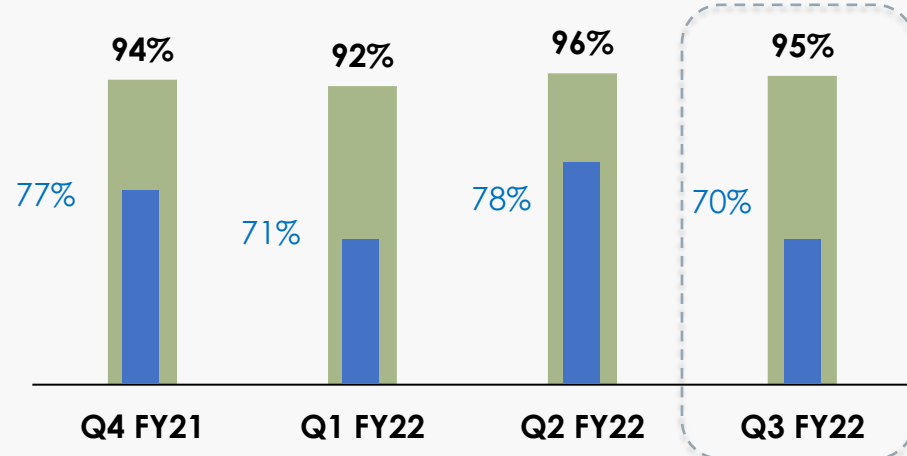


## PRODUCT

### YoY Analysis



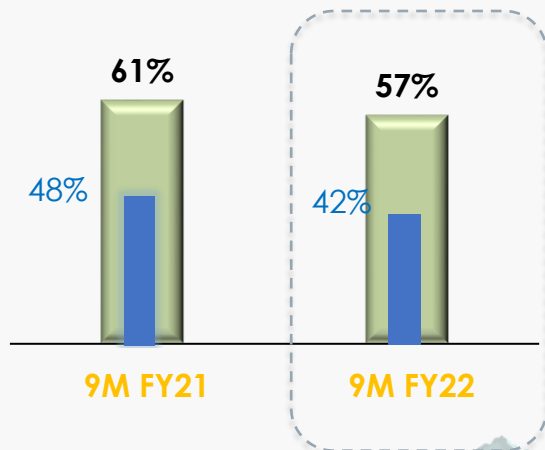
### QoQ Movement



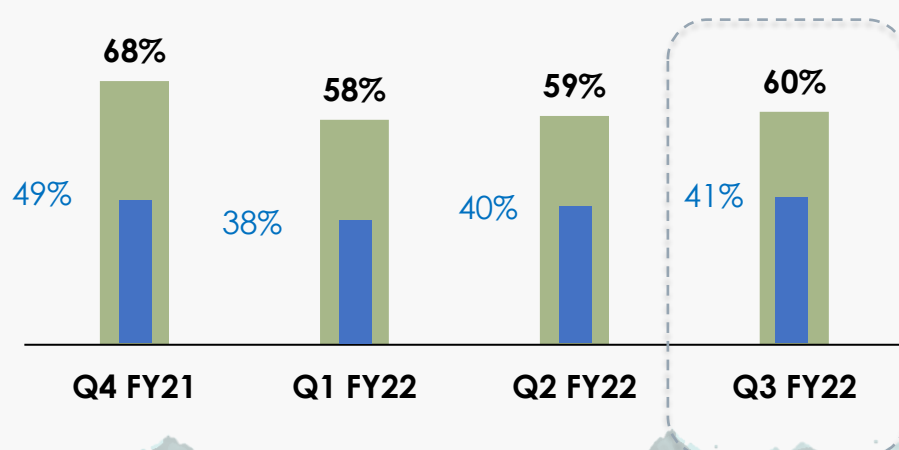
**TOP 10**  
**TOP 5**  
(of Prime revenue)

## CUSTOMER

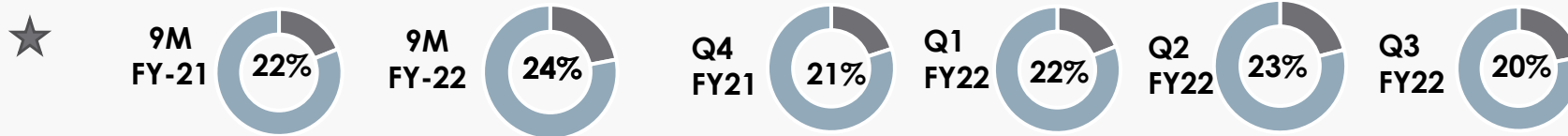
### YoY Analysis



### QoQ Movement

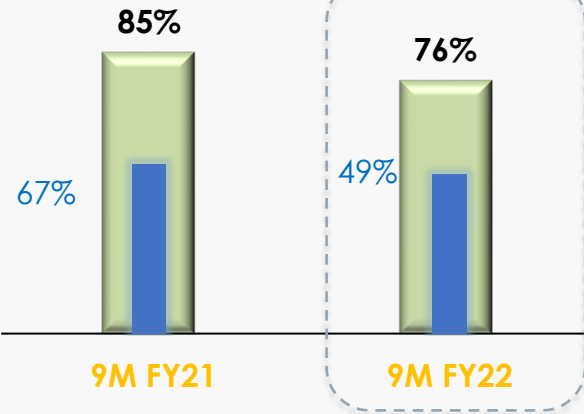


# Business Salience (Specialty)

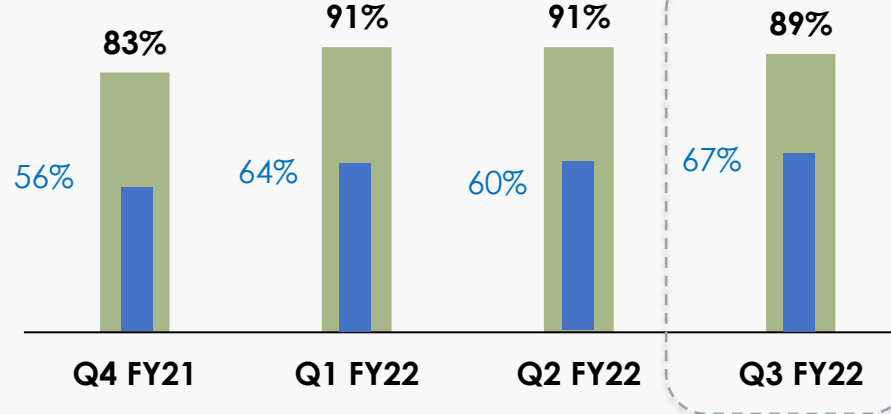


## PRODUCT

### YoY Analysis



### QoQ Movement

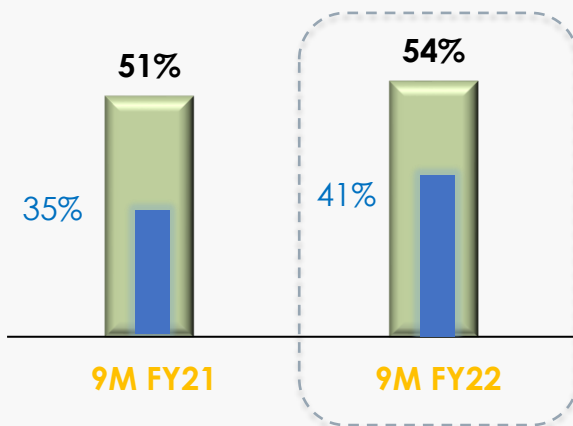


TOP 10  
TOP 5

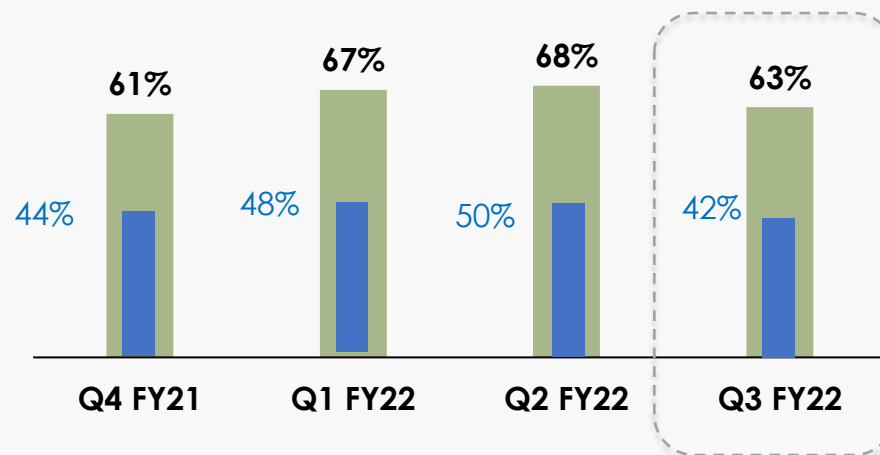
(of Specialty Revenue)

## CUSTOMER

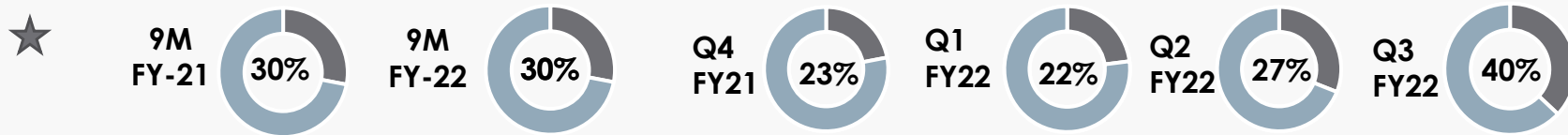
### YoY Analysis



### QoQ Movement

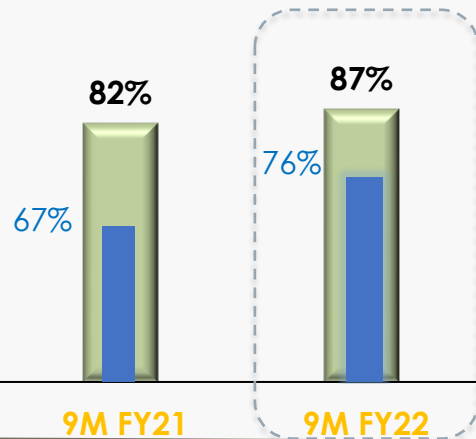


# Business Salience (CMS)

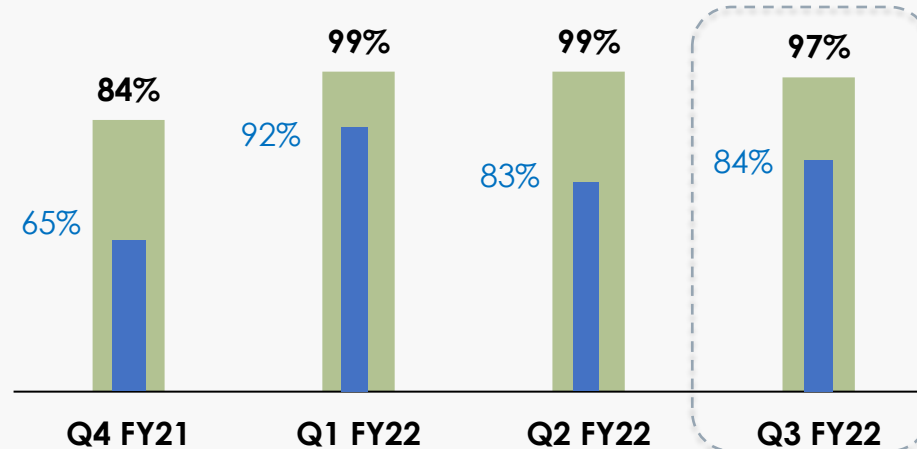


## PRODUCT

### YoY Analysis



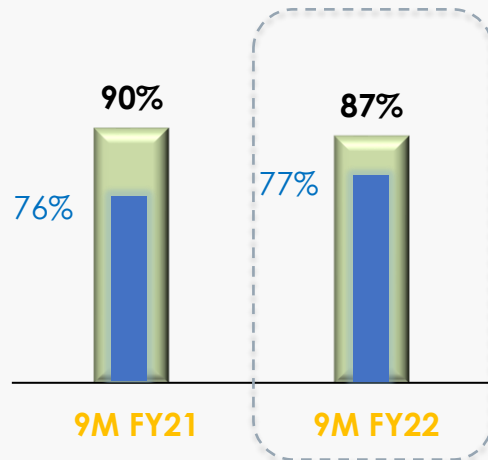
### QoQ Movement



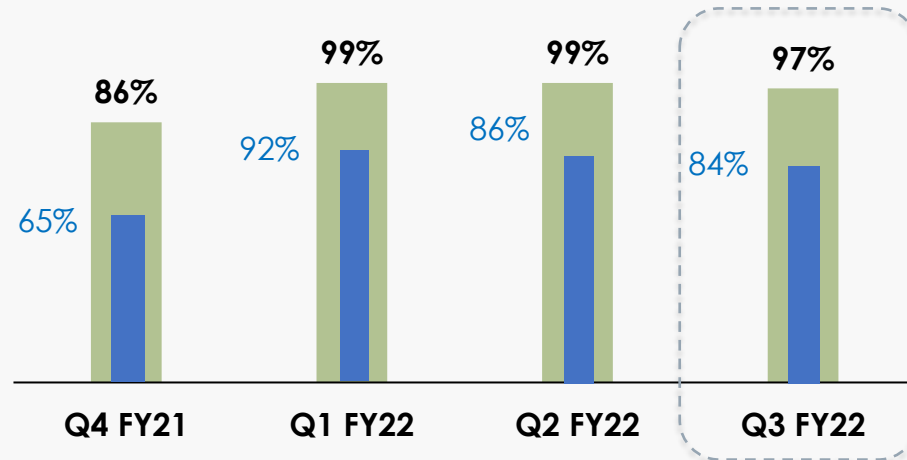
TOP 10  
TOP 5  
(of CMS revenue)

## CUSTOMER

### YoY Analysis



### QoQ Movement

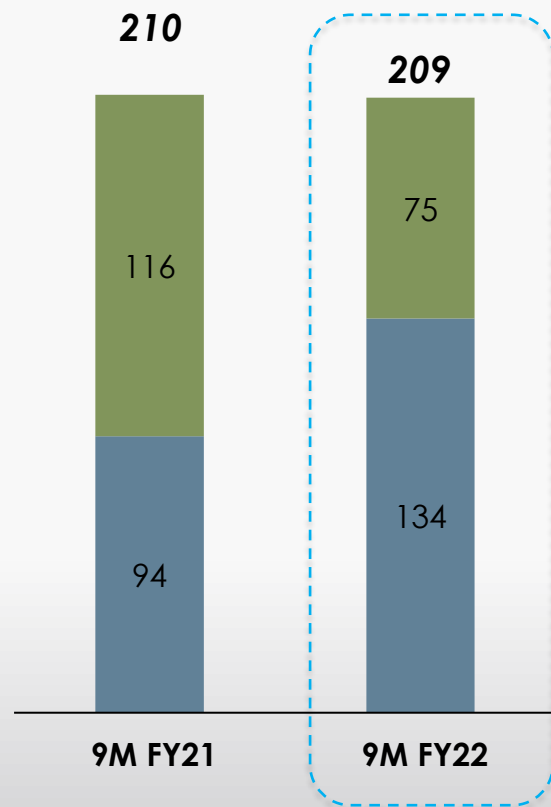


# Key Operating Metrics – CMS Revenue Split

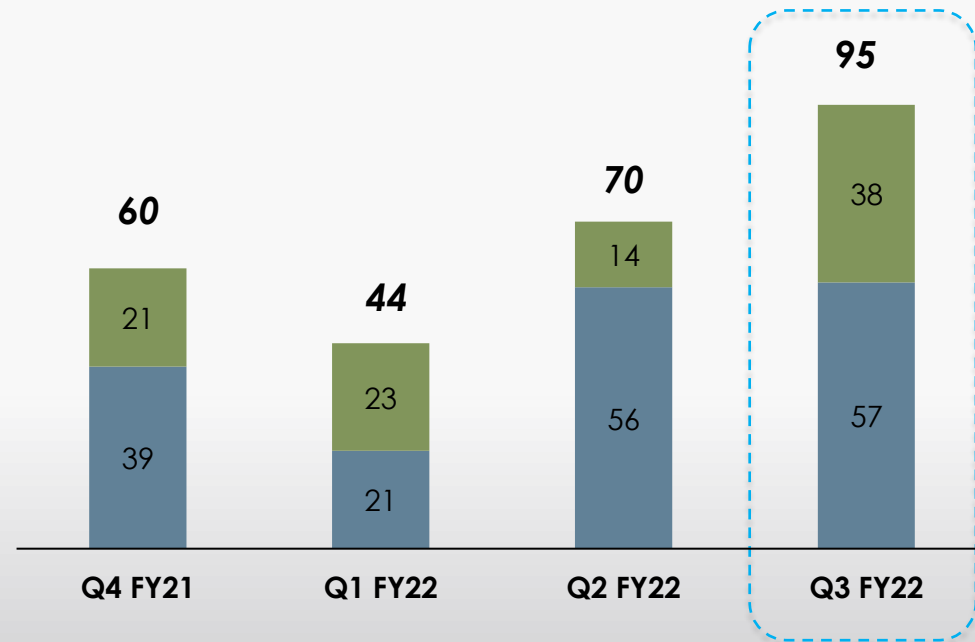
Rs. In Cr

■ Commercial ■ Development

## YoY Analysis



## Quarter on Quarter Movement



# Number of Active CMS Projects

Q3 FY22	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	15	3	8	5	10	7	48
Intermediate	7	5	2	0	8	11	33
Grand Total	22	8	10	5	18	18	81

Q3 FY21	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	14	4	6	3	10	6	43
Intermediate	7	4	2	3	8	9	33
Grand Total	21	8	8	6	18	15	76

Q3 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	12	4	4	5	9	6	40
Intermediate	7	3	2	5	8	9	34
Grand Total	19	7	6	10	17	15	74

Q3 FY19	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	9	4	2	4	5	5	29
Intermediate	0	2	0	6	7	10	25
Grand Total	9	6	2	10	12	15	54





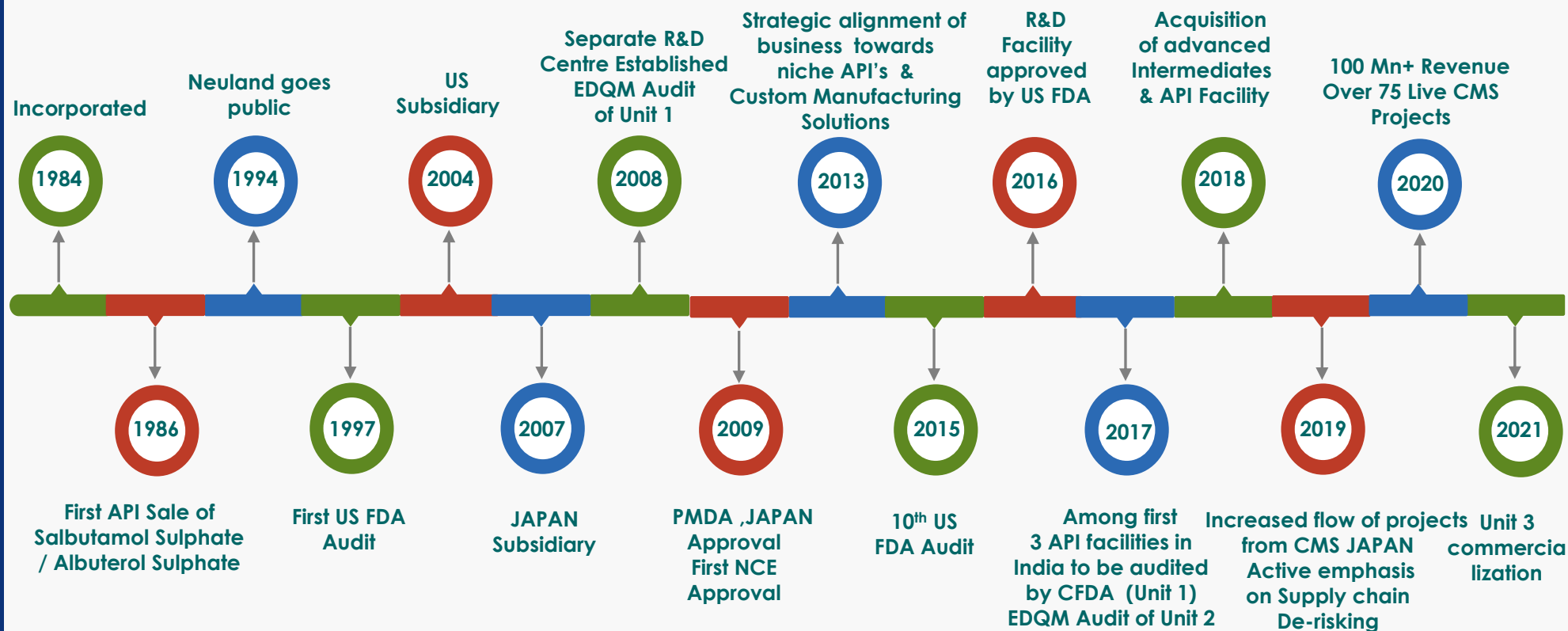
# BUSINESS OVERVIEW

# Our Journey – Key Milestones

Laying Strong Foundation  
1984 - 2003

Deepening our Capabilities  
2004 - 2012

Increased Sustainable Growth  
2013 -Today



Multiple audits passed with no failures

# Generic Drug Substance (GDS)

We started as a Prime API manufacturer...

..Added Specialty molecules for complex products..



## Capability

- ✓ 3 US FDA and EU GMP compliant manufacturing facilities
- ✓ Collective capacity: ~867 KL



## Business Approach

- ✓ Work on molecules either with a business leadership approach or partnership with client
- ✓ Ensure uninterrupted supply with quality commitment



## Strategy Forward

- ✓ Maintain leadership position in key molecules
- ✓ Work on process optimization to improve yields, productivity and thus margins



## Capability

- ✓ High end complex chemistry capabilities
- ✓ Backend support by R&D department
- ✓ Experience of hurdle free scale up



## Business Approach

- ✓ Work with leading companies and help them to meet their technical requirements while being competitive



## Strategy Forward

- ✓ Focus on niche APIs with complex chemistry
- ✓ File IP for non infringing processes

**Robust manufacturing base placed on the foundation of quality and pureplay API commitment**

# On path to being a preferred partner in CMS..



## Services

- ✓ Manufacturing API to customer specifications
- ✓ Designing and developing manufacturing processes
- ✓ Process optimization for competitiveness
- ✓ Complete CMC partner for the API
- ✓ Patent protection for processes



## Business Approach

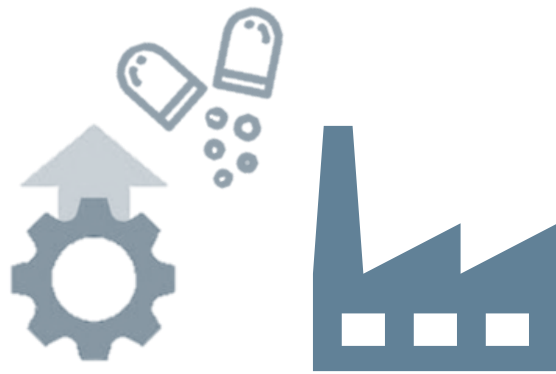
- ✓ Local presence in US, Europe and Japan with techno-commercial employees
- ✓ Consultative approach on customer relationships
- ✓ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction



## Strategy Forward

- ✓ Add depth in technical capabilities
- ✓ Investment in QBD labs, process engineering and foray into new areas of customer solutions
- ✓ Work effectively on customer relationships and leverage on portfolio expansion
- ✓ Targeting molecules in the later stages of the clinical cycle

**Create a sustainable CMS business that is driven by technology and strong customer relationships**



# CAPABILITIES

# Scaled up Manufacturing Facilities over the years



Hyderabad

Location of All Units

230 KL

338 KL

299 KL



UNIT 1 BONTHAPALLY	UNIT 2 PASHAMYLARAM	UNIT 3 GADDAPOTHARAM
<b>1986</b>	<b>1994</b>	<b>2017</b>
Mirtazapine, Sotalol HCL, Levetiracetam, Levofloxacin, Salmeterol, Salbutamol, NCE APIs, Peptide APIs, Vitamin D2 analogues	Ciprofloxacin HCL, Entacapone, NCE APIs, Intermediates & RSMs	Products including Key Intermediates
USFDA, EDQM, CFDA, PMDA	USFDA, EDQM, PMDA, ANVISA	Inspected by USFDA as an Advanced Intermediates site in 2015

**Adding capacities for business growth and strategic backward integration**

# Backed up by sound R&D capabilities

R&D Facility, Hyderabad



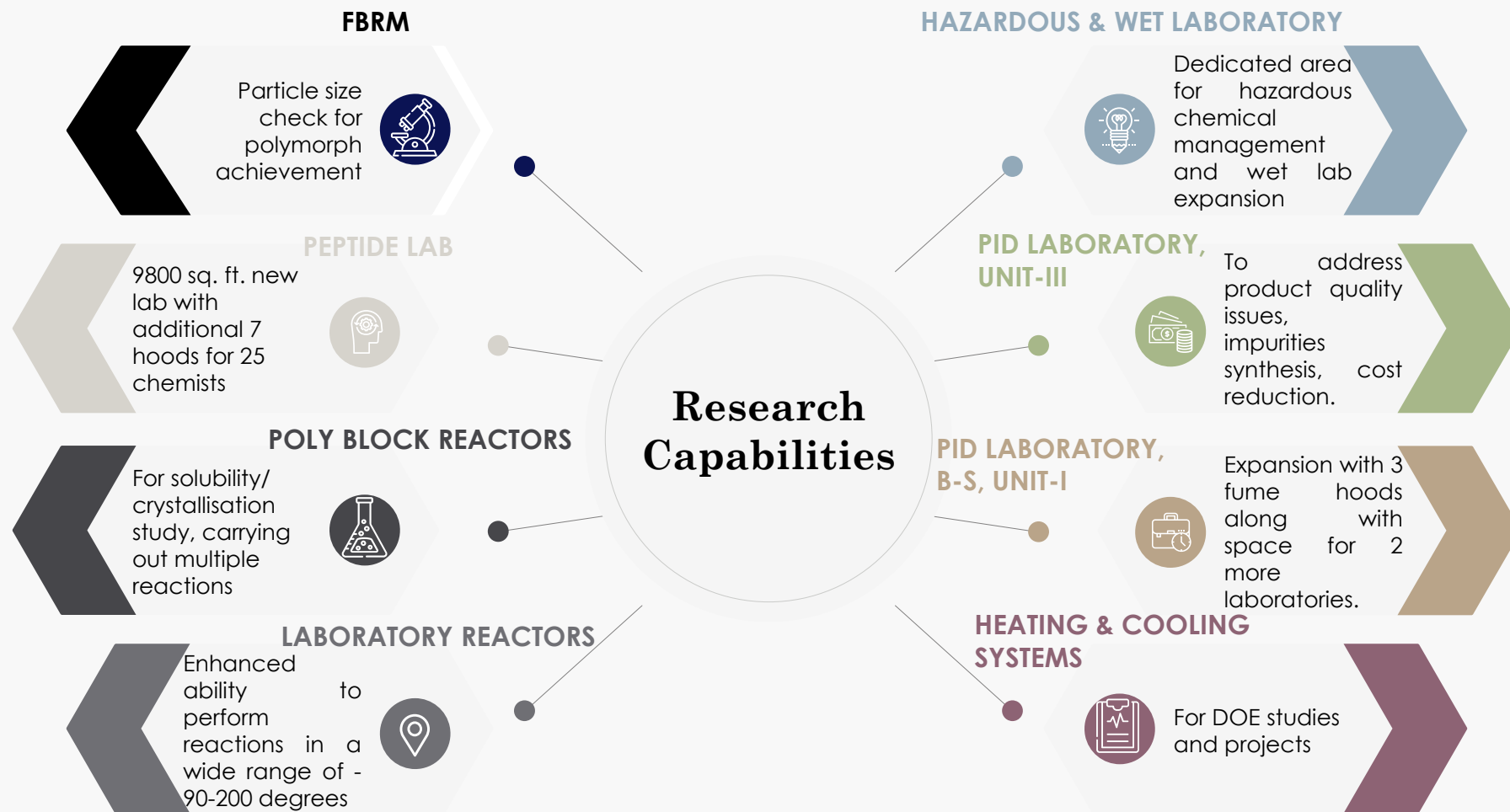
**Neuland's R&D facility had been inspected by USDFA in February 2016 without any observations**

## Infrastructure

- 15 Development Labs with space for expansion
- 60 Fume hoods
- Analytical Labs
- Dedicated kilo Lab for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

## Significant R&D Achievements

- Several NCE APIs added in NDA or commercial stage drugs
- Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates
- Generic API business -
  - ✓ 903+ DMFs filed
  - ✓ 300+ API processes developed
  - ✓ 204+ patents filed. Received USPTO patent for improved process synthesis of Paliperidone Palmitate





# Regulatory Filings Across Geographies



60

DMFs with  
USFDA



Health  
Canada

30

Filings with  
Health Canada



10

Japanese DMF filed

NMPA

国家药品监督管理局  
National Medical Products Administration

20

China DMF filed



19

filings with  
KFDA Korea



Australian Government

Department of Health

Therapeutic Goods Administration

22

filings with TGA



220

ROW filings  
including Turkey,  
Mexico, Brazil etc

~495

EUDMF filings  
across  
Germany,  
France, Poland,  
Italy etc



COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

27

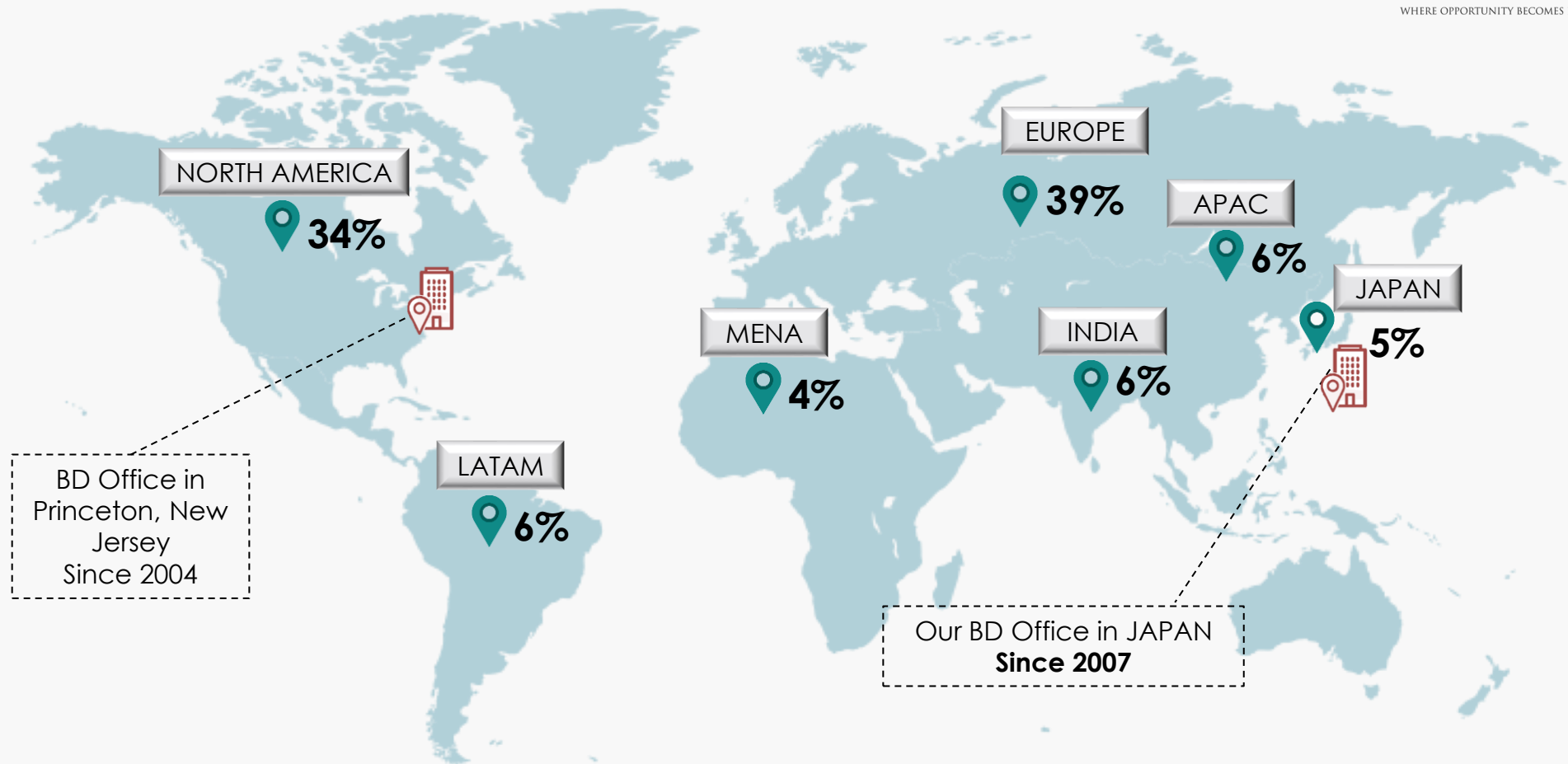
CEPs Received  
for different  
products

903+

Filings till date

\*\* The numbers on this slide reflect the total number of filings, the number of active filings could vary as geographic filings are merged and change in product portfolio .

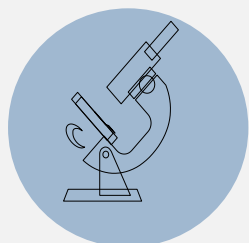
# Global Presence



% Refers to 9M FY22 Sales by End market

# Neuland Today: Snapshot

## Legacy



Expertise:  
38+ years backed  
by robust quality  
systems,  
regulatory &  
compliance  
framework

---

Generic Drugs  
Substance(GDS)  
& Custom  
Manufacturing  
Solutions(CMS)

## Scale



3 Mfg. Facilities:  
Regulatory  
approved with 867  
KL capacity

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R&D: US FDA  
approved with  
best in class  
infrastructure

## Capability



Product/ Projects  
portfolio: 100+ APIs  
across therapeutic  
categories

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Regulatory filings  
903+

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Team: 1400+ incl.  
~300 R&D scientists

## Reach



Presence  
80+ countries

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Export revenues  
75%

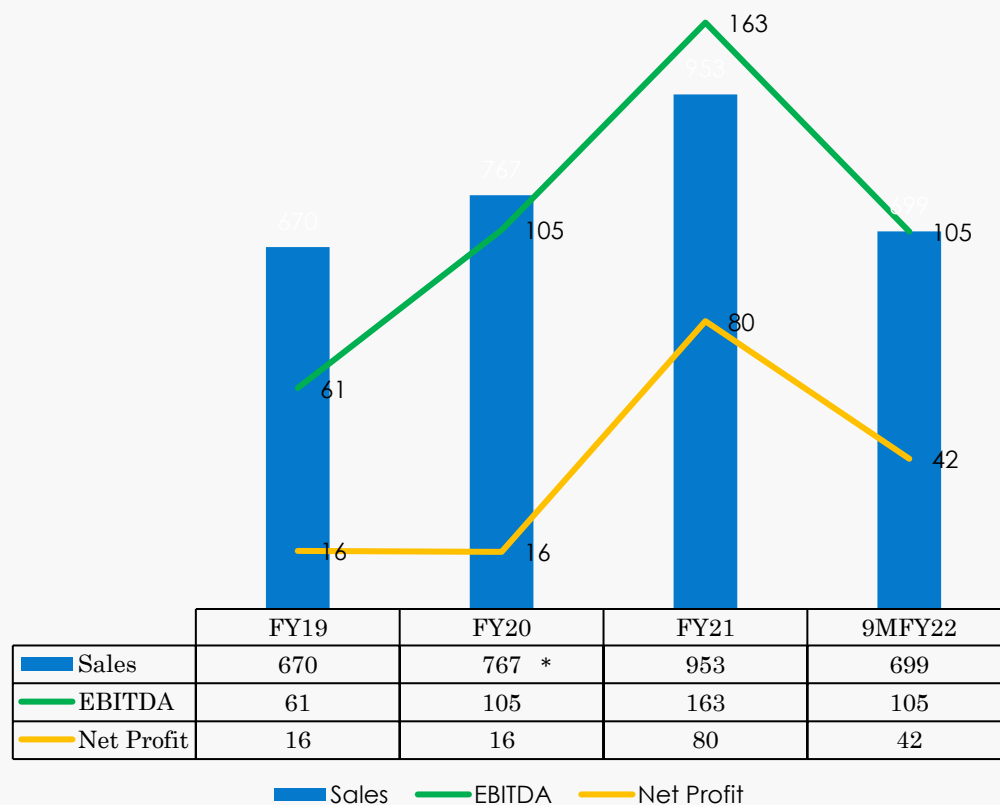
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Regulated markets  
revenue 93%



# FINANCIALS

Rs. In Cr



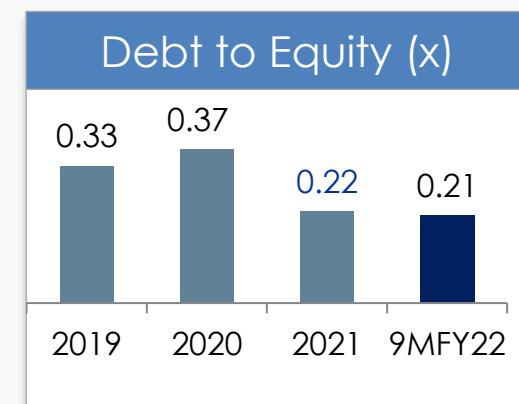
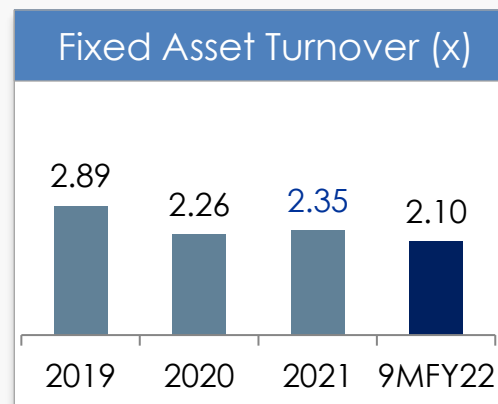
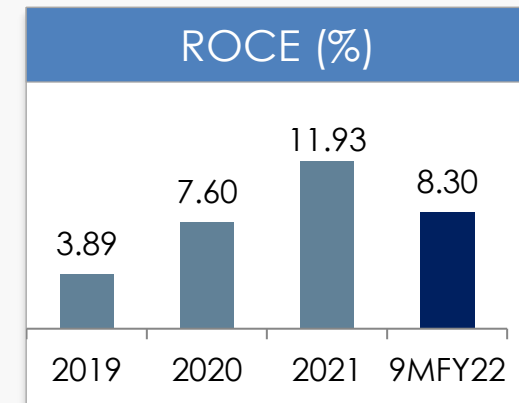
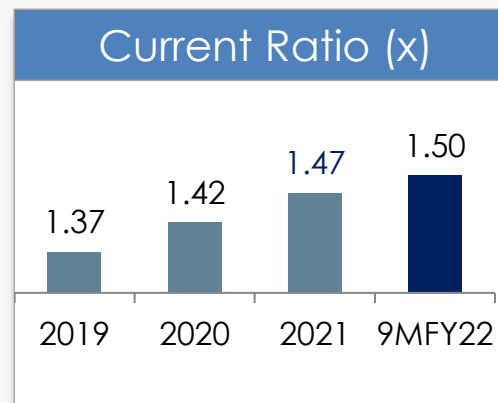
## FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue CAGR of 19.2% for FY 19-21 led by growth in all 3 businesses
- EBITDA growth of 62.8% CAGR in FY 19-21 due to balanced contribution from both GDS and CMS business
- Shift to CMS and Specialty in overall revenue mix along with resource efficiency steps accelerated profitability

\* This was after a one-time tax charge of Rs. 23.2 Cr in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

# Stable Balance Sheet..

Particulars (Rs. Cr)	Mar-19	Mar-20	Mar-21	Dec-21
Shareholders' funds	696	706	782	816
Net Debt	194	214	152	175
Investments	8	8	7	4
Tangible Assets	367	391	438	482
Intangible Assets (Excluding Goodwill)	2	2	3	3
Working Capital	233	289	309	366



# Macroeconomic factors influencing Neuland

## FACTORS

	IMPACT	NEULAND RESPONSE
<b>Government regulation: approvals, audits</b>	<ul style="list-style-type: none"> <li>Consistent regulatory audits</li> <li>Increased scrutiny prior to drug approvals</li> </ul>	<ul style="list-style-type: none"> <li>Successfully cleared all USFDA audits since inception</li> <li>Consistent record of new drug approvals</li> </ul>
<b>Environmental audits</b>	Government led impact monitoring	All environmental regulations complied
<b>Crude oil prices</b>	Solvent price volatility	Green chemistry investing for efficient solvent use
<b>COVID 19 impact</b>	<ul style="list-style-type: none"> <li>Increased logistics costs</li> <li>IPA availability and pricing fluctuations</li> <li>Employee and operational repercussions</li> </ul>	<ul style="list-style-type: none"> <li>Tactical scheduling for channel mix optimization</li> <li>Qualifying new IPA manufacturers with increased capacity</li> <li>Added contingent personnel and pro-active monitoring for early warnings</li> </ul>
<b>Human Capital</b>	Competition for talent	<ul style="list-style-type: none"> <li>Retraining via strong L &amp; D plan</li> <li>Leadership pipeline development across levels</li> </ul>
<b>Western Government policies on localisation</b>	Sales reduction	<ul style="list-style-type: none"> <li>Close partnership with customers along with focus on Specialty molecules</li> <li>Close monitoring of country specific government regulations</li> </ul>

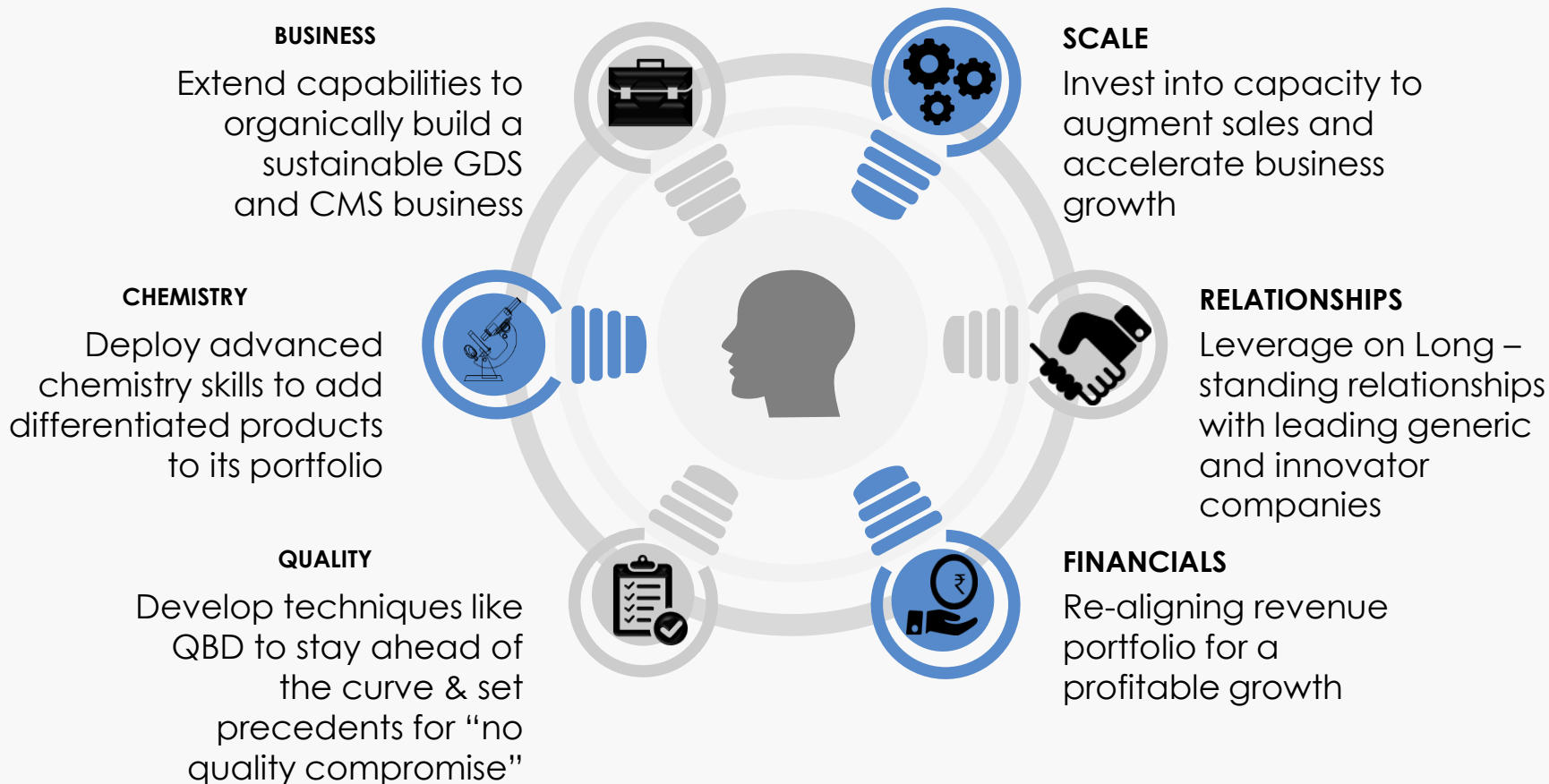


# OUTLOOK



# ..Laying Foundation for our Growth Strategy

## CREATE AN ORGANIZATION THAT RESULTS IN VALUE FOR ALL STAKEHOLDERS



# Contact Us



For over 38 Years, Neuland Laboratories Ltd. (BSE:524558, NSE: NEULANDLAB) has been at the forefront of manufacturing APIs through its cGMP manufacturing facilities, working with customers in close to 80 countries.

Neuland Labs has developed more than 300 processes and 75 APIs and has filed over 903+ Regulatory filings in the US (60 active US DMFs), the European Union (EU) and other geographies. Its manufacturing facilities are inspected and approved by the U.S. FDA and other leading regulatory agencies. Its record of quality manufacturing and reliability is highlighted by cGMP certifications that include the U.S. FDA, TGA (Australia), EDQM (EU), German Health Authority, ANVISA (Brazil), EMA (EU), Cofepris (Mexico), KFDA (Korea), PMDA (Japan), CFDA (China), FSI "SID & GP" Russia, Health Canada, ISO 9001, ISO14001, OHSAS18001 and ISO 27001.

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NEULAND

WHERE OPPORTUNITY BECOMES REALITY

# Thank You