



Earnings Presentation

Q1FY21

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Q1 FY21 Highlights



Management Speak



- Sucheth Davuluri
Vice-Chairman and Chief Executive Officer

“We have turned in another strong quarter with highest ever quarterly revenues of Rs. 206.1 cr. The revenue growth of 13.5% was led by all round growth in both GDS and CMS verticals. This is a creditable performance in challenging times and credit is due to our employees who rose to the occasion and ensured this quarter passed off without any major impact to the business. We believe this sets the pedestal for our performance for the rest of the fiscal.”



- Saharsh Davuluri
Joint Managing Director

“CMS continues to drive our overall revenue momentum; the growth is attributable to both commercial as well as development products. GDS, specifically, the speciality segment is displaying good traction and we see this business complementing our CMS vertical going forward.”

Operational Highlights – YoY

- Total income increased by 13.5% from Rs.181.5 crore in Q1FY20 to Rs. 206.1 crore in Q1FY21 due to growth in both GDS and CMS businesses.
 - Prime growth largely led by Mirtazapine and Labetalol
 - Specialty business growth on account of contribution from multiple products.
 - CMS growth on account of dual growth from increasing penetration of existing products as well as development products
- Increase in profitability margins
 - EBITDA margin increased from 10.5% in Q1FY20 to 16.7% in Q1FY21
 - Increase in PBT margins by 567 bps & PAT margins by 421 bps
- Unit 3 on track for commercialization

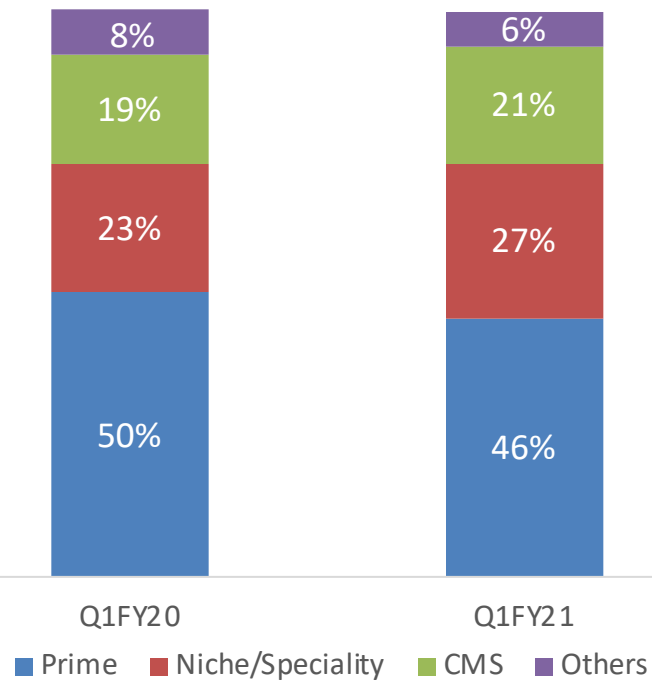
Profit & Loss Statement (Standalone)

Particulars (Rs. Cr)	Q1FY21	Q4FY20	QoQ (Growth%)	Q1FY20	YoY (Growth%)
Total Income	206.1	193.6	6.4%	181.5	13.5%
EBITDA	34.4	31.8	8.4%	19.1	80.4%
<i>EBITDA Margin</i>	16.7%	16.4%	30 bps	10.5%	619 bps
Profit Before Tax	20.2	17.1	18.3%	7.5	169.2%
<i>Profit Before Tax Margin</i>	9.8%	8.8%	98 bps	4.1%	567 bps
Profit After Tax	15.1	-9.3*		5.6	168.2%
<i>Profit After Tax Margin</i>	7.3%	-4.8%		3.1%	421 bps
Earnings Per Share (Rs.)	11.74	-7.29		4.38	168.2%

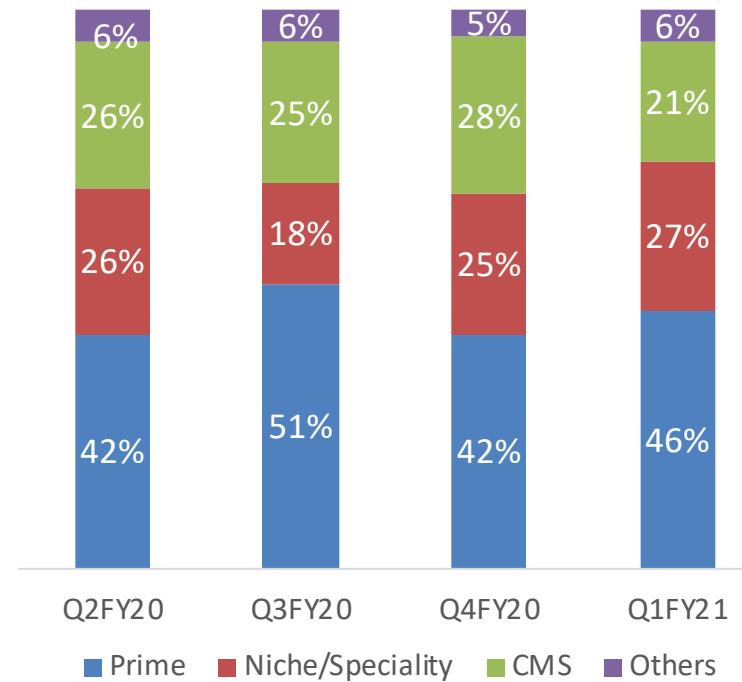
*This was after a one-time tax charge of Rs. 23.2 Cr in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

Key Operating Metrics

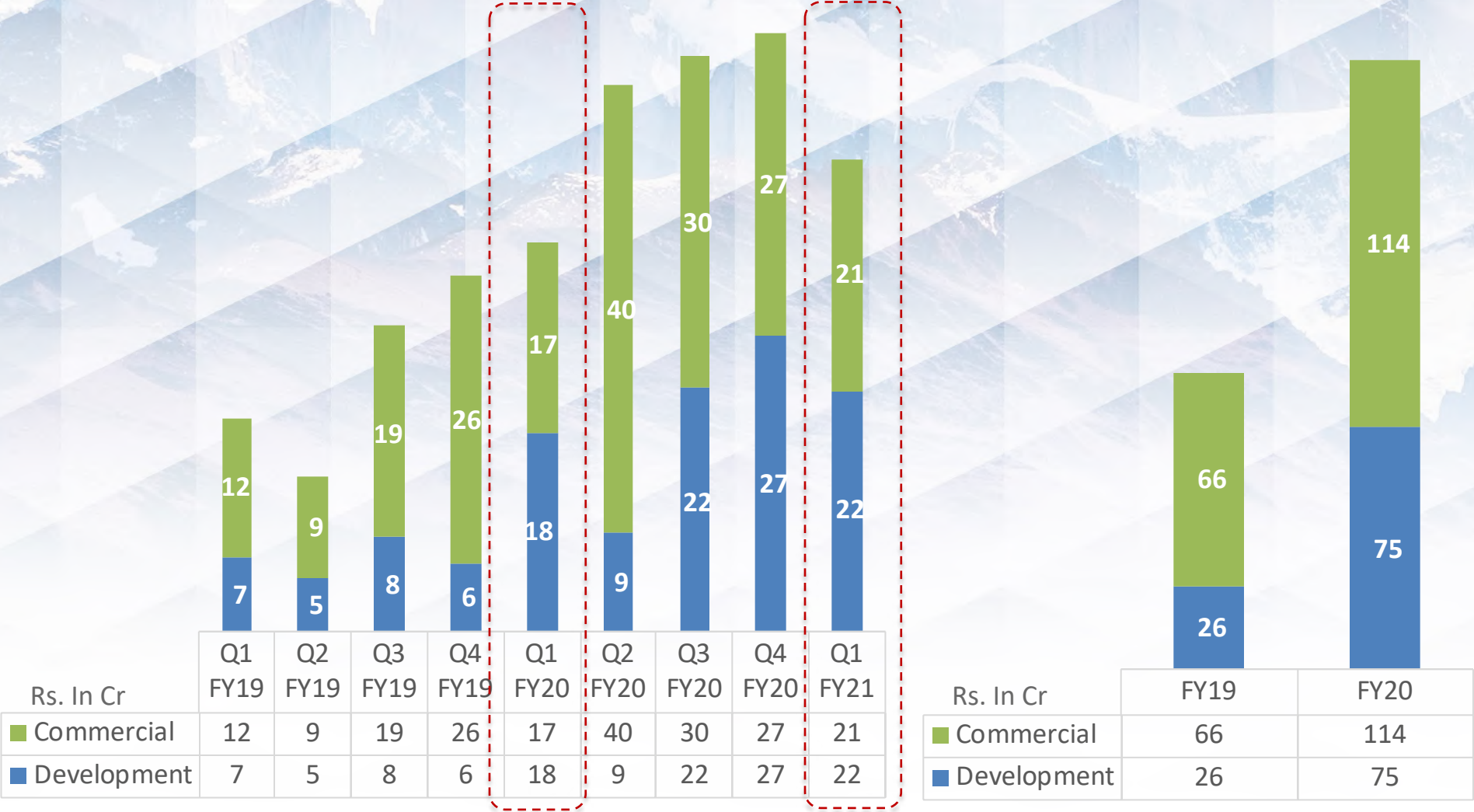
YoY Analysis



Quarter on Quarter Movement



Key Operating Metrics - CMS Revenue Split



No of CMS Active Projects Increasing

Q1 FY21	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	12	4	5	4	9	6	40
Intermediate	7	4	2	6	8	9	36
Grand Total	19	8	7	10	17	15	76
Q4 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	12	4	5	5	9	6	41
Intermediate	7	4	2	5	8	9	35
Grand Total	19	8	7	10	17	15	76
Q1 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	10	4	5	4	5	6	34
Intermediate	1	3	1	5	9	10	29
Grand Total	11	7	6	9	14	16	63

Note: The list is being continuously monitored for projects which are not active for a significant period of time, during this quarter 4 such projects were removed

Steps Taken to Overcome COVID-19 Impact

- Collaborative approach across all teams including plant head, HR, EHS and COVID-19 response team for continuation of operations
- Our employees worked in a dedicated manner in smoothening the operational challenges in the early part of the quarter
- These efforts enabled us to deliver essential API's uninterrupted
- No material impact on supply side of operations and demand side

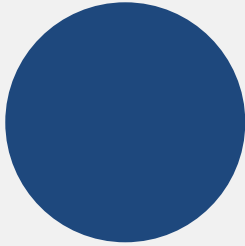




Business Overview



Company Overview



Legacy

36+ years in pharma with robust quality systems, regulatory and compliance framework

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



Scale

3 regulatory approved manufacturing facilities with 731 KL capacity

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



Capability

Portfolio of 75+ products across 10 therapeutic categories

880+ filings with regulators

1000+ employees including ~282 scientists



Reach

80+ countries of presence

75% of revenues through exports

93% of revenues through regulated markets

Our Journey - Key Milestones

Laying Strong Foundation
1984-2003

Deepening our Capabilities
2004-2012

Increased Sustainable Growth
2013 -Today

1984
Incorporated

1986
First API Sale
of Salbutamol
Sulphate /
Albuterol
Sulphate

1994
Neuland
goes
public

1997
First
US FDA
Audit

2004
USA
Operation

2007
JAPAN
Subsidiary

2008
Separate
R&D
Centre
Established
EDQM Audit
of Unit 1

2009
PMDA ,JAPAN
Approval
First NCE
Approval

2013
Strategic
alignment of
business
towards
niche API's
& Custom
Manufacturing
Solutions

2015
10th
US
FDA
Audit

2016
R&D
Facility
approved
by
US FDA

2017
Among first
3 API
facilities in
india to be
audited by
CFDA (Unit 1)
EDQM Audit
of Unit 2

2018
Acquisition
of
advanced
Intermediates
& API
Facility

2019
Increased
flow of
projects
from CMS
JAPAN
Active
emphasis on
Supply chain
De-risking

2020
100 Mn+
Revenue
Over 75 Live
CMS Projects
15th US FDA
Audit of
Unit 2

Multiple audits passed with no failures

Business Verticals

Work executed exclusively
for the customers on
products at various phases
of their life-cycle



Mature APIs, typically with
high competition in the API
space

Prime APIs and Specialty
APIs collectively form
**Generic Drugs Substance
(GDS)** for Neuland

APIs with complex processes and niche
presence

Our Global Presence



Generic Drug Substance(GDS)

Prime APIs

Capability

- 3 US FDA and EU GMP compliant manufacturing facilities
- Collective capacity: ~731KL

Business Approach

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

Strategy Forward

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

Speciality APIs

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

Custom Manufacturing Solutions(CMS)

Services

- Manufacturing API to customer specifications
- Designing and developing manufacturing processes
- Process optimization for competitiveness
- Filing of DMF/CMC for the API
- Patent protection for processes

Business Approach

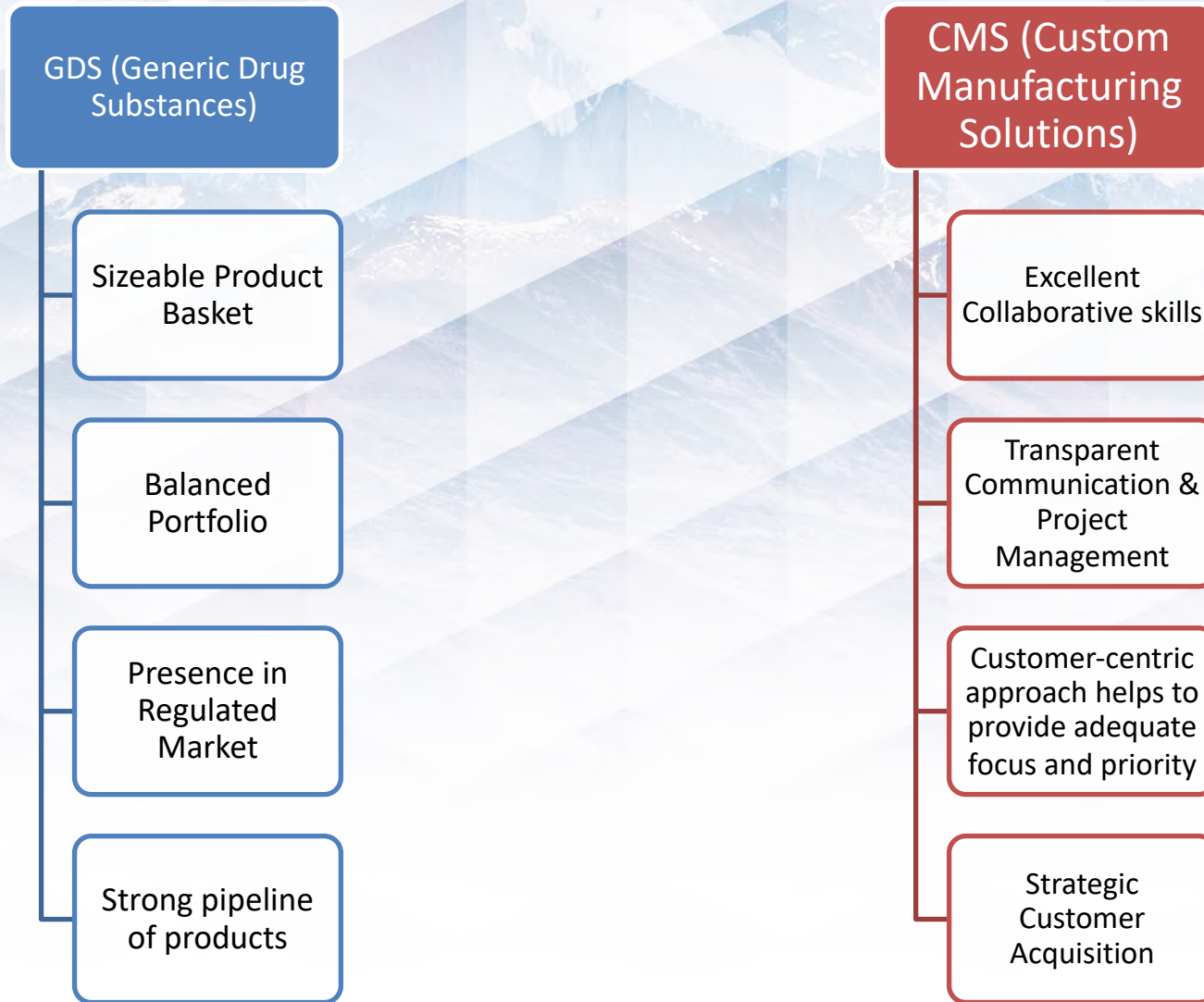
- Local presence in US and Japan with technical as well as commercial employees
- Consultative approach on customer relationships
- Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction

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

Competitive Advantage





Capabilities



Neuland Manufacturing Facilities

Unit	U1, Bonthapally, Hyderabad 222.5 KL	U2, Pashamylaram, Hyderabad 310.2 KL	U3, Gaddapotharam, Hyderabad 197 KL
Year of establishment	1986	1994	2017
Key products	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
Regulatory	USFDA, EDQM, CFDA, PMDA	USFDA, EDQM, PMDA, ANVISA	Inspected by USFDA in 2015

Adding capacities for backward integration and new business

State-of-the-art R&D Centre

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:
 - 880+ DMFs filed
 - 300+ API processes developed
 - 204+ patents filed. Received USPTO patent for improved process synthesis of Paliperidone Palmitate

Regulatory Filings



55

DMFs with
USFDA



Health
Canada

30

Filings with
Health Canada



10

Japanese DMF
filed



19

China DMF filed



18

filings with
KFDA Korea



Australian Government
Department of Health
Therapeutic Goods Administration

22

filings with TGA



213

ROW filings
including Turkey,
Mexico, Brazil etc

~489

EUDMF filings
across Germany,
France, Poland,
Italy etc



24

CEPs Received
for different
products

880+

Filings till date



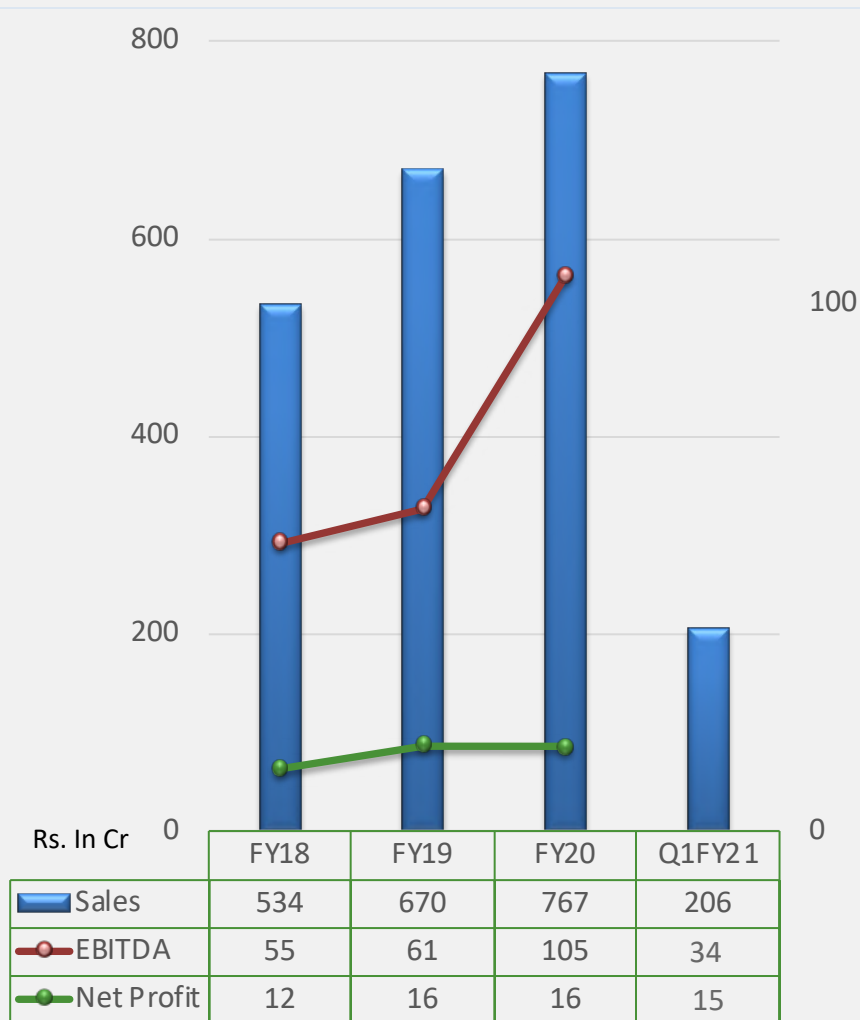
Financials



Income Statement

Financial Performance Highlights

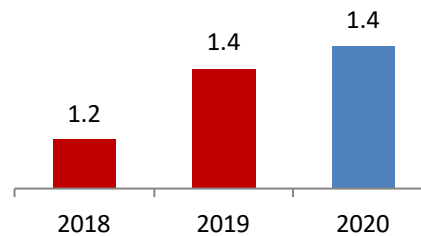
- Revenue CAGR of 19.8% for FY18-20 led by growth in all 3 businesses
- EBITDA growth of 38.9% CAGR in FY18-20 due to high margin CMS business and increase in GDS contribution
- Change in business mix with increasing amount of margins coming from CMS business and certain Specialty products and cost optimization measures helped improve profitability



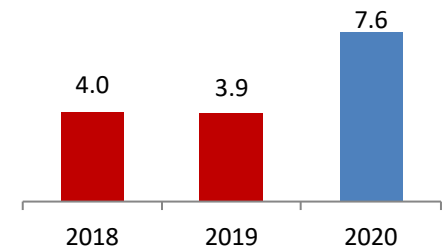
Balance Sheet

Particulars (Rs. Cr)	Mar-18	Mar-19	Mar-20
Shareholders' funds	555	696	706
Net Debt	302	194	214
Investments	8	8	8
Tangible Assets	320	365	395
Intangible Assets	2	2	2
Working Capital	76	122	152

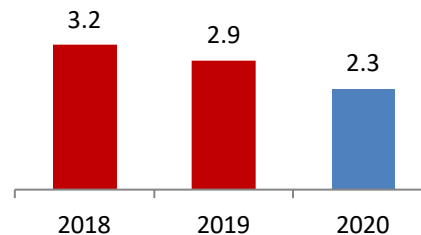
Current Ratio (x)



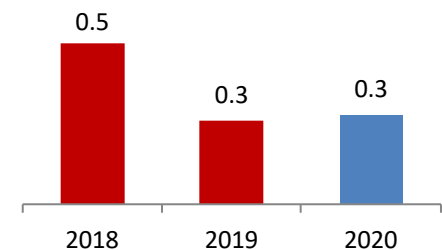
ROCE (%)



Fixed Asset Turnover (x)



Debt to Equity (x)*





Outlook



Growth Strategy for Business

Business

Extend capabilities to organically build a sustainable GDS and CMS business



Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio



Quality

Develop techniques like QBD to stay ahead of the curve & set precedents for “no quality compromise”



Scale

Invest into capacity to augment sales and accelerate business growth



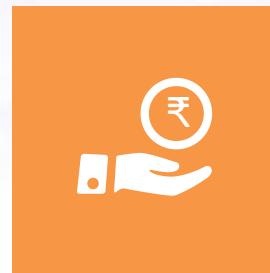
Relationships

Leverage on Long – standing relationships with leading generic and innovator companies



Financials

Re-aligning revenue portfolio for a profitable growth



Create an organization that results in value for all stakeholders

About Neuland Laboratories Limited

For over 36 years, **Neuland Laboratories Ltd.** (BSE:524558, NSE: NEULANLAB) 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 880+ Regulatory filings in the US (55 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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Thank you