

Earnings Presentation

Q3 FY 21

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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BUSINESS OVERVIEW



CAPABILITIES



FINANCIALS



OUTLOOK



Q3 & 9M FY 21 HIGHLIGHTS

SUCHETH DAVULURI

Vice-Chairman & Chief Executive Officer



“We are pleased to announce another strong quarter of top line and bottom-line performance. The revenue at Rs.245.6 crores was a 20% improvement over the corresponding quarter of the last fiscal while the margins have showed an upward trajectory and closed at 19.0%. This was driven by growth across the GDS and CMS verticals. We remain confident of our long-term growth aspirations as well as our margin resilience.”

SAHARSH DAVULURI

Vice-Chairman & Managing Director



“We are pleased with the momentum shown by the CMS business while the GDS also continues to play an important part in the growth. The driver of this quarter’s CMS uptick has been the strong performance from the scaleup projects which have contributed to the revenues. Unit 3 has started commercial production and we are currently shipping out 2 APIs from this facility. We expect Unit 3 to be a major driver of our growth going forward.”



Q3 FY21

- ❖ Total income increased by **20.0%** in Q3FY21 on account of secular growth in GDS and CMS
 - Prime segment continues growth led by Levetiracetam and Mirtazapine
 - Speciality business had a stable quarter led by Deferasirox and Dorzolamide
 - CMS business witnessed growth in scale up projects and higher projects coming up for validation
 - Two APIs shipped from Unit III
 - Filed DMF for Donepezil Base with USFDA
- ❖ EBITDA margin increased by 480 bps from 14.2% to **19.0%** in Q3FY21
- ❖ Increase in PBT margins by 540 bps and PAT margins by 550 bps



9M FY21

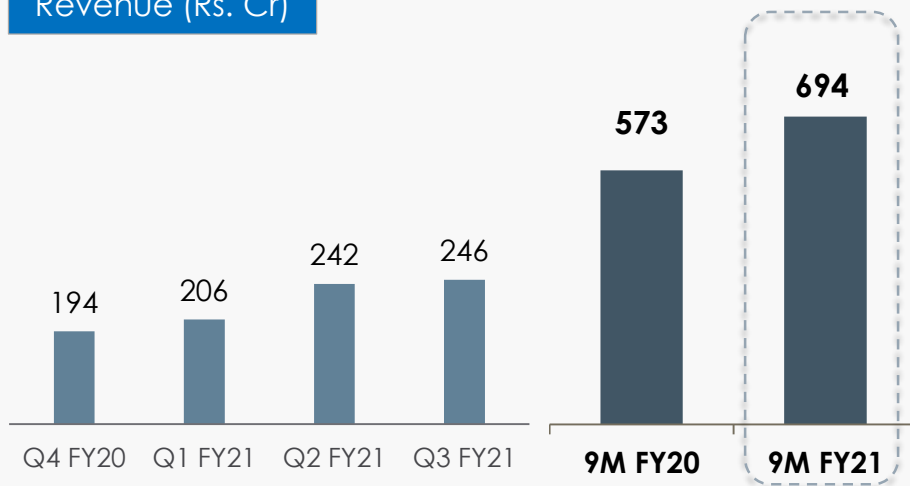
- ❖ Total income increased by **21.1%**
- ❖ EBITDA margins increased by 490 bps from 12.8% to **17.7%**
- ❖ PBT margins increased by 540 bps and PAT margins increased by 470 bps

Profit & Loss Snapshot (Standalone)

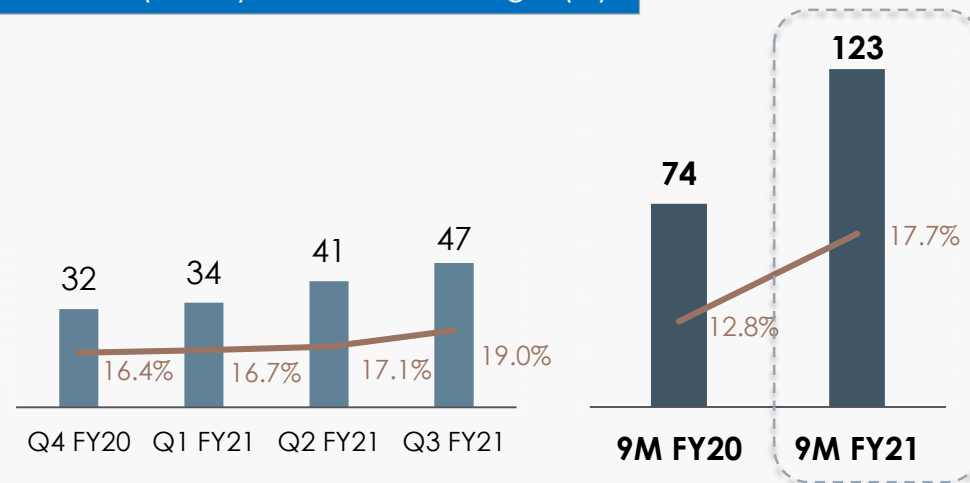
Particulars (Rs. Cr)	Q3FY21	Q2FY21	QoQ (%)	Q3FY20	YoY (%)	9MFY21	9MFY20	YoY (%)
Total Income	245.6	242.0	1.5%	204.6	20.0%	693.7	573.0	21.1%
EBITDA	46.7	41.4	12.9%	29.1	60.6%	122.5	73.6	66.5%
<i>EBITDA Margin</i>	19.0%	17.1%	190 bps	14.2%	480 bps	17.7%	12.8%	490 bps
Profit Before Tax	31.9	28.6	11.5%	15.6	104.5%	80.6	35.4	127.7%
<i>Profit Before Tax Margin</i>	13.0%	11.8%	120 bps	7.6%	540 bps	11.6%	6.2%	540 bps
Profit After Tax	26.7	21.3	25.0%	11.0	141.5%	63.1	25.2	150.0%
<i>Profit After Tax Margin</i>	10.9%	8.8%	210 bps	5.4%	550 bps	9.1%	4.4%	470 bps
Earnings Per Share (Rs.)	20.8	16.6	25.0%	8.6	141.5%	49.2	19.7	149.9%

Financials (Standalone)

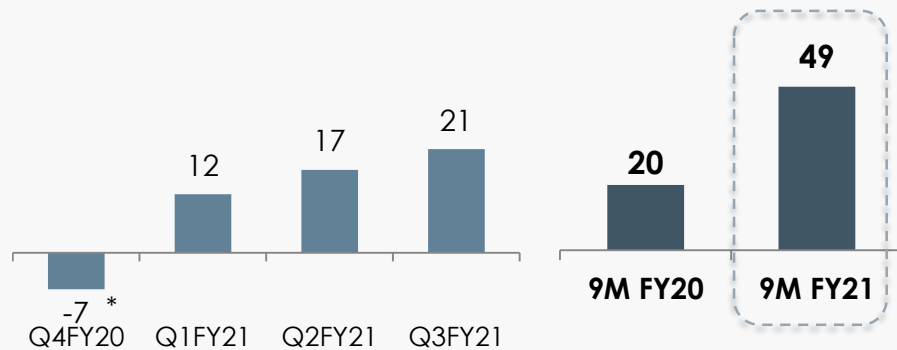
Revenue (Rs. Cr)



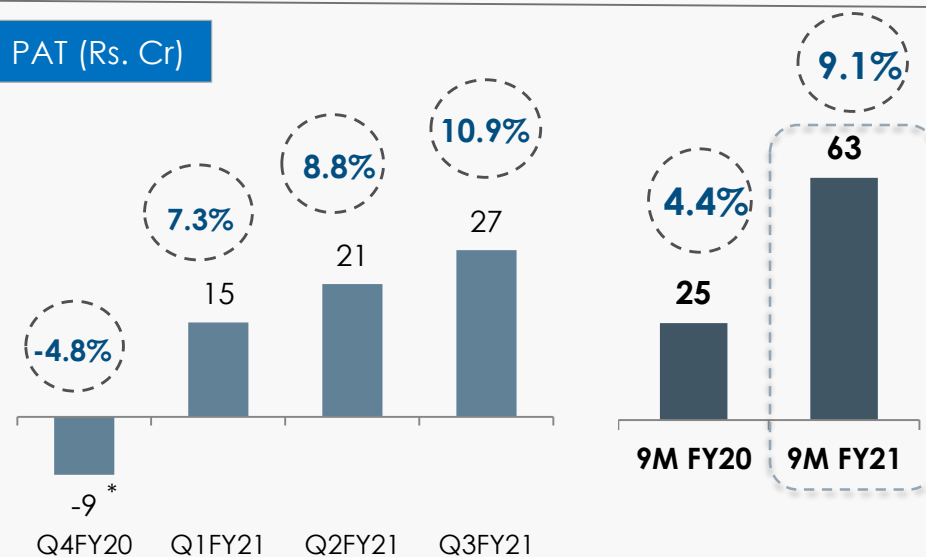
EBITDA (Rs. Cr) and EBITDA Margin (%)



EPS (Rs)



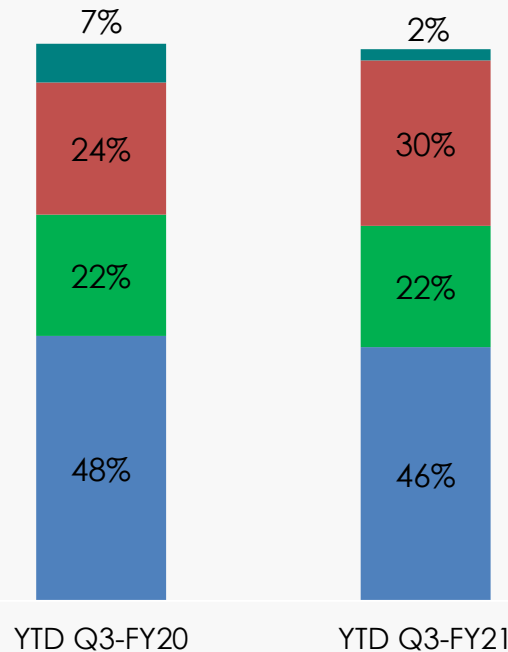
PAT (Rs. Cr)



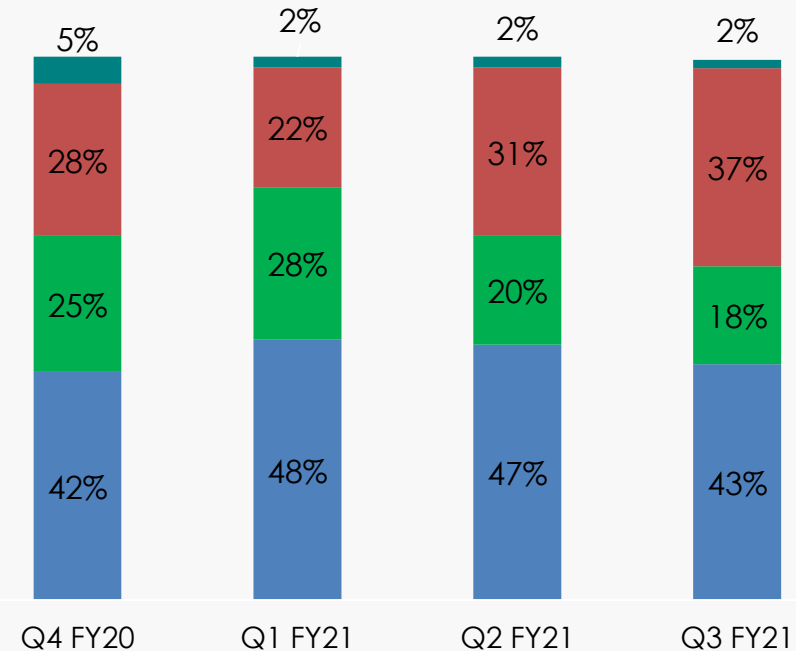
* This was after a one-time tax charge of Rs. 23.2 Cr in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

Key Operating Metrics

YoY Analysis



Quarter on Quarter Movement



■ Prime ■ Niche/Speciality ■ CMS ■ Others

■ Prime ■ Niche/Speciality ■ CMS ■ Others

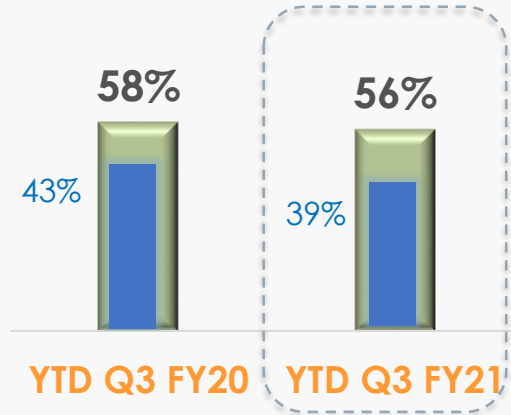
*Q1FY21 figures adjusted for rollback of government Export incentives and change in accounting policy

*YTD Q3-FY20 and YTD Q3-FY21 figures are unadjusted

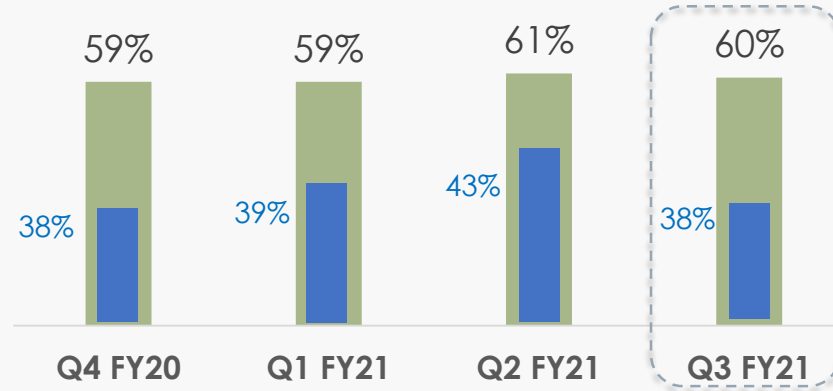
Business Salience (Overall Company)

PRODUCT

YoY Analysis



QoQ Movement

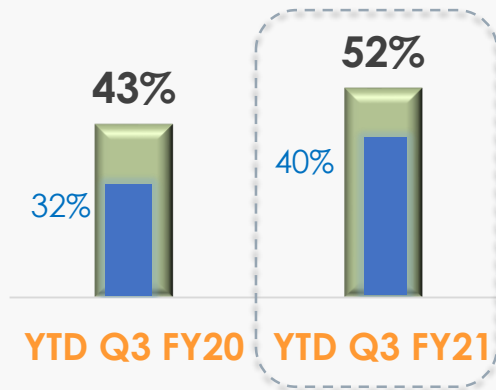


TOP 10
TOP 5

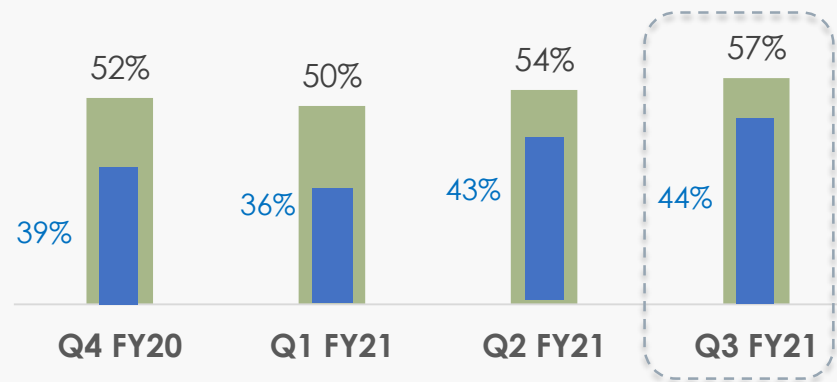
% of Total revenue

CUSTOMER

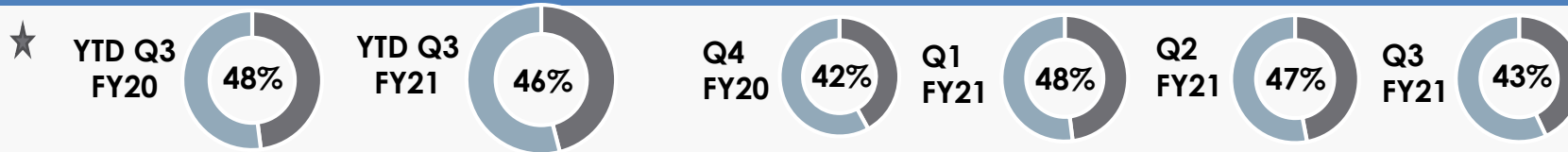
YoY Analysis



QoQ Movement



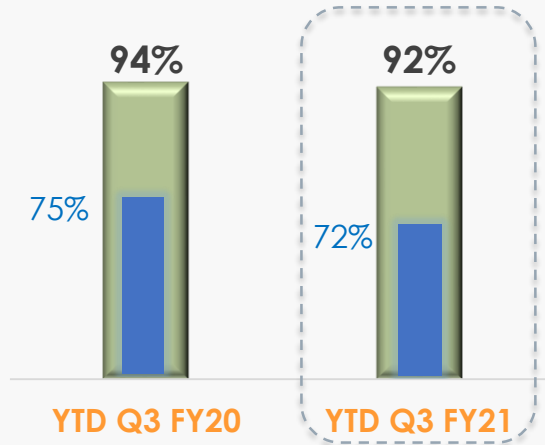
Business Salience (Prime)



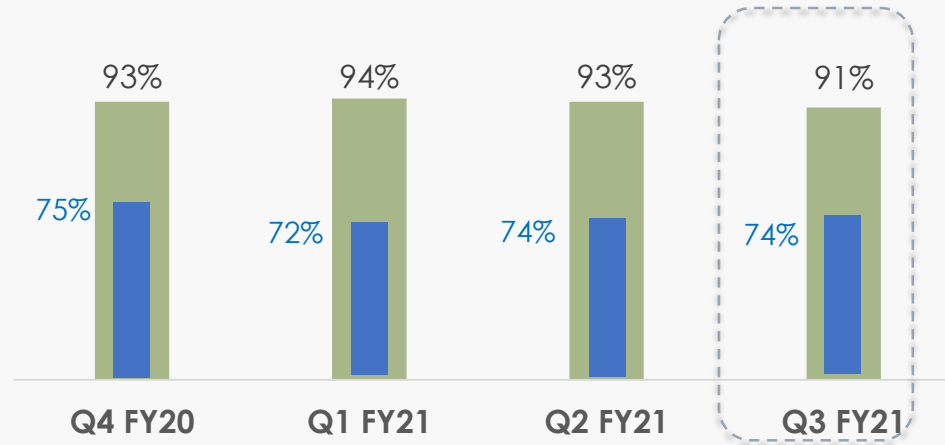
TOP 10
TOP 5
(of Prime revenue)

PRODUCT

YoY Analysis

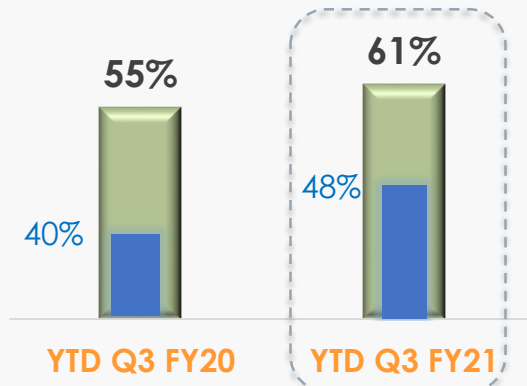


QoQ Movement

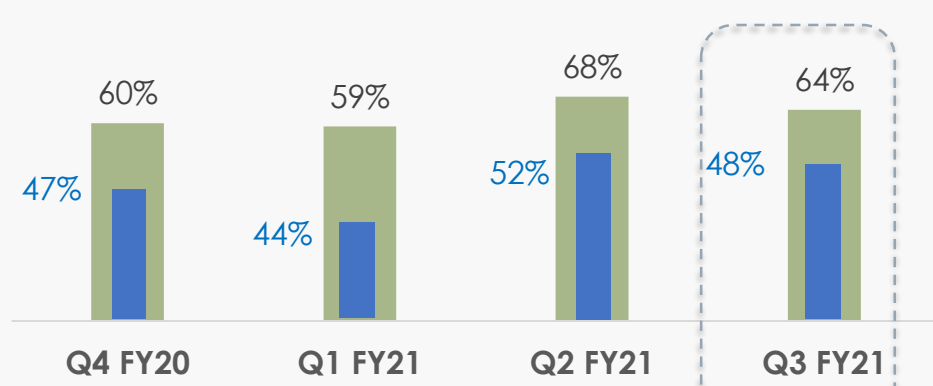


CUSTOMER

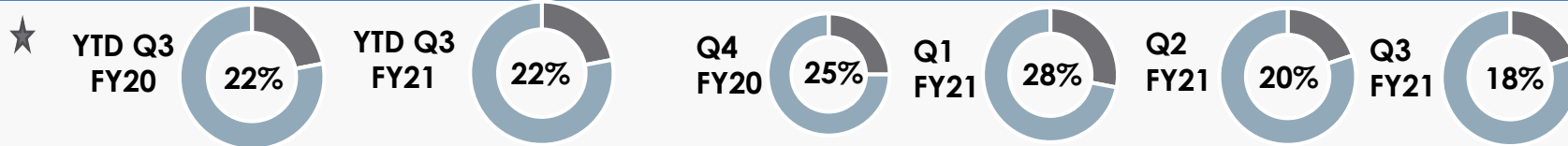
YoY Analysis



QoQ Movement

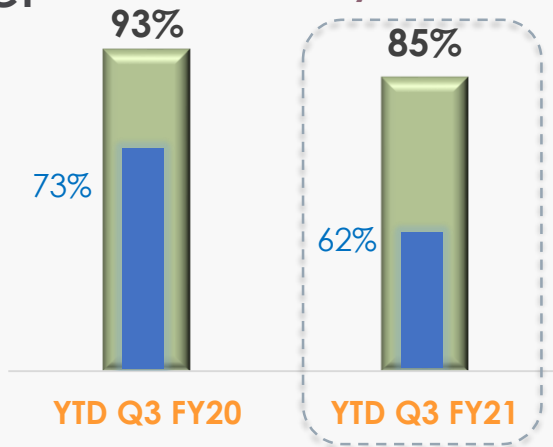


Business Salience (Niche/Speciality)

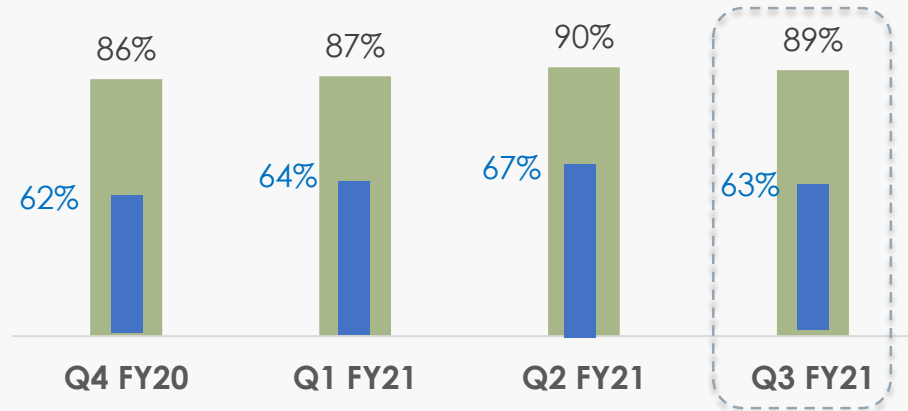


PRODUCT

YoY Analysis



QoQ Movement

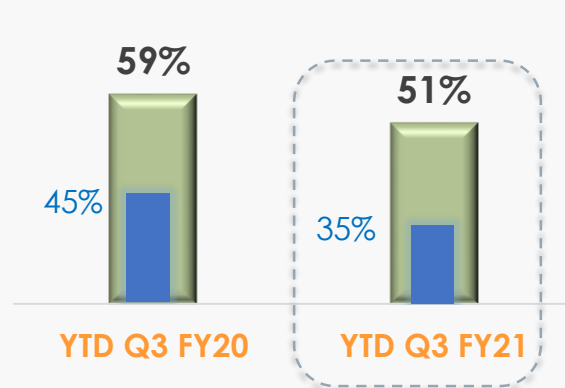


TOP 10
TOP 5

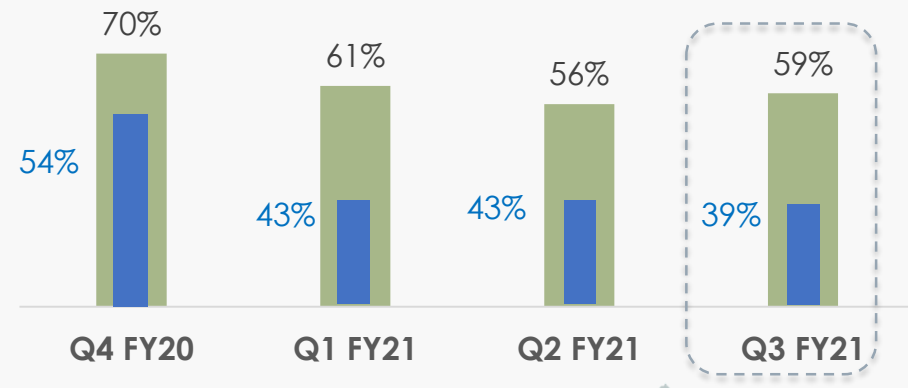
(of Niche/Speciality Revenue)

CUSTOMER

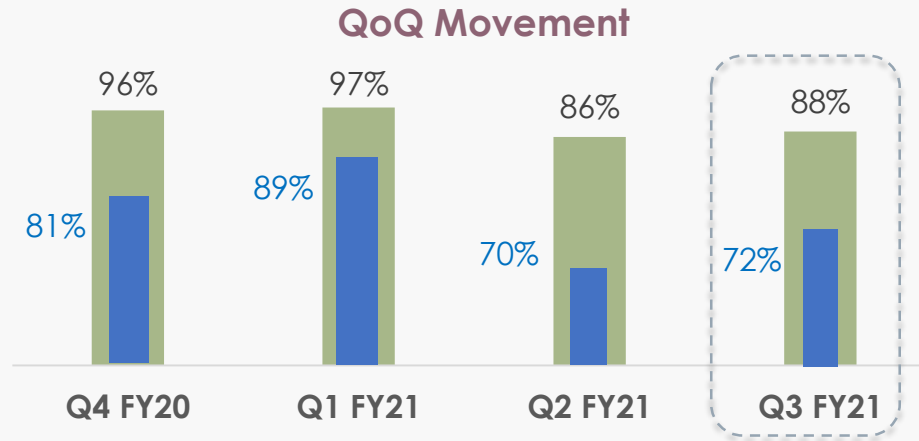
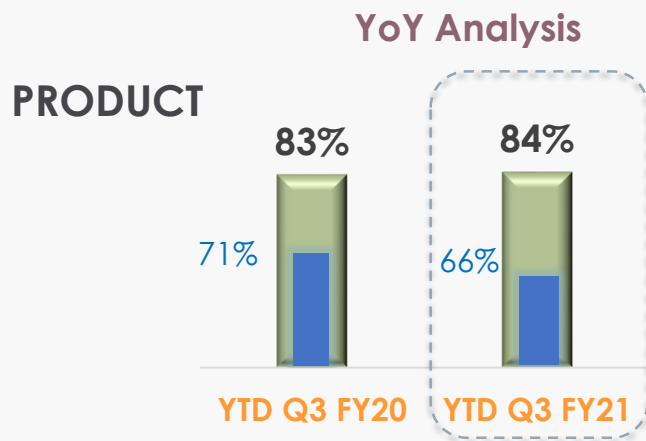
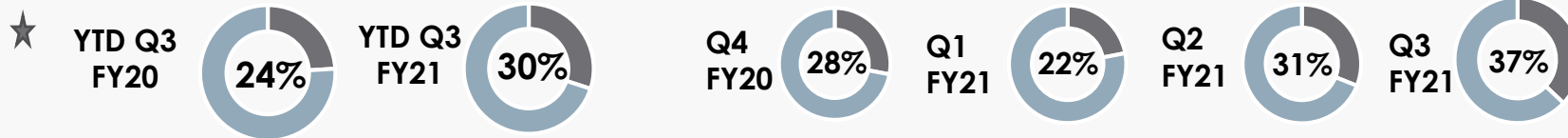
YoY Analysis



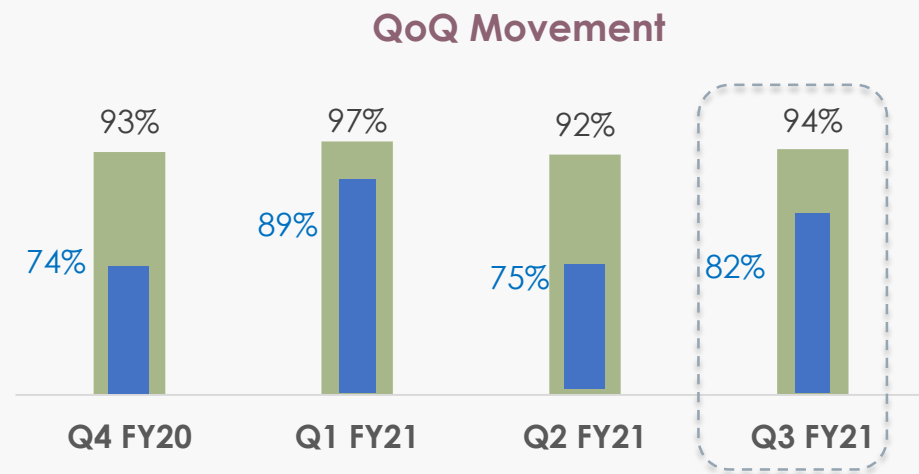
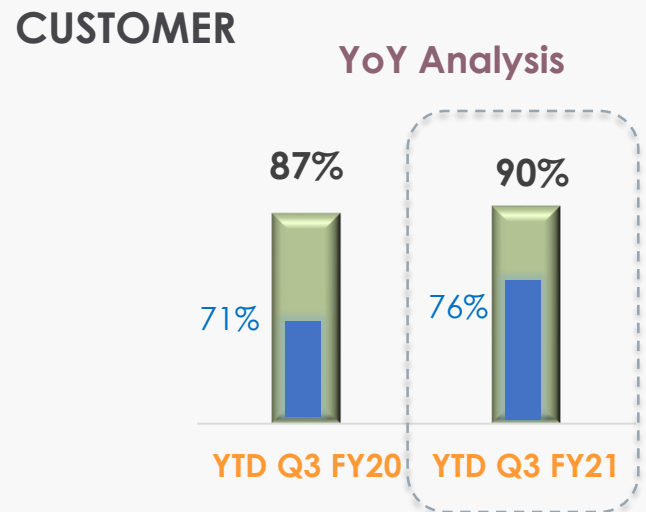
QoQ Movement



Business Salience (CMS)



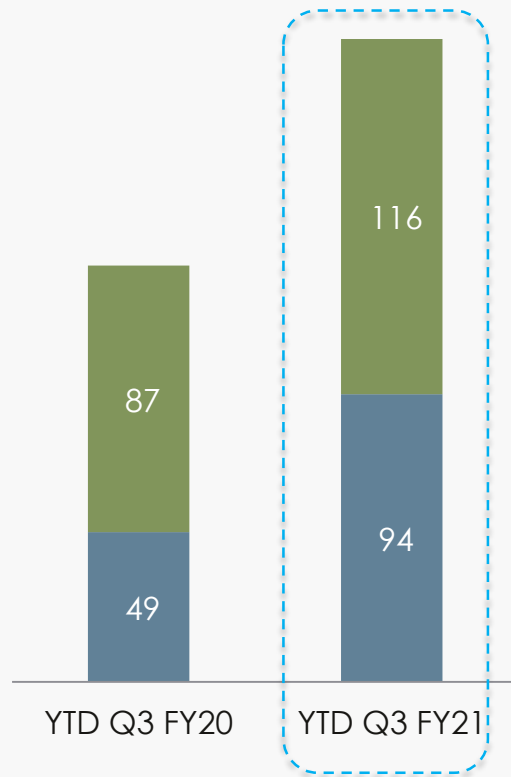
TOP 10
TOP 5
(of CMS revenue)



Key Operating Metrics – CMS Revenue Split

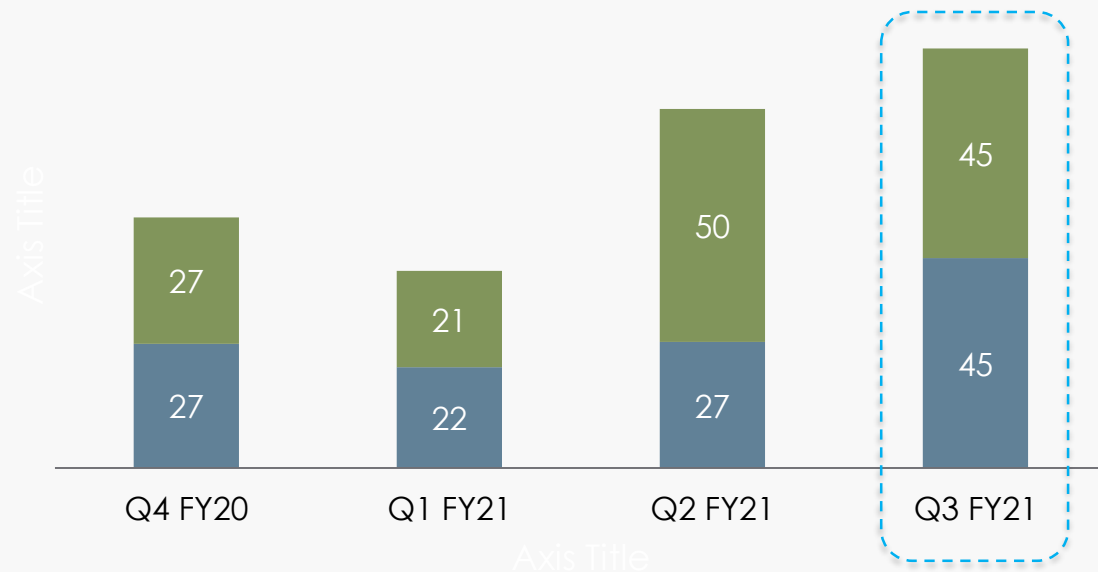
Rs. In Cr

YoY Analysis



Quarter on Quarter Movement

■ Commercial ■ Development



Number of Active CMS Projects

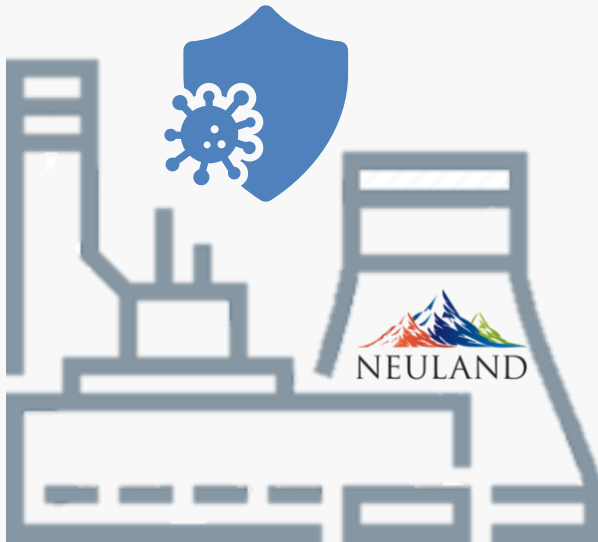
Q3 FY21	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	14	4	6	3	10	6	43
Intermediate	7	4	2	3	8	9	33
Grand Total	21	8	8	6	18	15	76

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

Q3 FY18	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	7	2	4	4	6	5	28
Intermediate	1	1		7		5	14
Grand Total	8	3	4	11	6	10	42

Well Placed for a Post- Covid World



- ❖ Shortening the supply chain and de-risking the vendor base
- ❖ Investing in capabilities and infrastructure in R&D
- ❖ Placed reserve manpower in Manufacturing and Quality functions to meet customer requirements
- ❖ Ready to meet changing regulatory requirements via online audits
- ❖ Continued focus on Business Development and engagement with customers
- ❖ Effective team communication using technology for operational effectiveness as well as engagement



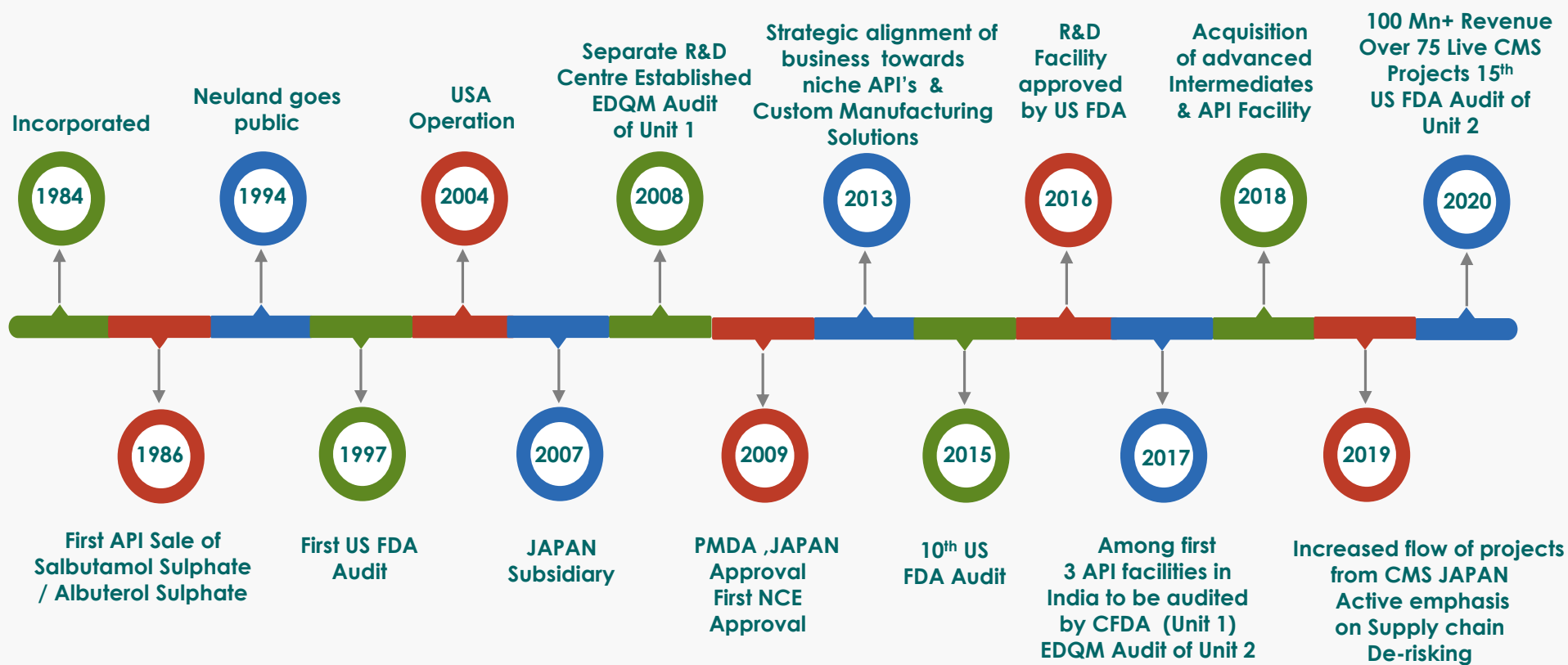
BUSINESS OVERVIEW

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 Speciality molecules for complex products..



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



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
- ✓ 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



CAPABILITIES

Scaled up Manufacturing Facilities over the years...



Hyderabad

Location of All Units

222.5 KL

310.2 KL

197 KL



	UNIT 1 BONTHAPALLY	UNIT 2 PASHAMYLARAM	UNIT 3 GADDAPOTHARAM
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 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 -
 - ✓ 898+ DMFs filed
 - ✓ 300+ API processes developed
 - ✓ 204+ patents filed. Received USPTO patent for improved process synthesis of Paliperidone Palmitate

..Regulatory Filings Across Geographies...



57

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

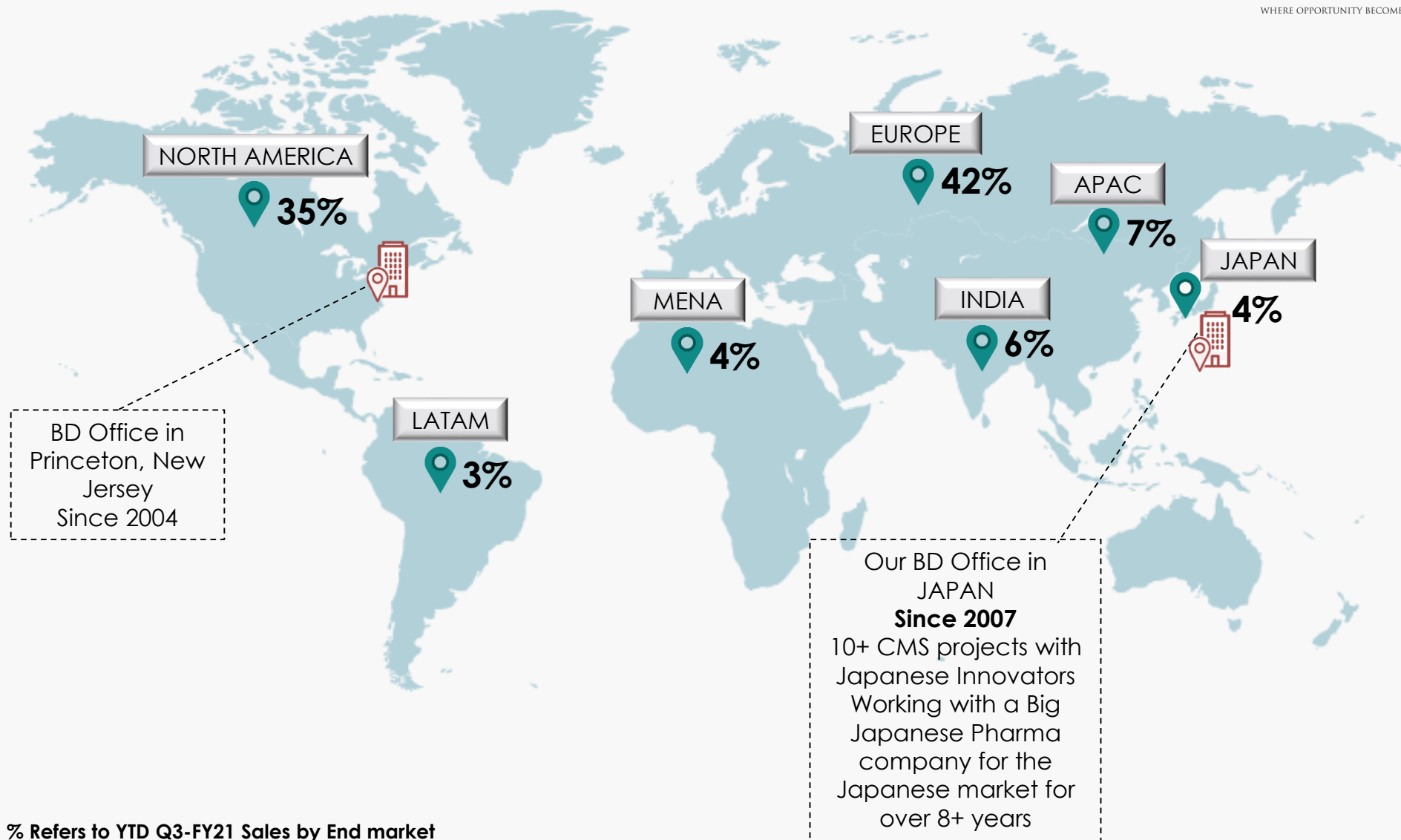
24

CEPs Received
for different
products

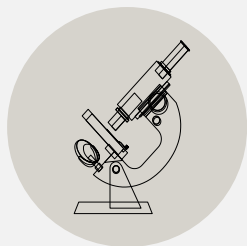
898+

Filings till date

And marking its Global Presence..



.. Neuland Today: Snapshot..



Legacy

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

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



Scale

Mfg. Facilities:
3 regulatory
approved with 731
KL capacity

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



Capability

Product portfolio:
75+ across 10
therapeutic
categories

Regulatory filings
898+

Team: 1200+ incl.
~282 scientists



Reach

Presence
80+ countries

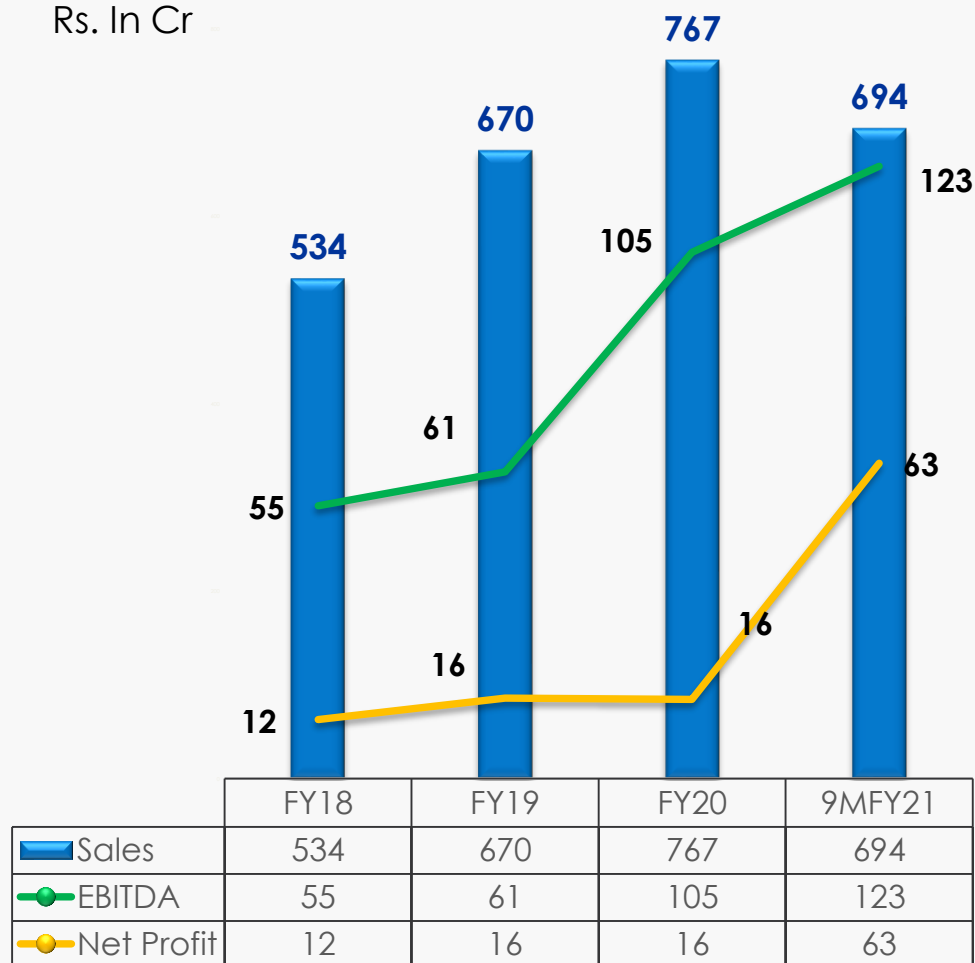
Export revenues
75%

Regulated markets
revenue 93%



FINANCIALS

Rs. In Cr

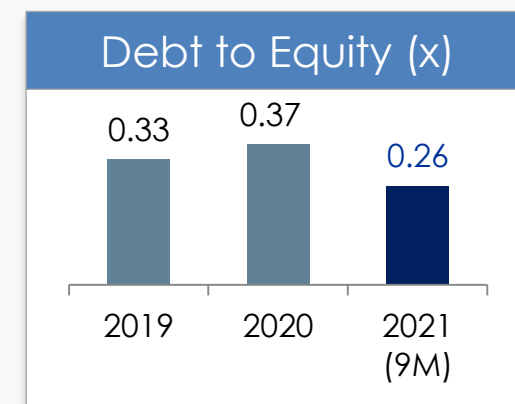
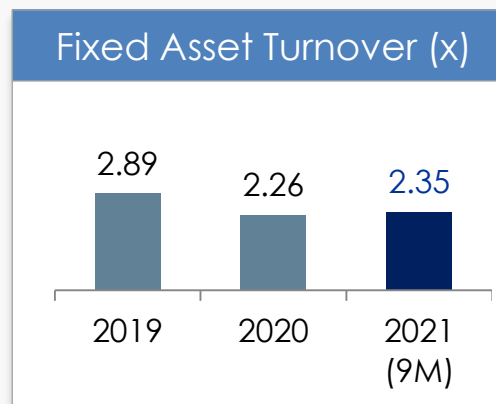
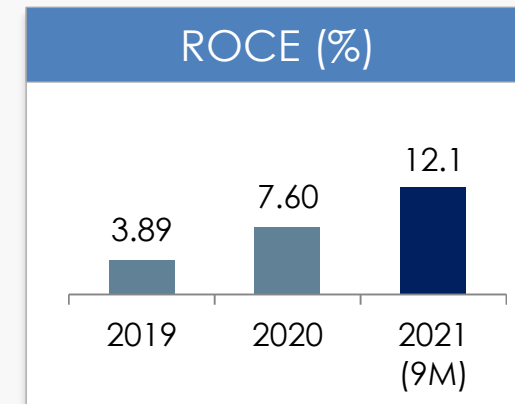
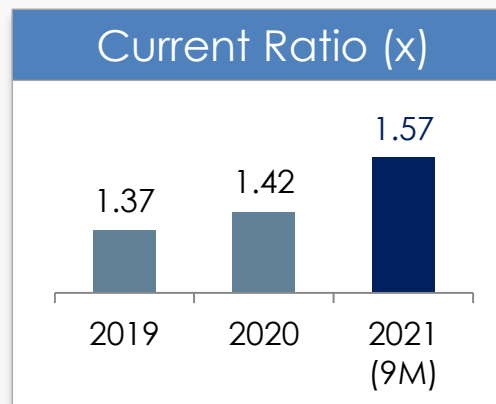


FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue CAGR of 19.8% for FY 18-20 led by growth in all 3 businesses
- EBITDA growth of 38.9% CAGR in FY 18-20 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

Stable Balance Sheet..

Particulars (Rs. Cr)	Mar-19	Mar-20	Dec-20
Shareholders' funds	696	706	766
Net Debt	194	214	167
Investments	8	8	8
Tangible Assets	367	391	434
Intangible Assets (Excluding Goodwill)	2	2	3
Working Capital	233	289	307



Macroeconomic factors influencing Neuland..

FACTORS

	IMPACT	NEULAND RESPONSE
Government regulation: approvals, audits	- Consistent regulatory audits - Increased scrutiny prior to drug approvals	- Successfully cleared consecutive USFDA audits since inception - Consistent record of new drug approvals
Environmental considerations in drug manufacturing	Government and regulatory monitoring on environmental impact	Effective compliance to all environmental regulations
Crude oil prices	Solvent price volatility	Investing in green chemistry leading to efficient use of solvents
COVID 19 impact	Increased logistics costs	Tactical scheduling optimized channel mix
	IPA availability and pricing fluctuations	Qualifying new IPA manufacturers with increased capacity
China raw material dependence	Geopolitical issues	Alternate India suppliers in place
Human Capital	Competition for talent	- Capability building through a strong Learning & Development plan - Active development of Leadership Pipeline across levels



OUTLOOK

..Laying Foundation for our Growth Strategy

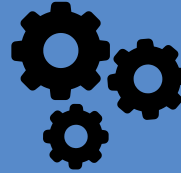
CREATE AN ORGANIZATION THAT RESULTS IN VALUE FOR ALL STAKEHOLDERS

Extend capabilities to organically build a sustainable GDS and CMS business

BUSINESS



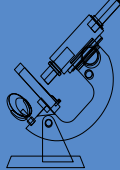
SCALE



Invest into capacity to augment sales and accelerate business growth

Deploy advanced chemistry skills to add differentiated products to its portfolio

CHEMISTRY



RELATIONSHIPS



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

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

QUALITY



FINANCIALS



Re-aligning revenue portfolio for a profitable growth

Contact Us



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 898+ 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.

For further information contact

IR Desk

Neuland Labs

+91 40 6761 1600

ir@Neulandlabs.com

Diwakar Pingle

Christensen IR

+91 22 4215 0210

dpingle@christensenir.com



Thank You