

Earnings Presentation

Q4 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



Q4 & FY-21 HIGHLIGHTS

SUCHETH DAVULURI

Vice-Chairman & Chief Executive Officer



"We are pleased with the performance of the Company in this fiscal which was on the back of challenging conditions in the aftermath of the onset of COVID19. The resilience and the commitment to rise to the occasion and execute our plans is a testimony to the fighting spirit of the team. While we are facing headwinds from the second wave of COVID19, we remain committed to our long-term aspirations and believe that our differentiated focus on complex APIs and the CMS business will drive sustainable growth."

SAHARSH DAVULURI

Vice-Chairman & Managing Director



"The numbers indicate the strong performance of our business and operating leverage kicking as seen by the improvement in margins. We are happy with the growth in the CMS business by about 42%, which was driven by increase in revenue from both baseline and development projects. The CMS projects in the pipeline have reached a critical mass and this would drive the medium to long term growth with the increased traction. We expect Unit 3 to achieve critical scale by the end of this fiscal and that should be another lever of growth for the Company."



Q4 FY21

- ❖ Total income increased by **33.9%** in Q4FY21 on account of sustained growth in GDS and CMS
 - Prime segment continues growth led by Levetiracetam, Mirtazapine & Labetalol
 - Speciality business had a stable quarter led by Dorzolamide, Deferasirox, Entacapone and Donepezil
 - CMS business driven by revenues from projects in Development
- ❖ EBITDA margin decreased by 100 bps from 16.4% to **15.4%** in Q4FY21 due to
 - COVID induced logistical issues in raw material sourcing
 - One-off settlement with Income Tax Department for Rs. 9.5 cr
 - Provision for National Green Tribunal (NGT) settlement for Rs. 5.4 cr
- ❖ Increase in PBT margins by 60 bps



FY21

- ❖ Total income increased by **24.3%**
- ❖ EBITDA margins increased by 340 bps from 13.7% to **17.1%**
- ❖ PBT margins increased by 420 bps and PAT margins increased by 630 bps

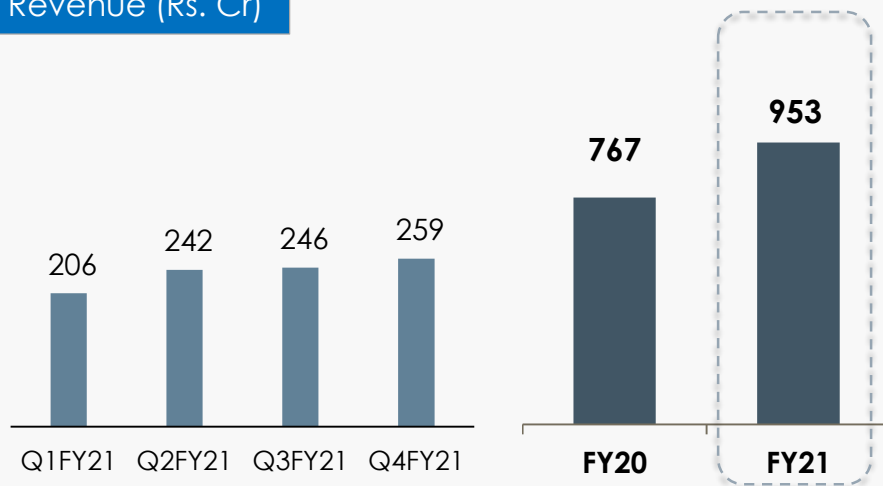
Profit & Loss Snapshot (Standalone)

Particulars (Rs. Cr)	Q4FY21	Q3FY21	QoQ (%)	Q4FY20	YoY (%)	FY21	FY20	YoY (%)
Total Income	259.3	245.6	5.6%	193.6	33.9%	953.0	766.6	24.3%
EBITDA	40.0	46.7	(14.3)%	31.8	26.0%	162.5	105.3	54.3%
EBITDA Margin	15.4%	19.0%	360 bps	16.4%	(100) bps	17.1%	13.7%	340 bps
Profit Before Tax	24.3	31.9	(23.7)%	17.1	42.4%	105.0	52.5	99.9%
Profit Before Tax Margin	9.4%	13.0%	(360) bps	8.8%	60 bps	11.0%	6.8%	420 bps
Profit After Tax	17.2	26.7	(35.4)%	(9.3)*	NA	80.3	15.9*	405.6%
Profit After Tax Margin	6.6%	10.9%	430 bps	NA	NA	8.4%	2.1%	630 bps
Earnings Per Share (Rs.)	13.4	20.8	(35.4)%	(7.3)*	NA	62.6	12.4*	405.5%

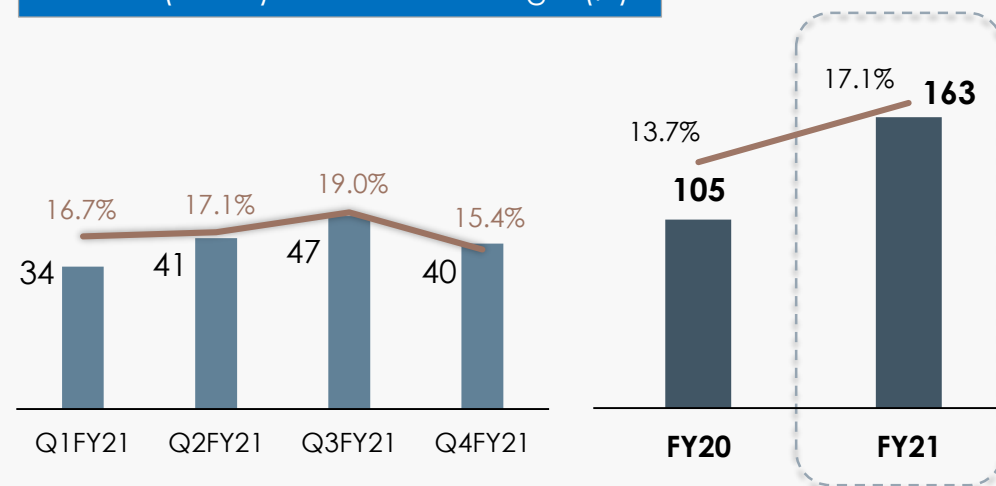
*This was after a one-time tax charge of Rs. 23.2 crs in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

Financials (Standalone)

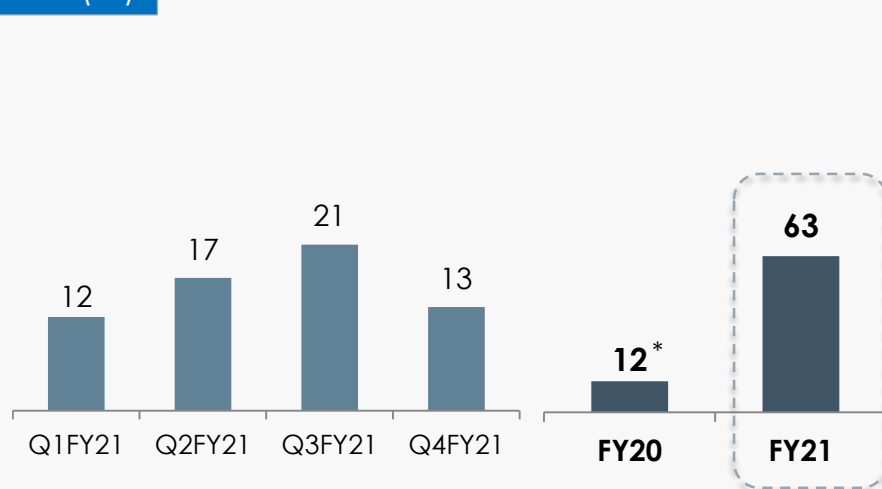
Revenue (Rs. Cr)



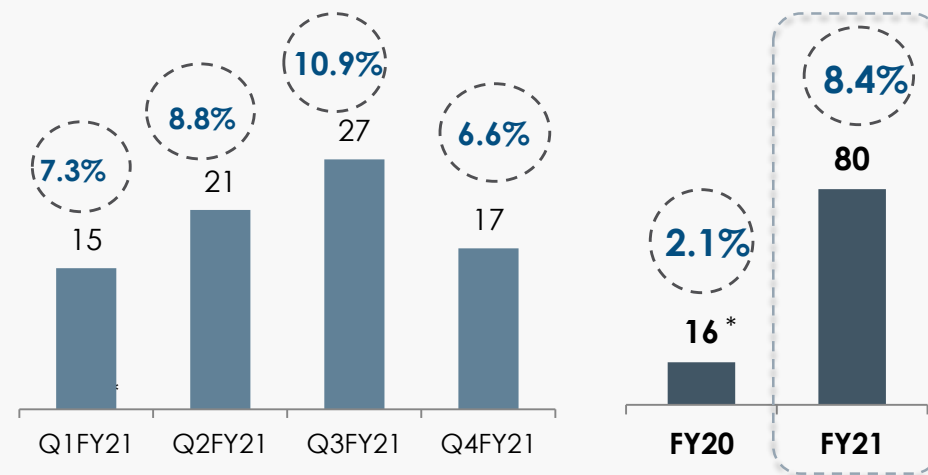
EBITDA (Rs. Cr) and EBITDA Margin (%)



EPS (Rs)



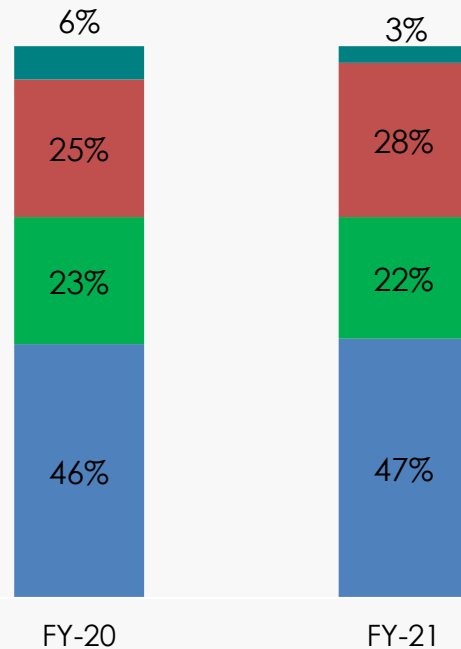
PAT (Rs. Cr)



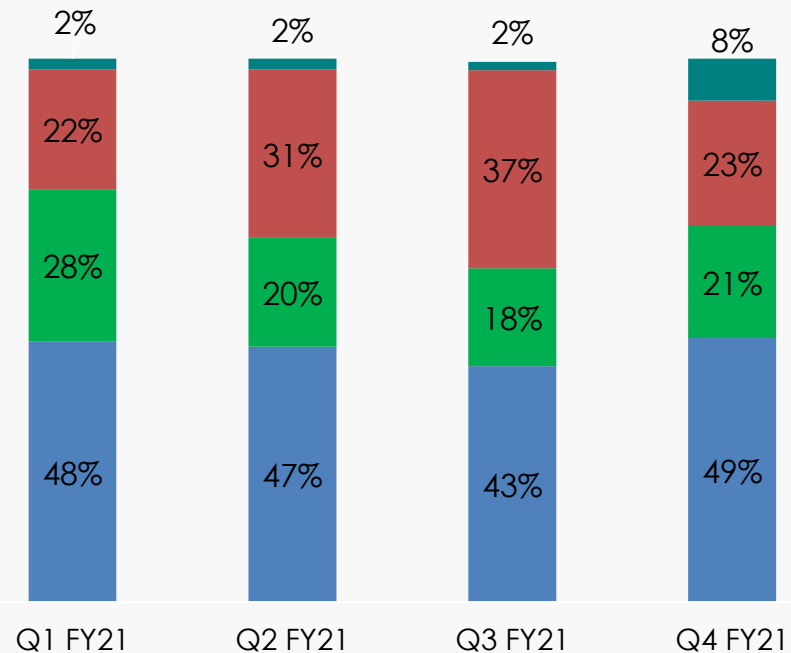
* This was after a one-time tax charge of Rs. 23.2 Cr in Q4FY20 that the Company chose to exercise under Section 115BAA of the IT act

Key Operating Metrics

YoY Analysis



Quarter on Quarter Movement



■ Prime ■ Niche/Speciality ■ CMS ■ Others

■ Prime ■ Niche/Speciality ■ CMS ■ Others

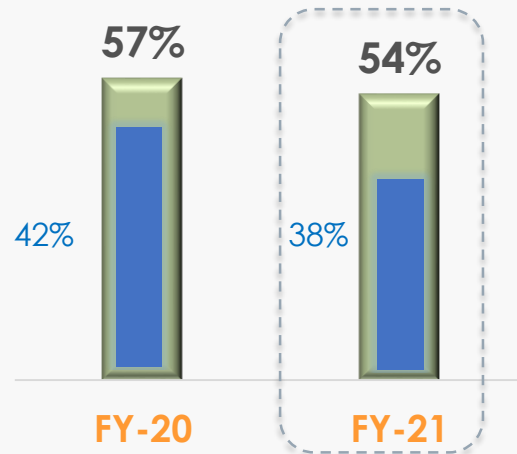
*Q1FY21 figures adjusted for rollback of government Export incentives and change in accounting policy

*FY-20 and FY-21 figures are unadjusted

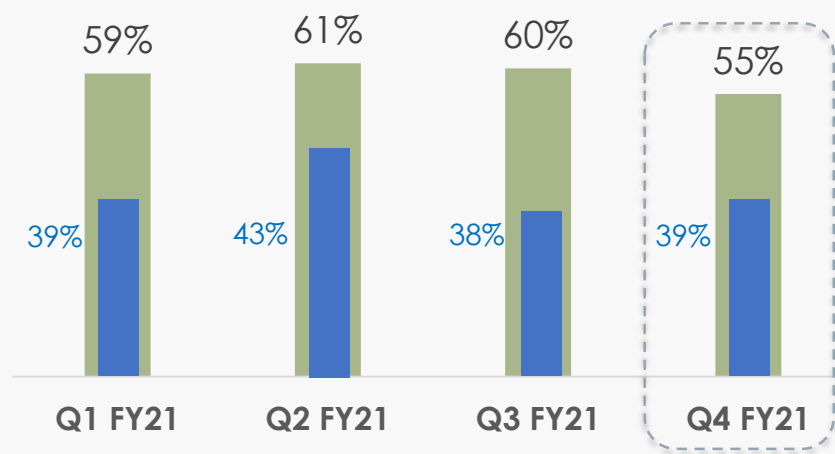
Business Salience (Overall Company)

PRODUCT

YoY Analysis



QoQ Movement

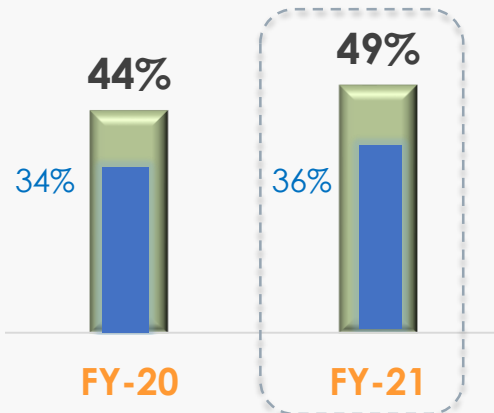


TOP 10
TOP 5

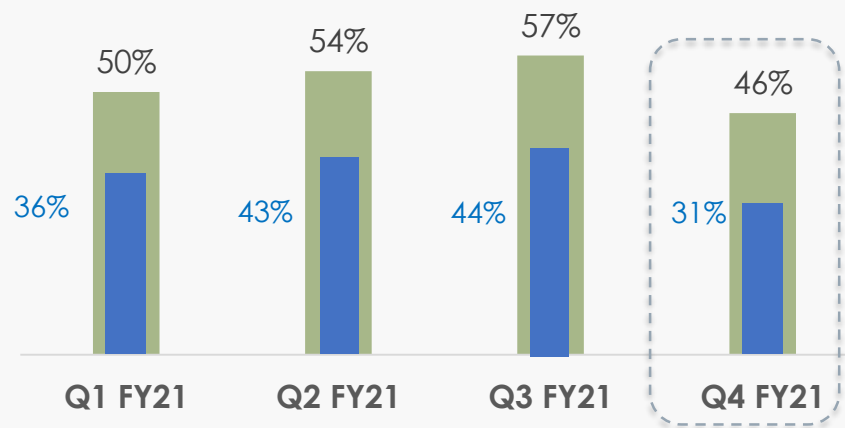
% of Total revenue

CUSTOMER

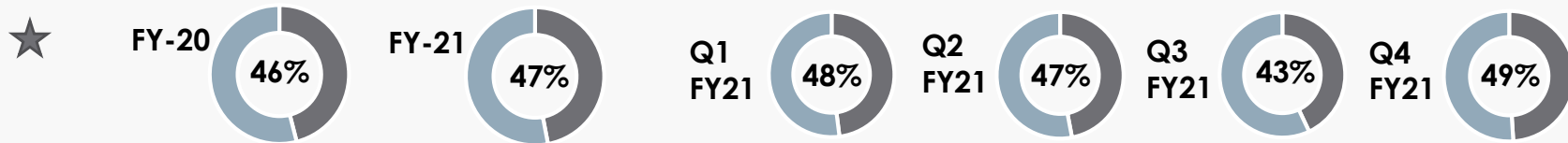
YoY Analysis



QoQ Movement



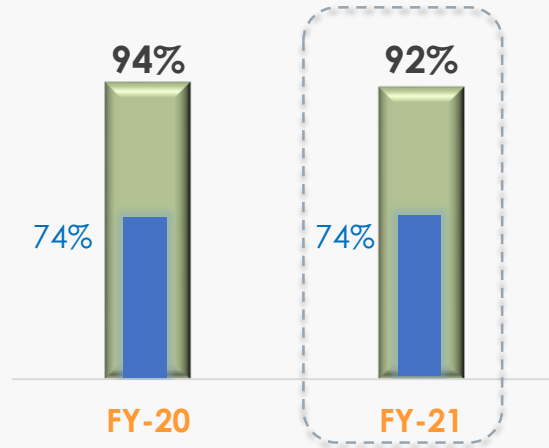
Business Salience (Prime)



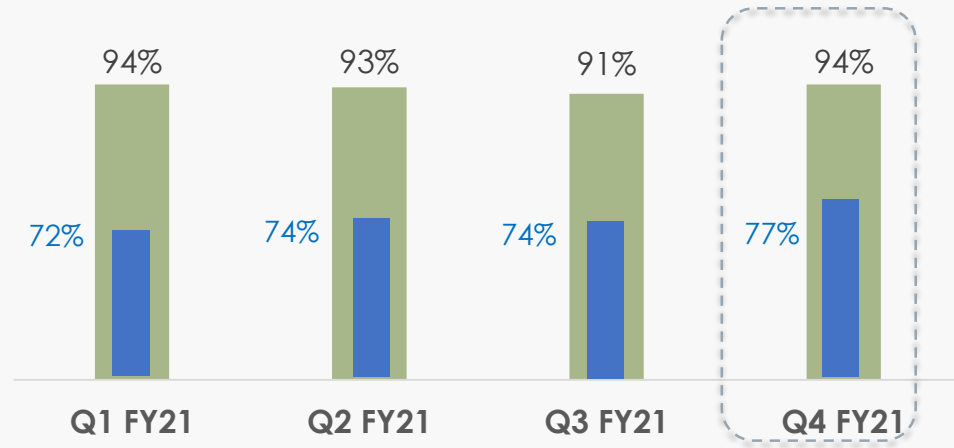
TOP 10
TOP 5
(of Prime revenue)

PRODUCT

YoY Analysis

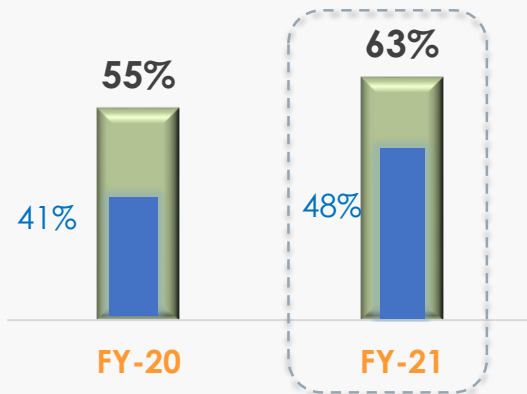


QoQ Movement

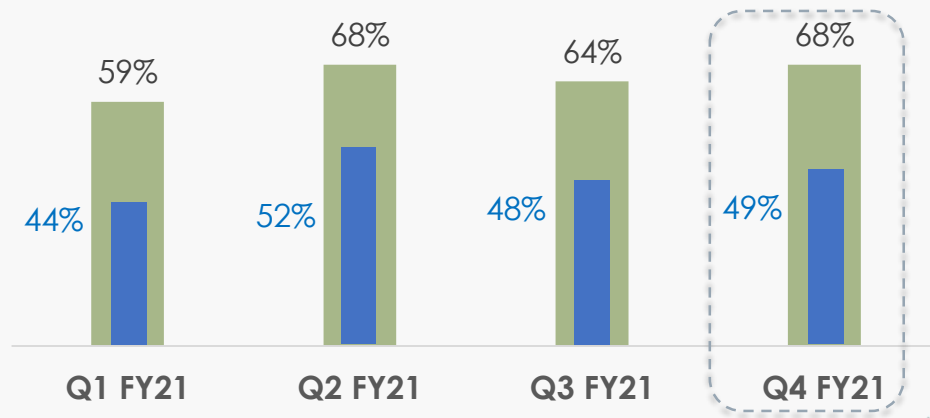


CUSTOMER

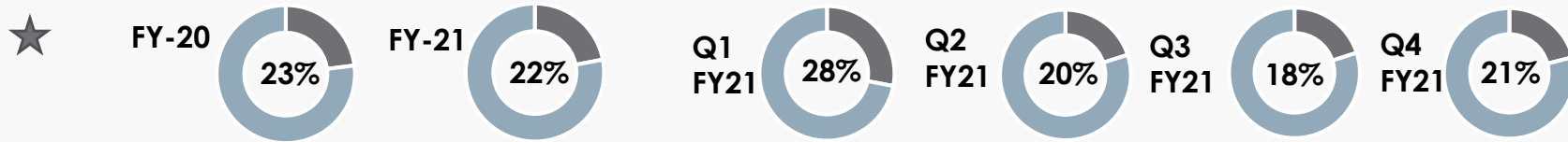
YoY Analysis



QoQ Movement

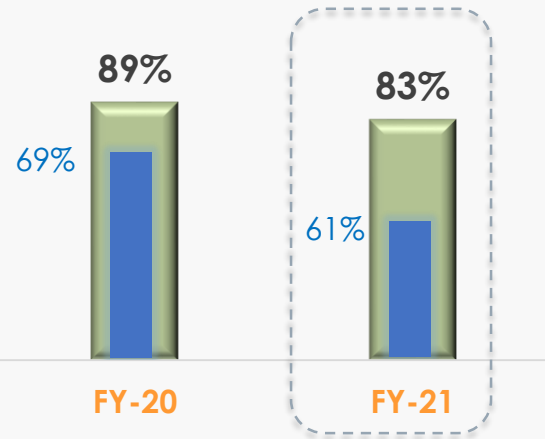


Business Salience (Niche/Speciality)

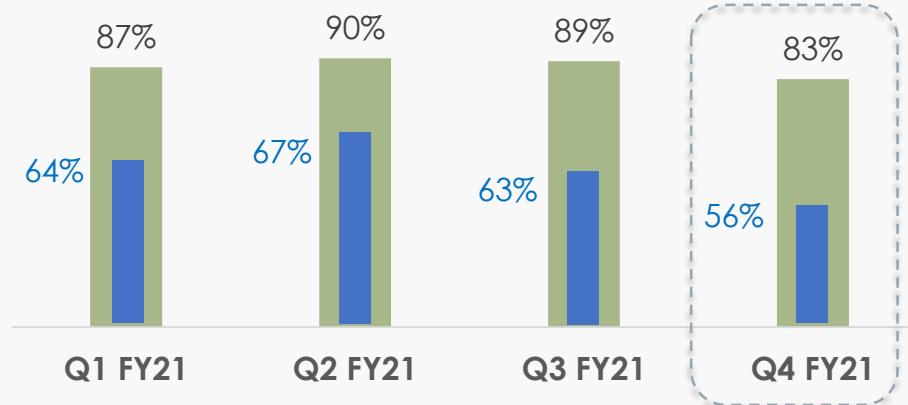


PRODUCT

YoY Analysis



QoQ Movement

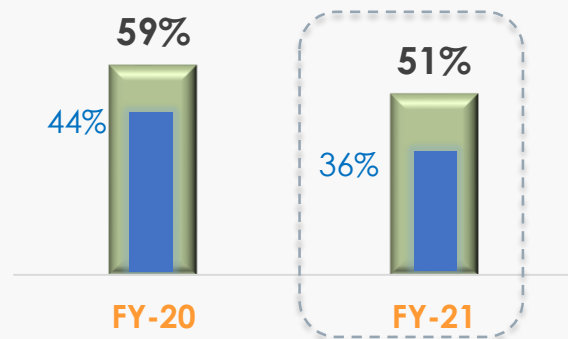


TOP 10
TOP 5

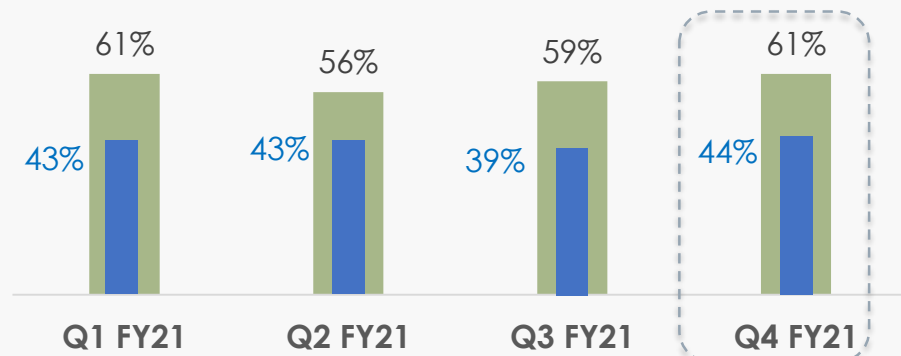
(of Niche/Speciality Revenue)

CUSTOMER

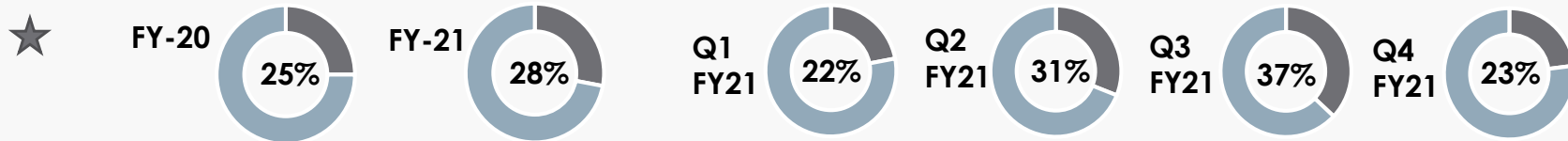
YoY Analysis



QoQ Movement

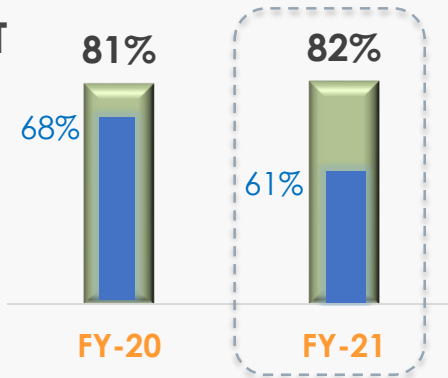


Business Salience (CMS)

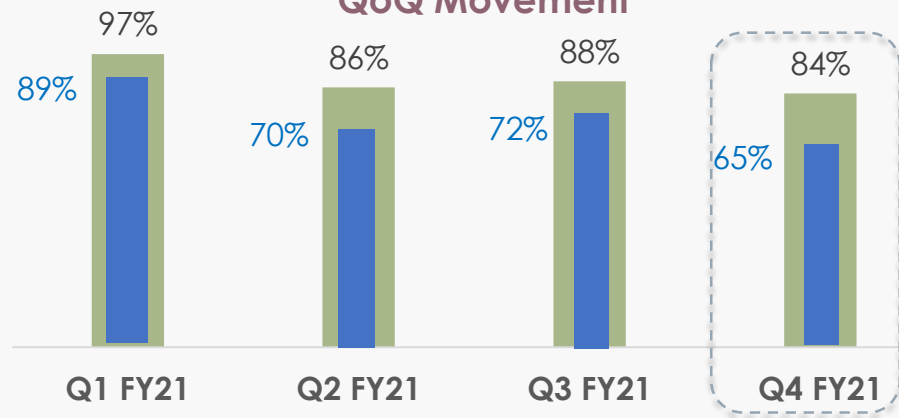


PRODUCT

YoY Analysis



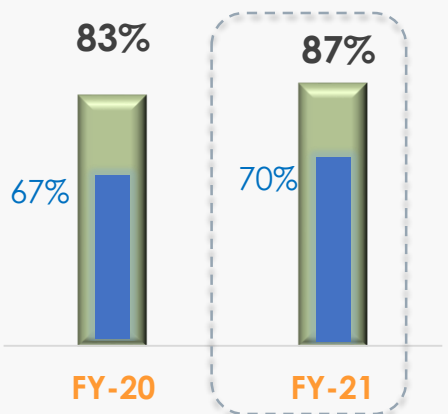
QoQ Movement



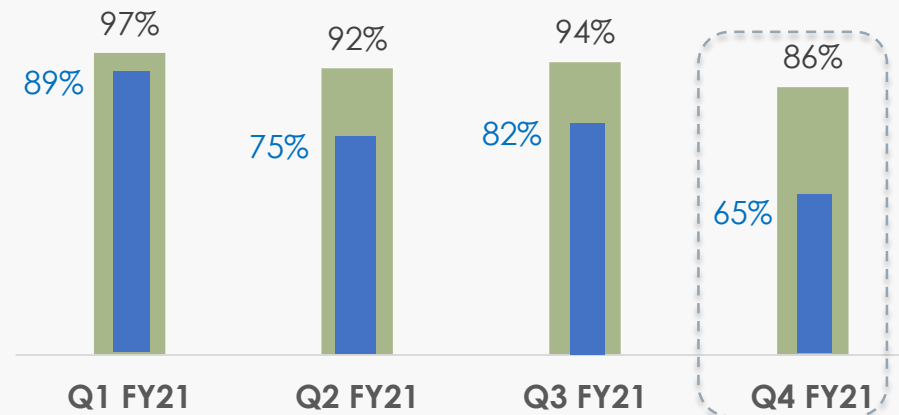
TOP 10
TOP 5
(of CMS revenue)

CUSTOMER

YoY Analysis



QoQ Movement

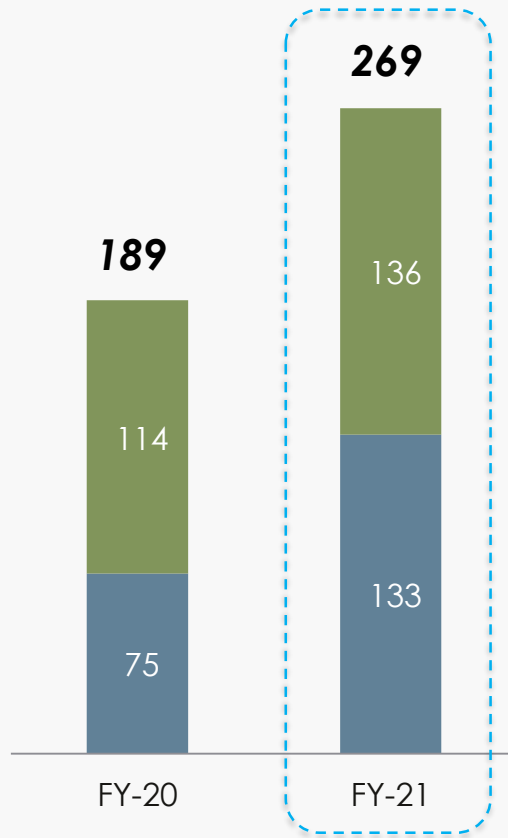


Key Operating Metrics – CMS Revenue Split

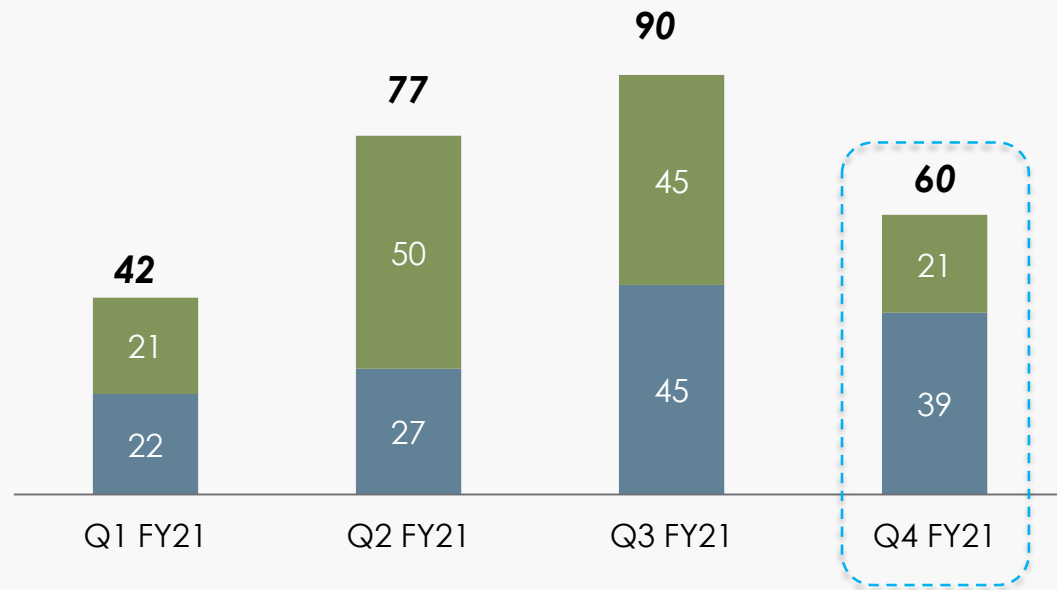
Rs. In Cr

■ Commercial ■ Development

YoY Analysis



Quarter on Quarter Movement



Number of Active CMS Projects

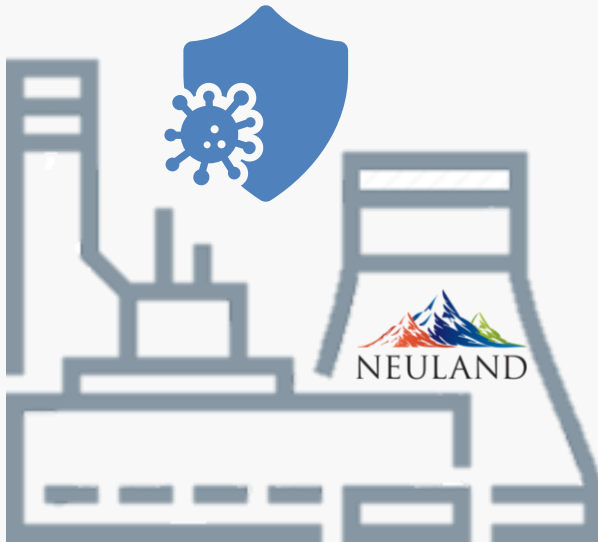
Q4 FY21	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	15	3	7	3	12	6	46
Intermediate	7	4	2	0	8	11	32
Grand Total	22	7	9	3	20	17	78

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

Q4 FY19	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	10	4	2	4	5	5	30
Intermediate	0	2	0	6	8	10	26
Grand Total	10	6	2	10	13	15	56

Q4 FY18	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	7	2	3	4	5	5	26
Intermediate	1	1		7	0	5	14
Grand Total	8	3	3	11	5	10	40

Well Placed for a Post- Covid World



- ❖ Employee and operational repercussions proactively addressed
- ❖ Supply chain consolidation and vendor collaboration to ensure minimal disruption
- ❖ Investing in pharma engineering and innovation skills coupled with research technology
- ❖ Added contingency personnel to the Production and Quality functions in expectation of customer demands
- ❖ Continued focus on Business Development and customer engagement under increased vigilance
- ❖ Exceptional interdepartmental coordination ensured continued customer engagement and operational effectiveness



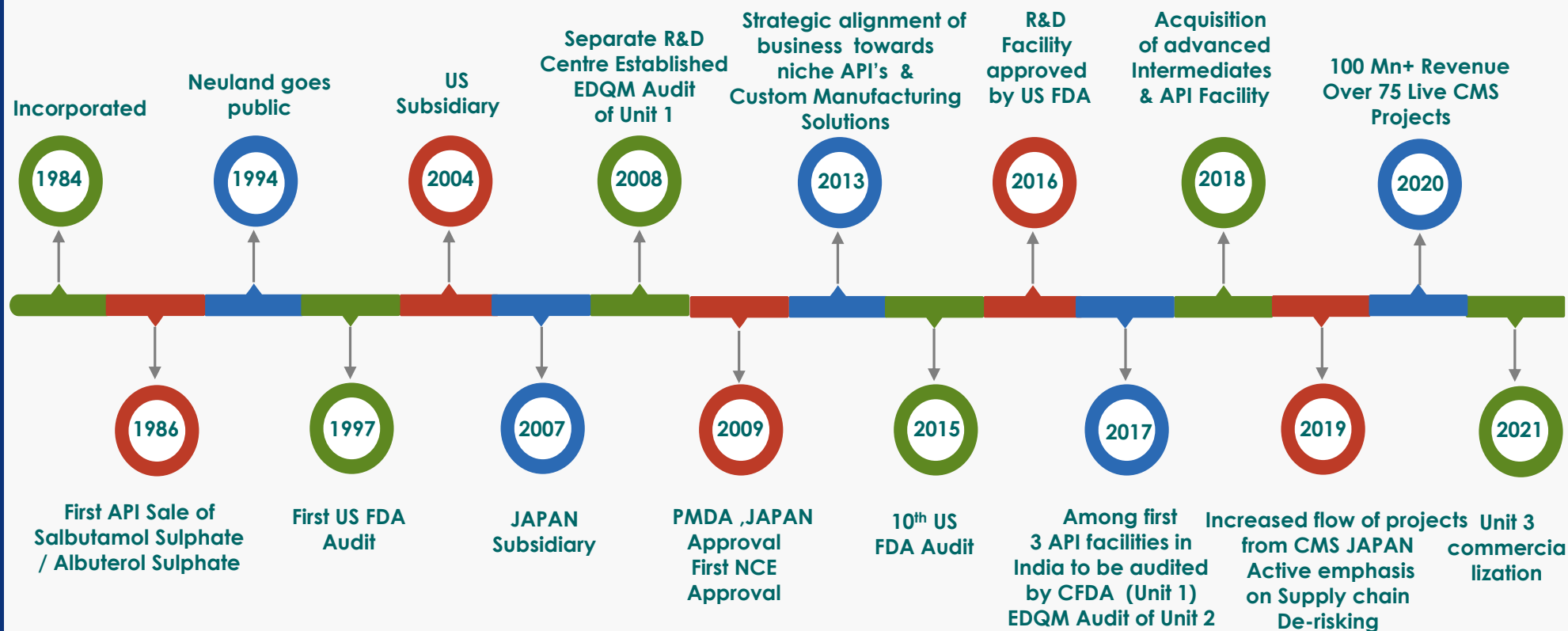
BUSINESS OVERVIEW

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
- ✓ 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 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



Location of All Units

222.5 KL

310.2 KL

197 KL


**Year of
Establishment**


**Key
Products**


Regulatory

	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 as an Advanced Intermediates site in 2015

Adding capacities for business growth and strategic backward integration

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

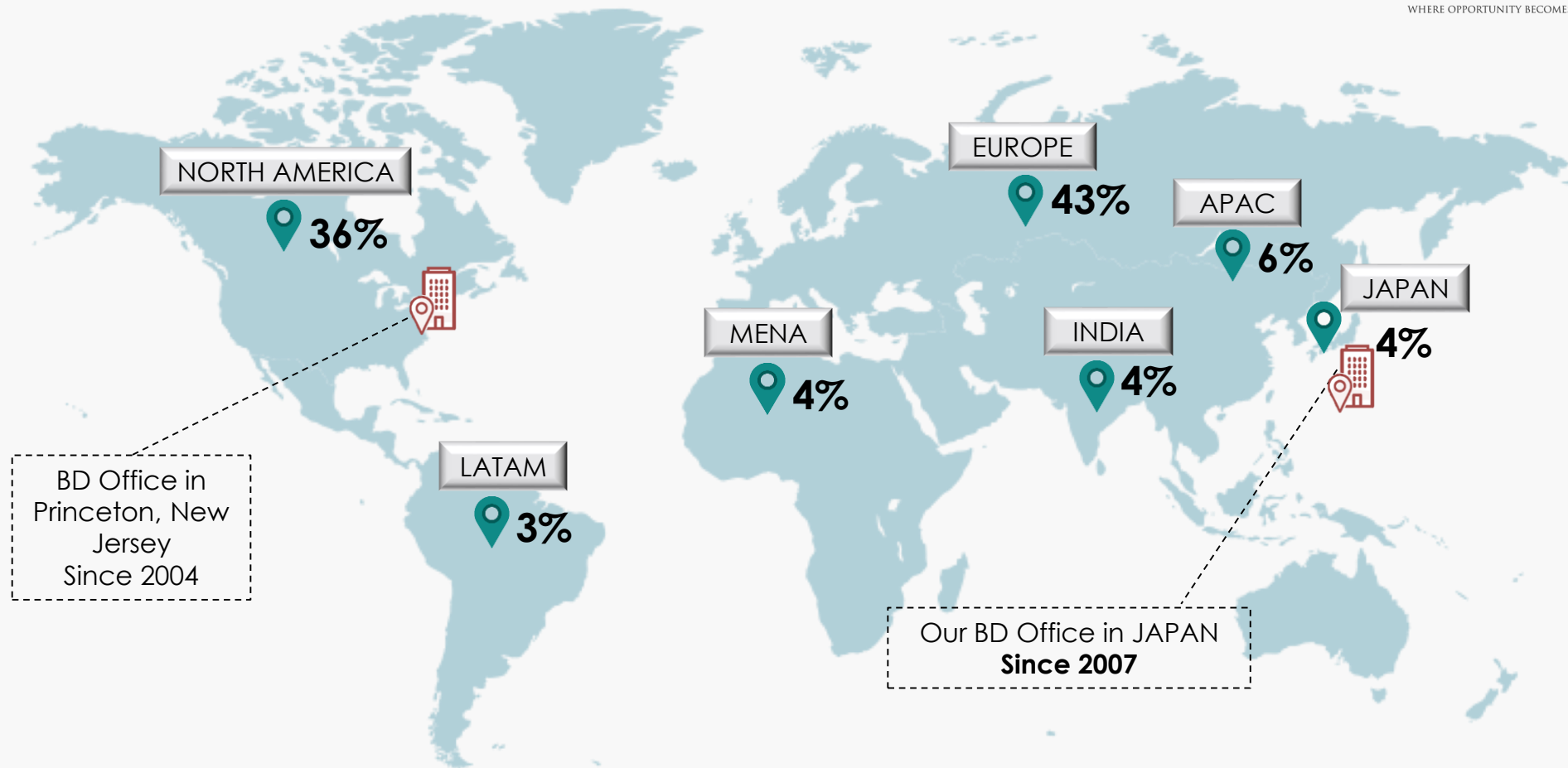
24

CEPs Received
for different
products

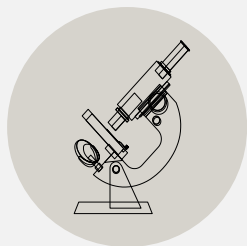
898+

Filings till date

Global Presence



% Refers to FY-21 Sales by End market



Legacy

Expertise:
37+ 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/ Projects
portfolio: 100+ APIs
across therapeutic
categories

Regulatory filings
898+

Team: 1200+ incl.
~282 scientists



Reach

Presence
80+ countries

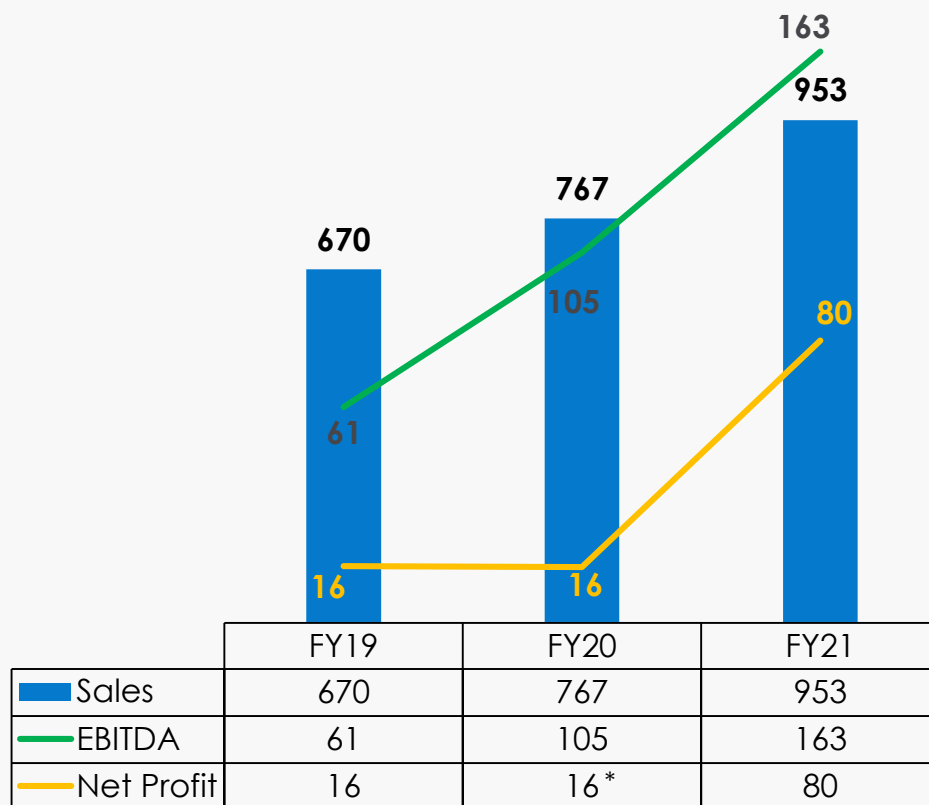
Export revenues
75%

Regulated markets
revenue 93%



FINANCIALS

Rs. In Cr



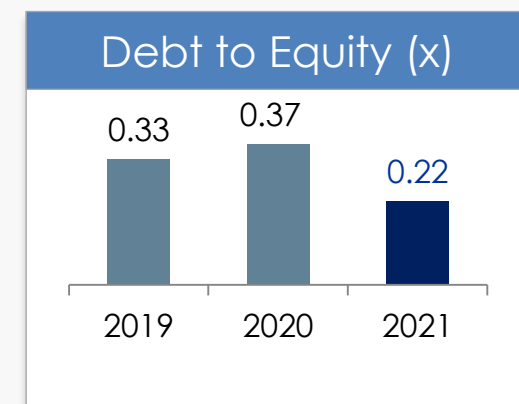
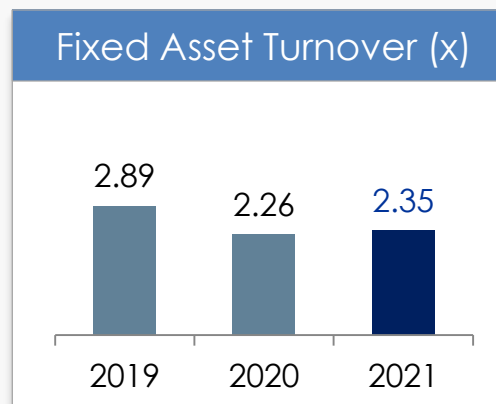
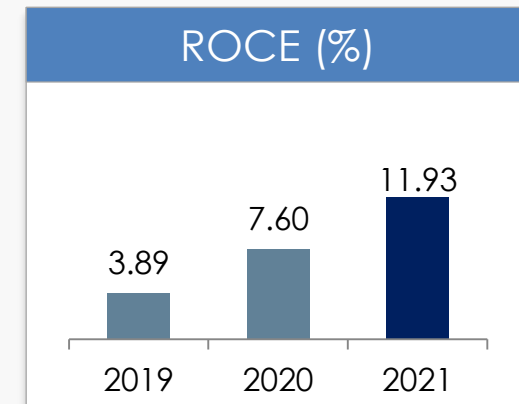
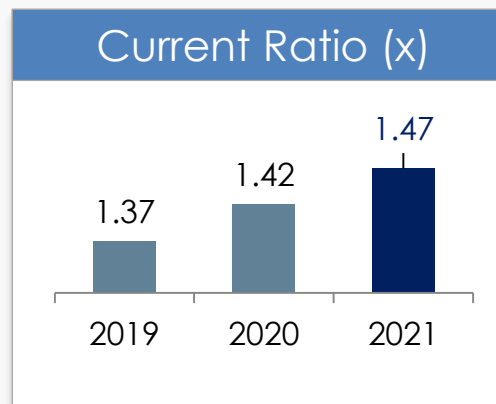
FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue CAGR of 19.2% 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 Speciality 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
Shareholders' funds	696	706	782
Net Debt	194	214	152
Investments	8	8	7
Tangible Assets	367	391	438
Intangible Assets (Excluding Goodwill)	2	2	3
Working Capital	233	289	309



Macroeconomic factors influencing Neuland

FACTORS

	IMPACT	NEULAND RESPONSE
Government regulation: approvals, audits	- Consistent regulatory audits - Increased scrutiny prior to drug approvals	- Successfully cleared all USFDA audits since inception - Consistent record of new drug approvals
Environmental audits	Government led impact monitoring	All environmental regulations complied
Crude oil prices	Solvent price volatility	Green chemistry investing for efficient solvent use
COVID 19 impact	- Increased logistics costs - IPA availability and pricing fluctuations - Employee and operational repercussions	- Tactical scheduling for channel mix optimization - Qualifying new IPA manufacturers with increased capacity - Added contingent personnel and pro-active monitoring for early warnings
China raw material dependence	Geopolitical issues	Alternate India suppliers in place
Human Capital	Competition for talent	- Retraining via strong L & D plan - Leadership pipeline development across levels
Western Government policies on localisation	Sales reduction	- Close partnership with customers along with focus on Specialty molecules - Close monitoring of country specific government regulations



OUTLOOK

..Laying Foundation for our Growth Strategy

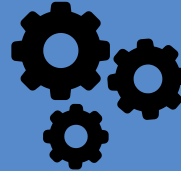
CREATE AN ORGANIZATION THAT RESULTS IN VALUE FOR ALL STAKEHOLDERS

Extend capabilities to organically build a sustainable GDS and CMS business

BUSINESS



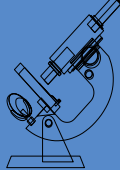
SCALE



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 37 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 898+ Regulatory filings in the US (57 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