NEULAND
WHERE OPPORTUNITY BECOMES REALITY

Earnings Presentation

Q3 FY 22

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Safe Harbour

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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

Management Speak

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"

Key Highlights

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

Key Highlights

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

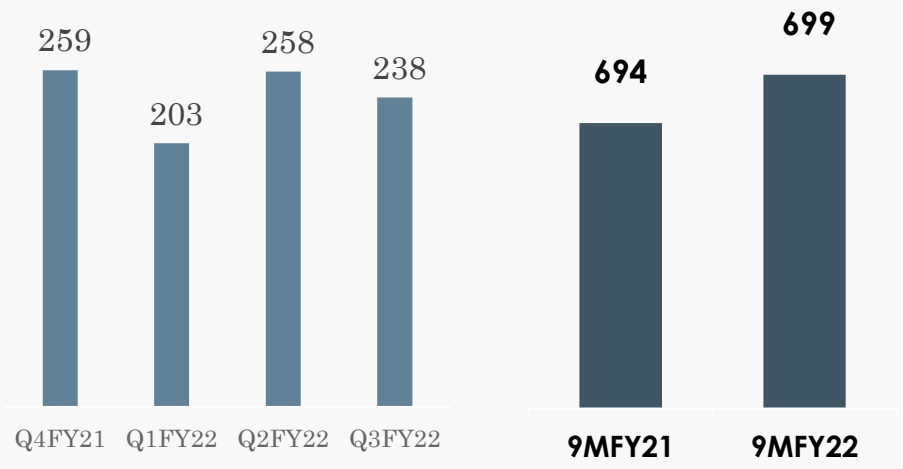
- Total income was Rs. 238.4 crore in Q3FY22, a decrease of 2.9% over Q3 FY21
- EBITDA margin decreased by 470 bps from 19.0% to **14.3%** in Q3FY22 due to
  - Increase in input prices, shipping costs and logistics issues
  - Higher manpower and other expenses arising from Unit 3 commercialization
-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

Profit & Loss Snapshot (Standalone)

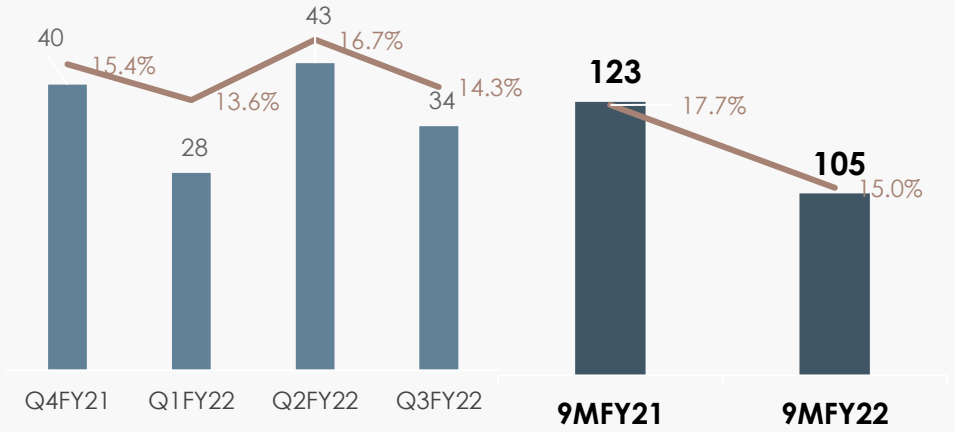
Particulars (Rs. Cr)	Q3FY22	Q2FY22	QoQ (%)	Q3FY21	YoY (%)	9MFY22	9MFY21	YoY (%)
Total Income	**238.4**	258.1	*(7.7)%*	245.6	(2.9) %	699.4	693.7	0.8%
EBITDA	**34.2**	43.1	*(20.6)%*	46.7	(26.8)%	104.9	122.5	(14.3)%
EBITDA Margin	**14.3%**	16.7%	*(240) Bps*	19.0%	*(470) Bps*	*15.0%*	17.7%	*(270) Bps*
Profit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

Financials (Standalone)

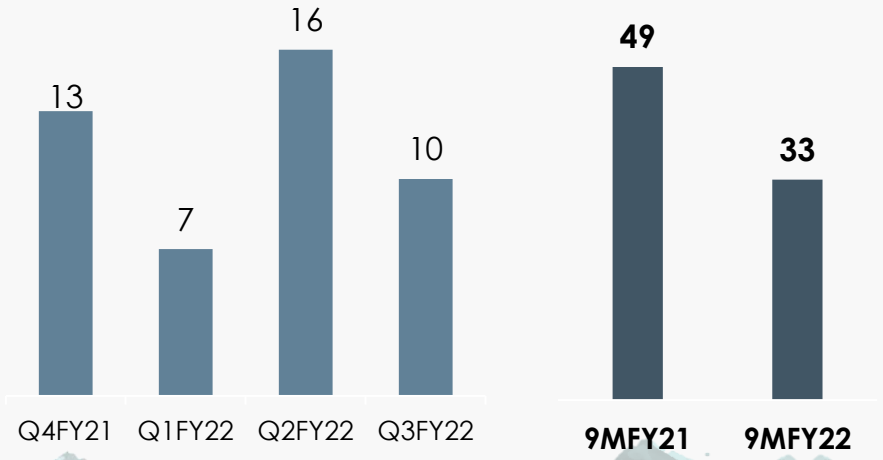
Revenue (Rs. Cr)



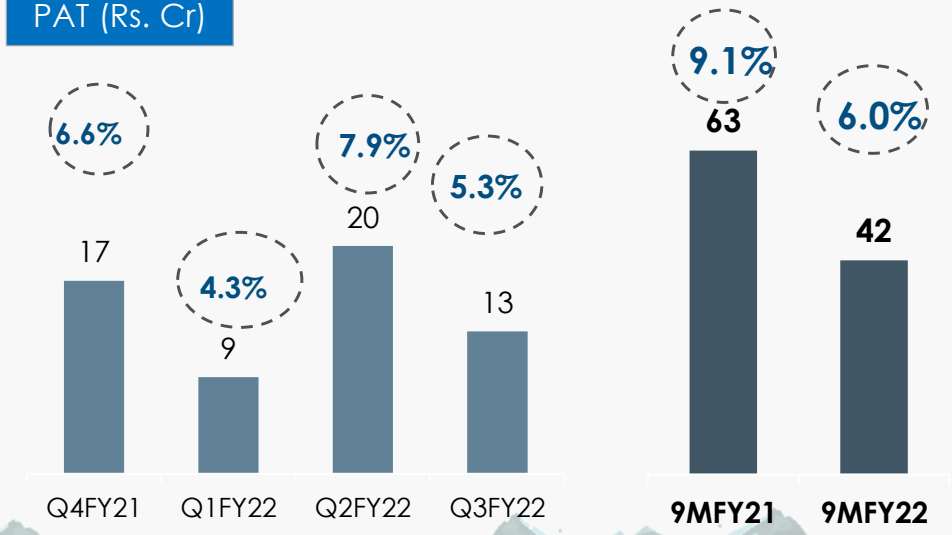
EBITDA (Rs. Cr) and EBITDA Margin (%)



EPS (Rs)

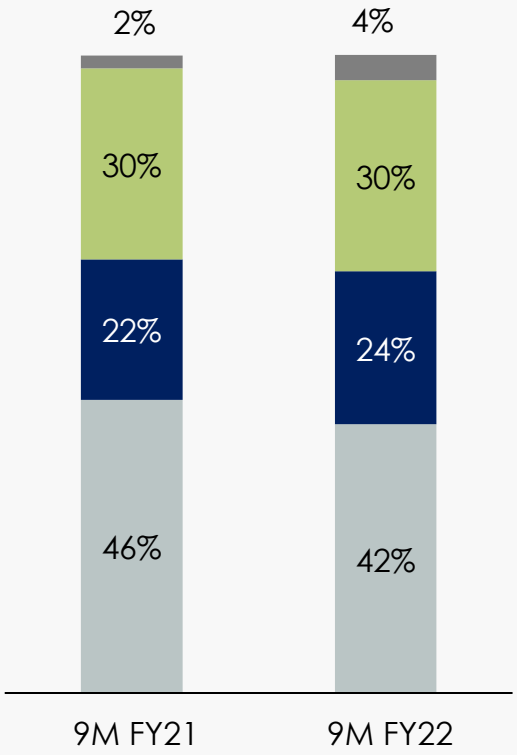


PAT (Rs. Cr)

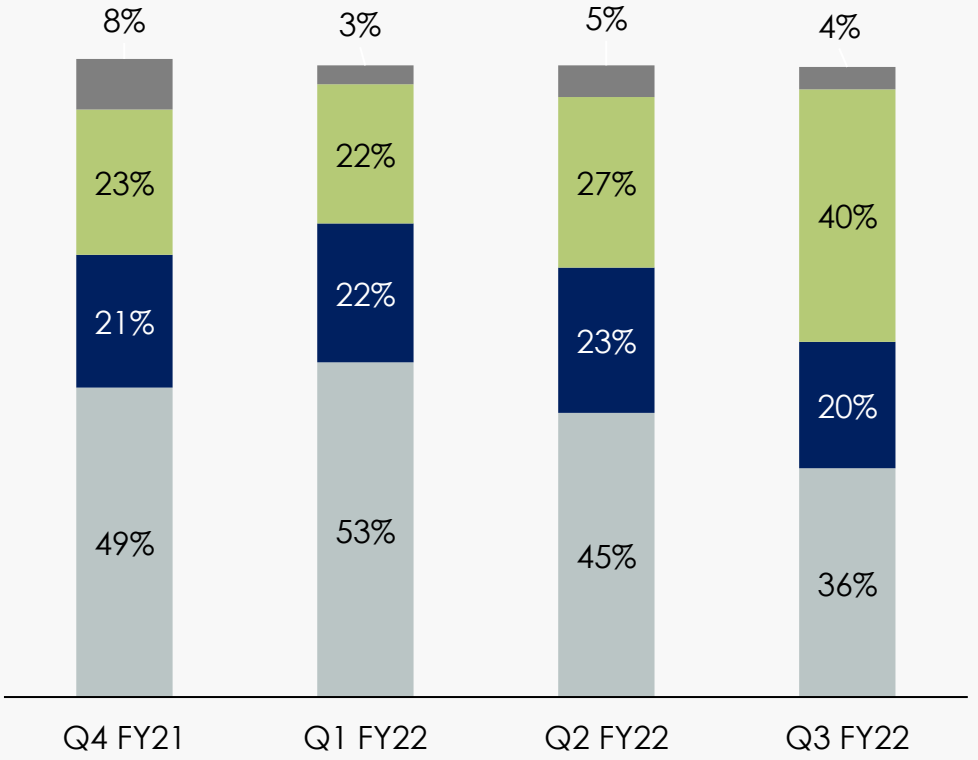


Key Operating Metrics – Business Salience

YoY Analysis



Quarter on Quarter Movement

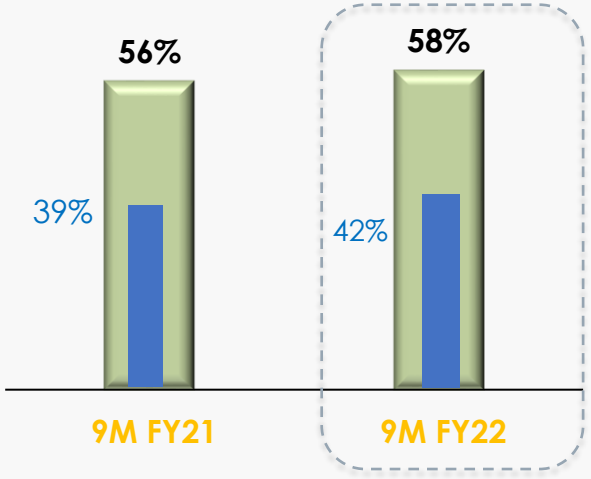


Prime Specialty CMS Others

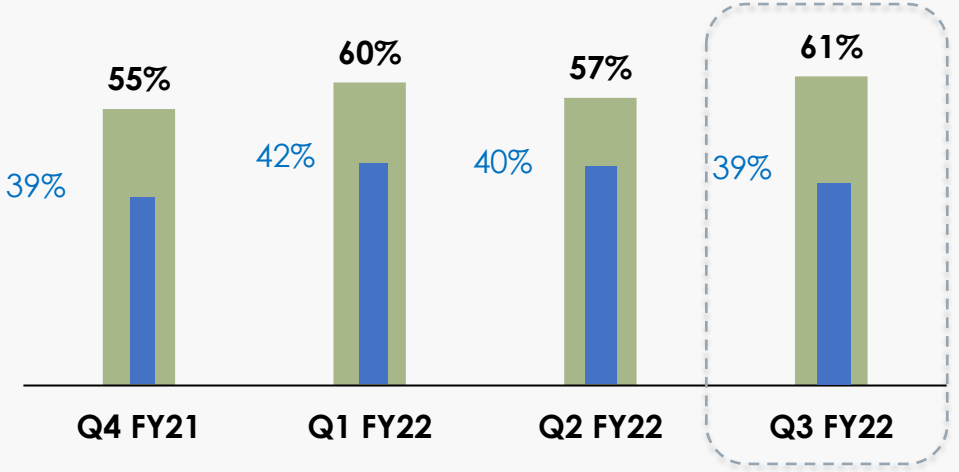
Business Salience (Overall Company)

PRODUCT

YoY Analysis



QoQ Movement



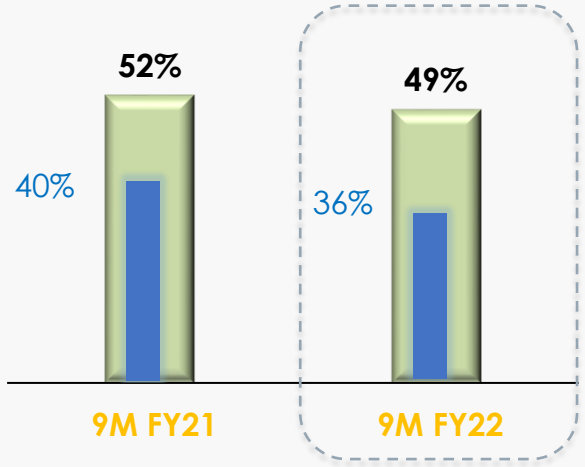
TOP 10

TOP 5

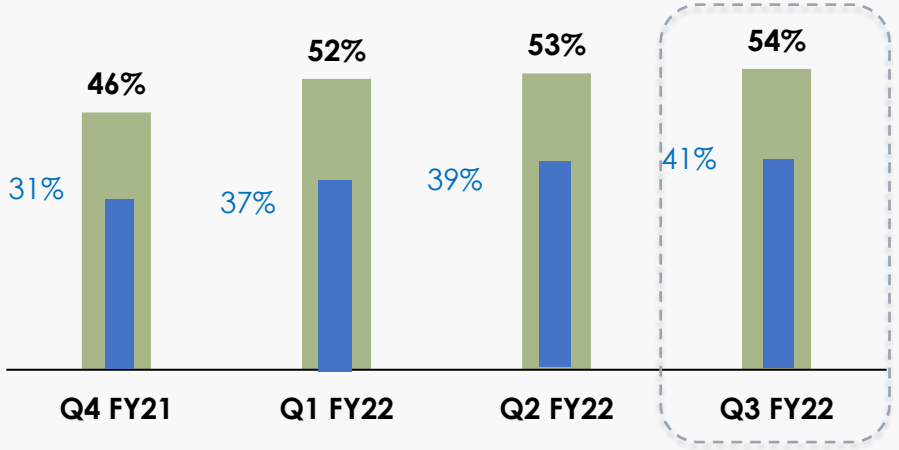
% of Total revenue

CUSTOMER

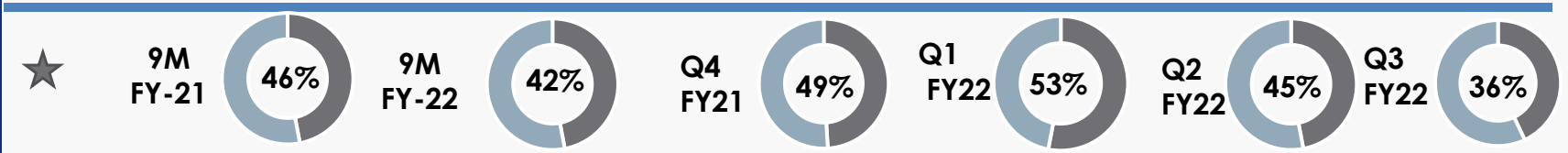
YoY Analysis



QoQ Movement

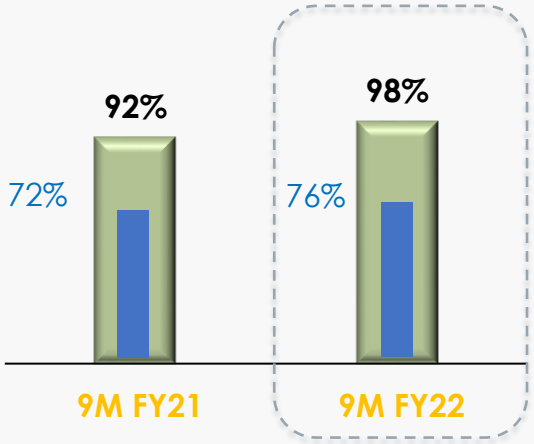


Business Salience (Prime)

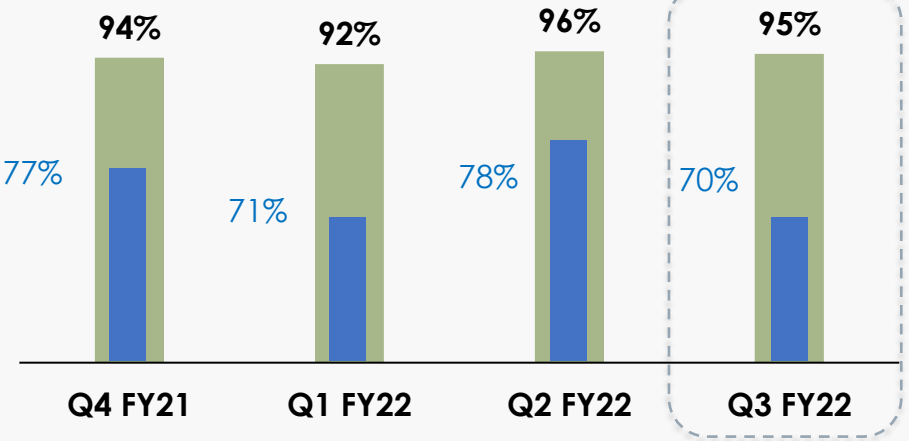


PRODUCT

YoY Analysis



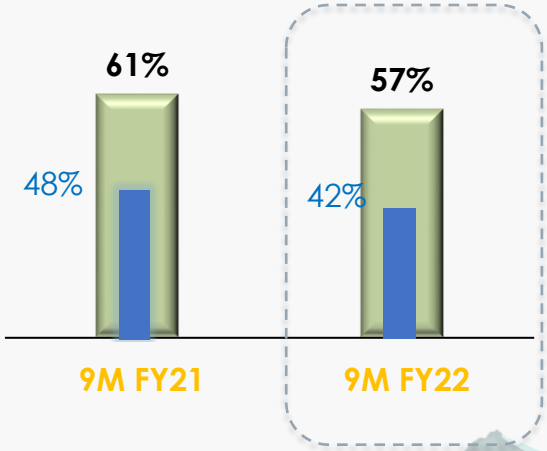
QoQ Movement



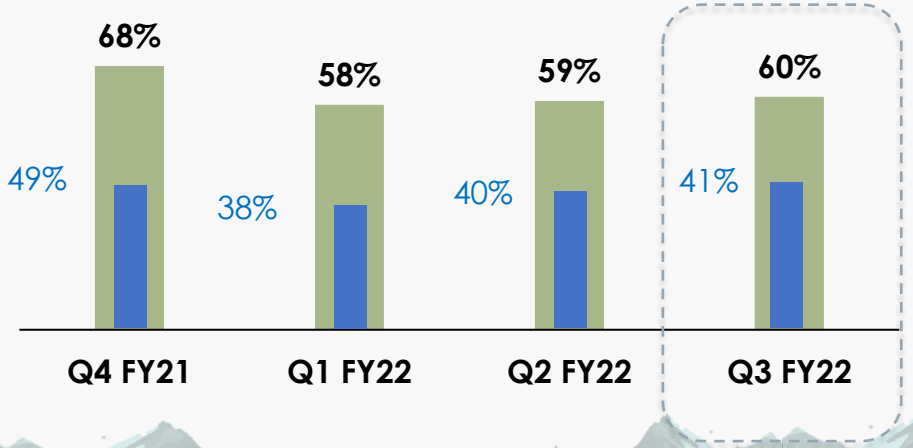
TOP 10
TOP 5
(of Prime revenue)

CUSTOMER

YoY Analysis



QoQ Movement



★ % represents Niche / Specialty % from Overall revenue for respective Quarter / YTD

Business Salience (Specialty)

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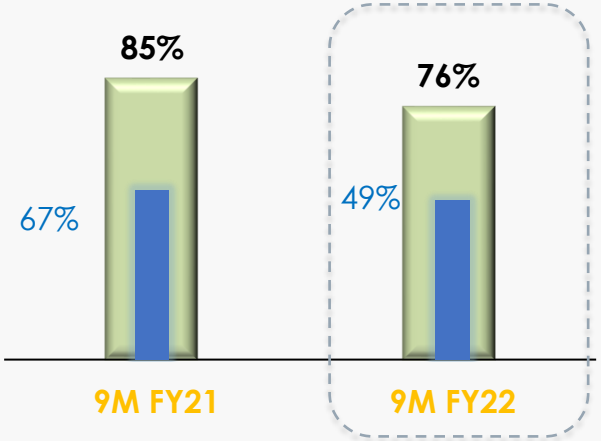
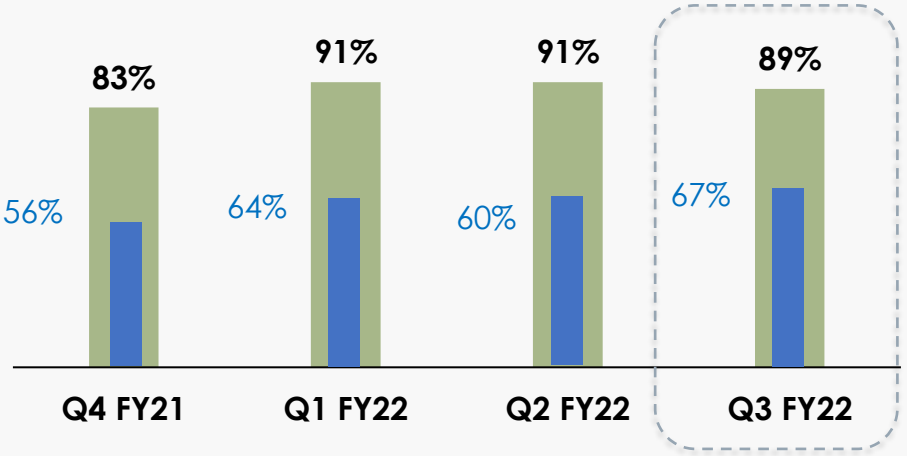
★ 9M FY-21 22% | 9M FY-22 24% | Q4 FY21 21% | Q1 FY22 22% | Q2 FY22 23% | Q3 FY22 20%

PRODUCT

YoY Analysis



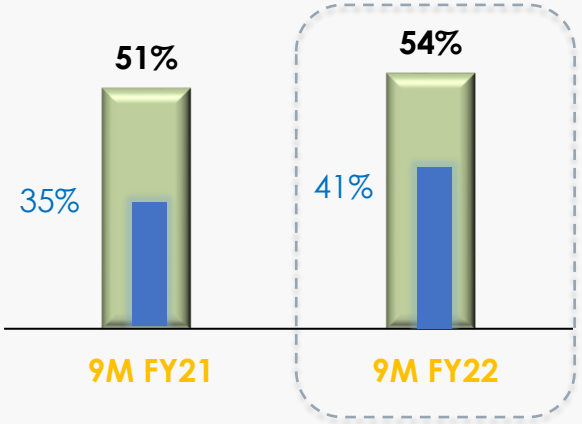
QoQ Movement



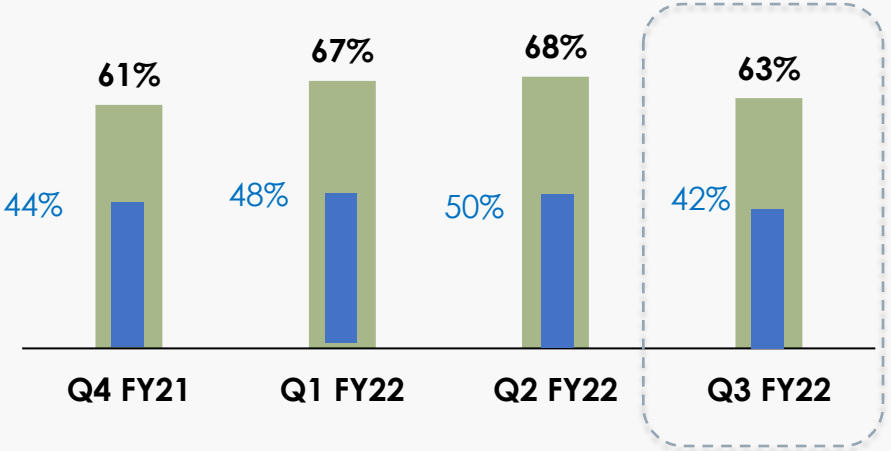
TOP 10
TOP 5
(of Specialty Revenue)

CUSTOMER

YoY Analysis



QoQ Movement



★ % represents Niche / Specialty % from Overall revenue for respective Quarter / YTD

Business Salience (CMS)

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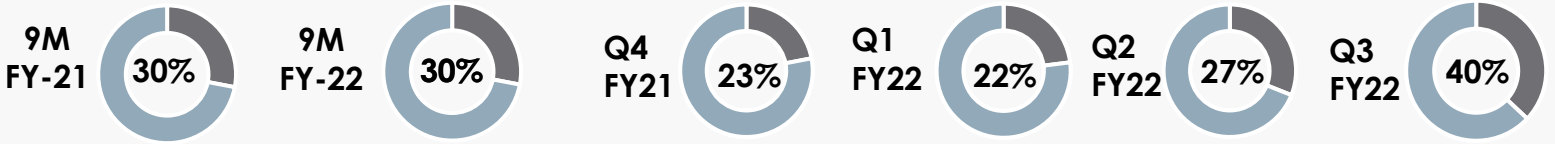
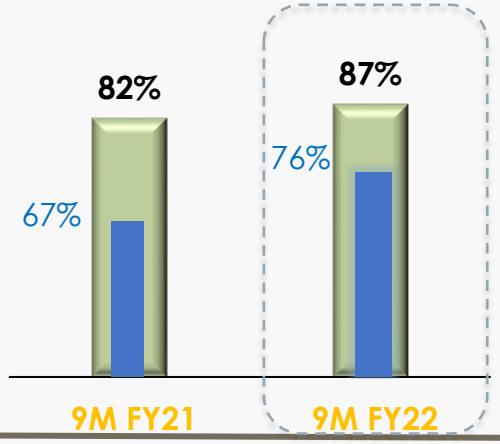
★

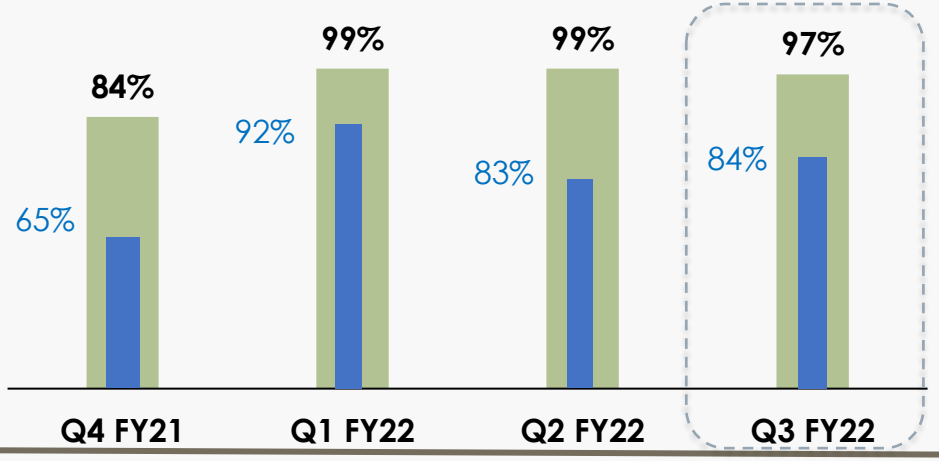


PRODUCT

YoY Analysis



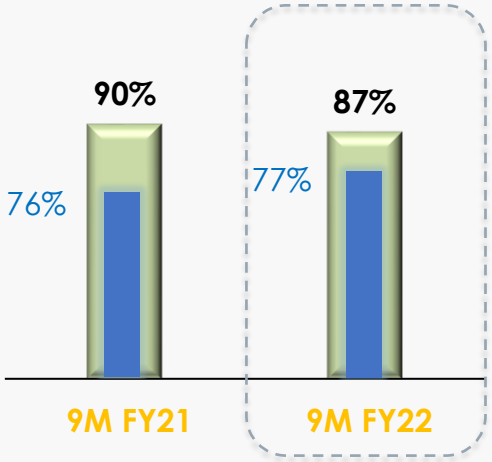
QoQ Movement



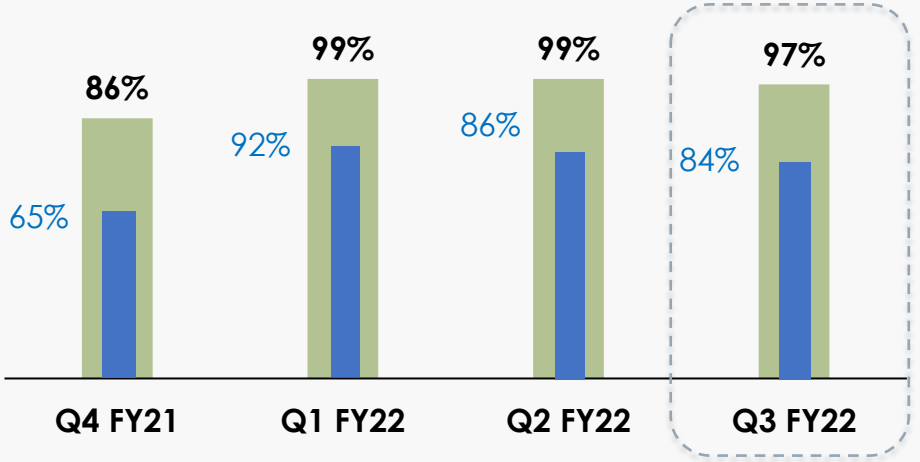
TOP 10
TOP 5
(of CMS revenue)

CUSTOMER

YoY Analysis



QoQ Movement



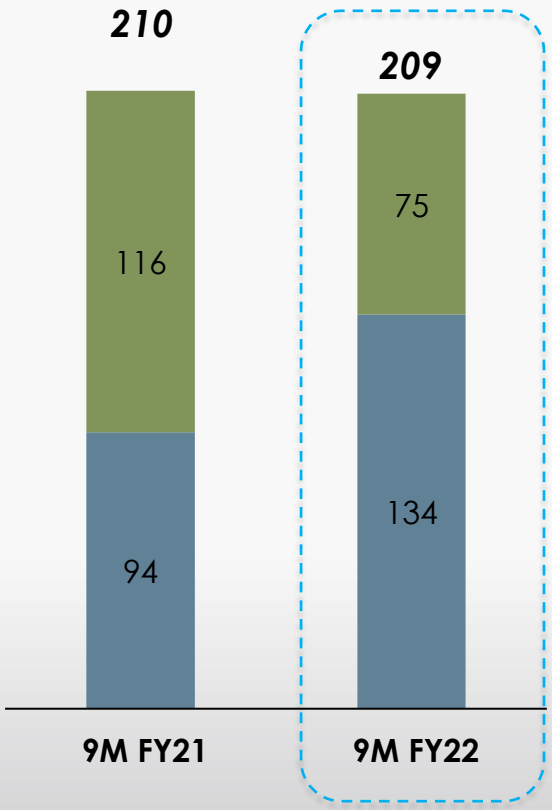
★ % represents CMS % from Overall revenue for respective Quarter / YTD

Key Operating Metrics – CMS Revenue Split

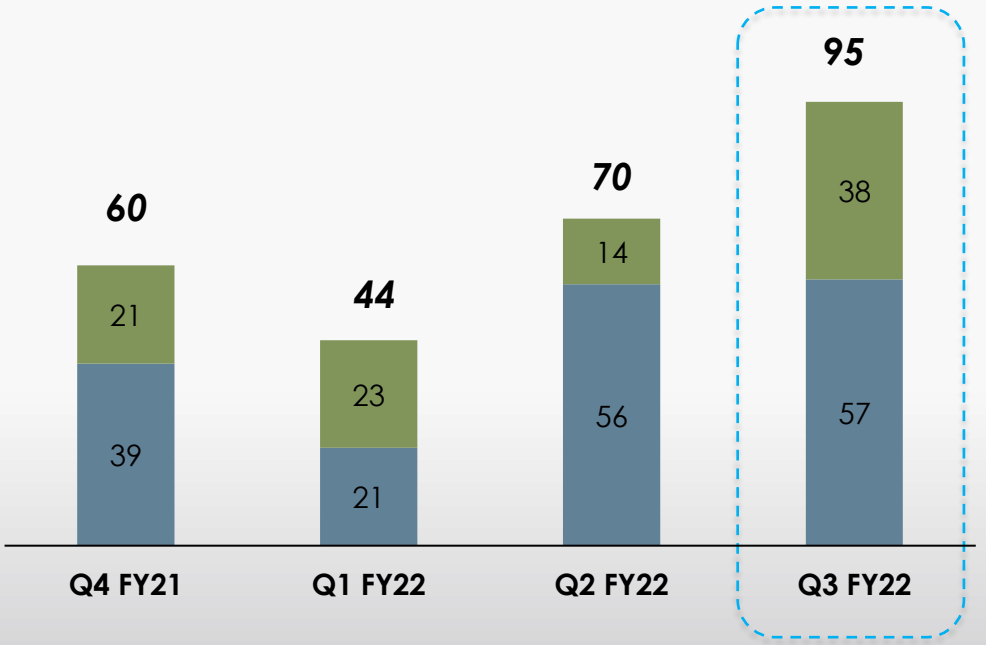
Rs. In Cr

Commercial Development

YoY Analysis



Quarter on Quarter Movement



Number of Active CMS Projects

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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

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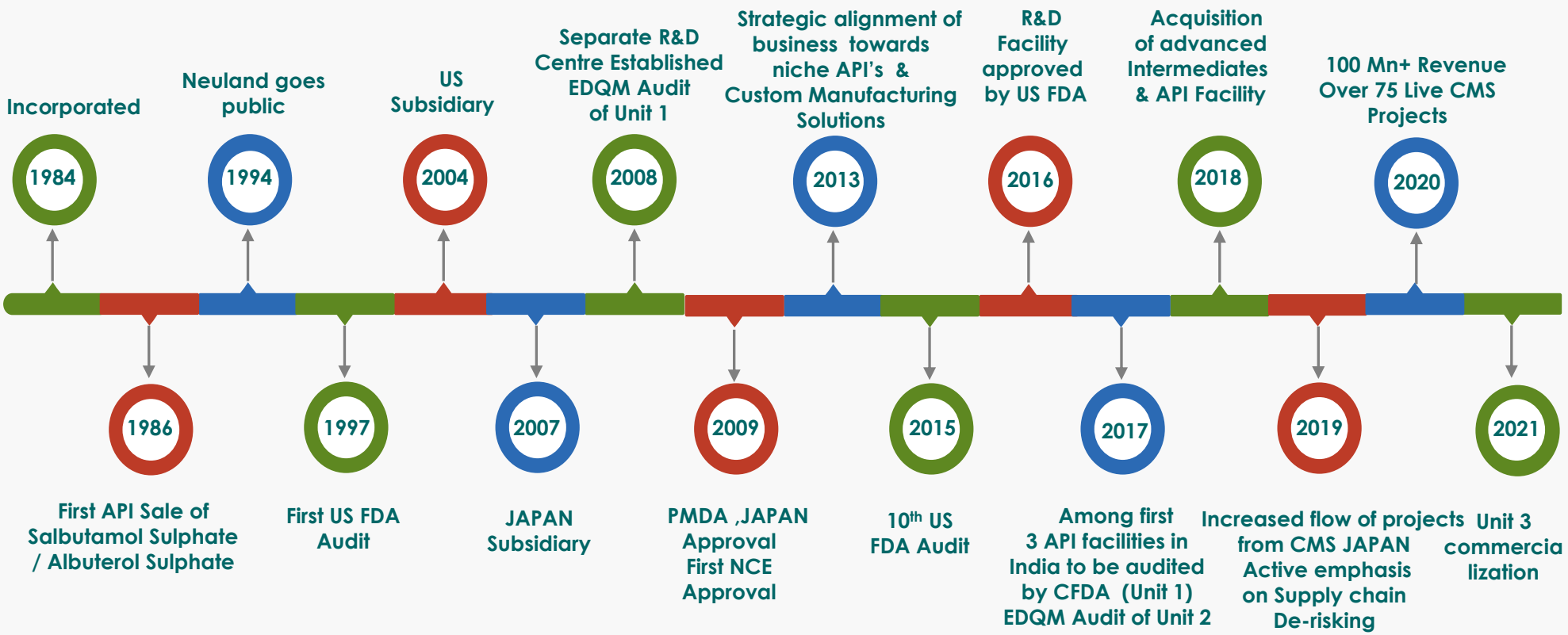
Laying Strong Foundation
1984 - 2003

Deepening our Capabilities
2004 - 2012

Increased Sustainable Growth
2013 -Today



Multiple audits passed with no failures

Generic Drug Substance (GDS)

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We started as a Prime API manufacturer…

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

..Added Specialty molecules for complex products..

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..

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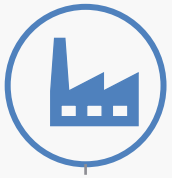


Services

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

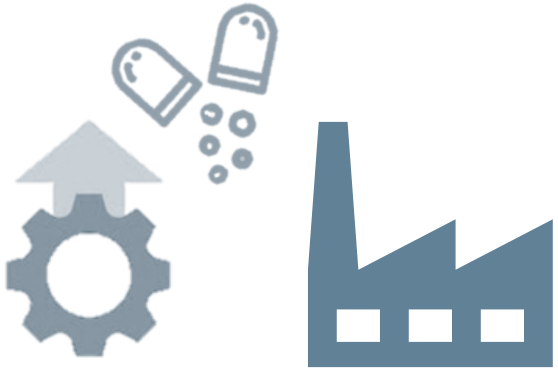
Business Approach

- ✓ 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

	230 KL	338 KL	299 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 as an Advanced Intermediates site in 2015

Adding capacities for business growth and strategic backward integration

Backed up by sound R&D capabilities

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

New capabilities built

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Research Capabilities

FBRM

Particle size check for polymorph achievement

PEPTIDE LAB

9800 sq. ft. new lab with additional 7 hoods for 25 chemists

POLY BLOCK REACTORS

For solubility/ crystallisation study, carrying out multiple reactions

LABORATORY REACTORS

Enhanced ability to perform reactions in a wide range of -90-200 degrees

HAZARDOUS & WET LABORATORY

Dedicated area for hazardous chemical management and wet lab expansion

PID LABORATORY, UNIT-III

To address product quality issues, impurities synthesis, cost reduction.

PID LABORATORY, B-S, UNIT-I

Expansion with 3 fume hoods along with space for 2 more laboratories.

HEATING & COOLING SYSTEMS

For DOE studies and projects

Regulatory Filings Across Geographies

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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

FDA Korea Food & Drug Administration 식품의약품안전청
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

edqm
European Directorate for the Quality of Medicines & HealthCare | Direction européenne de la qualité du médicament & soins de santé

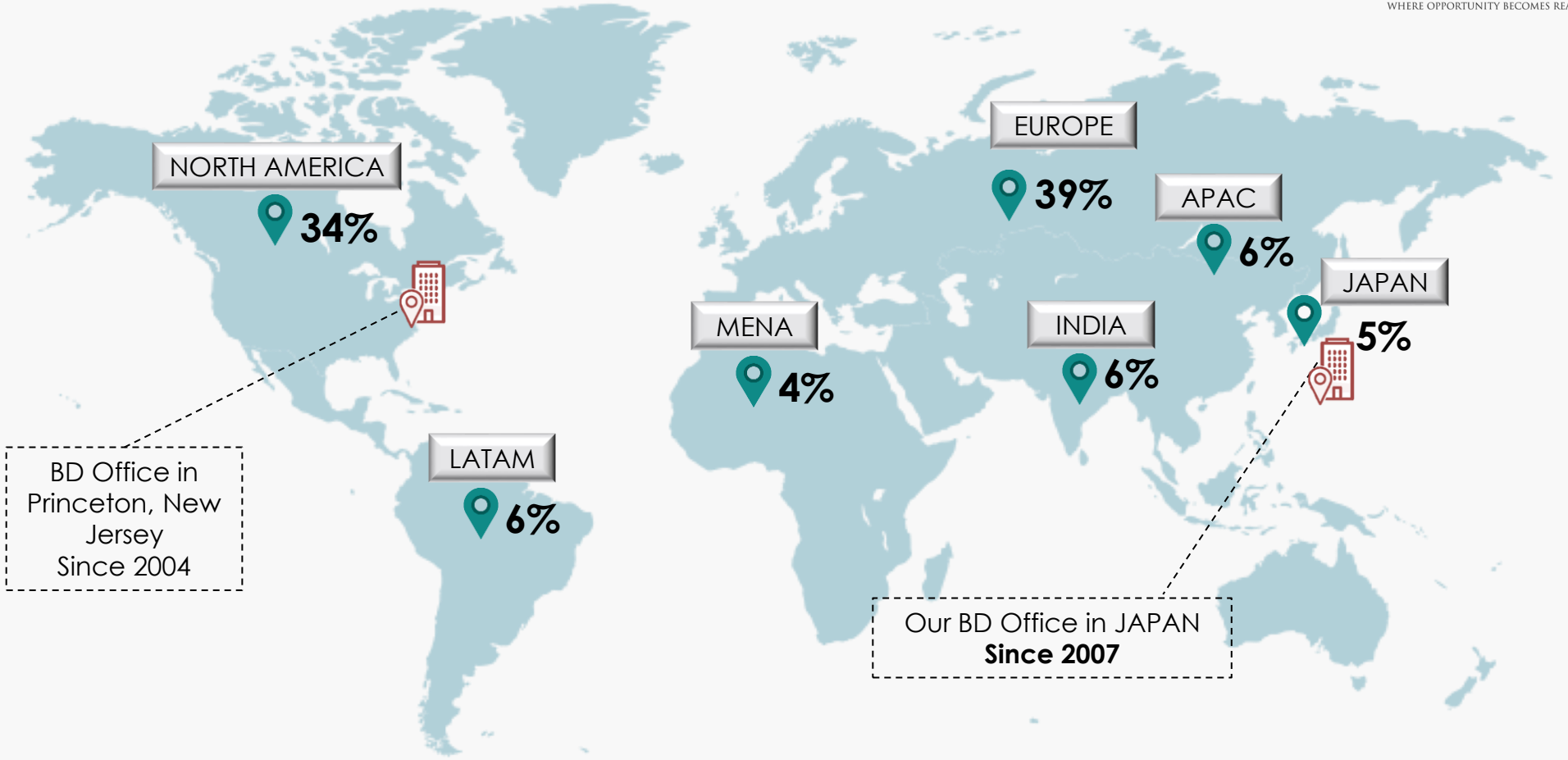
COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

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

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Legacy

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

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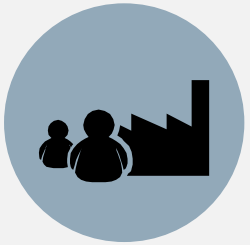
Generic Drugs Substance(GDS) & Custom Manufacturing Solutions(CMS)

Scale



3 Mfg. Facilities: Regulatory approved with 867 KL capacity

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+

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

Reach

Presence 80+ countries

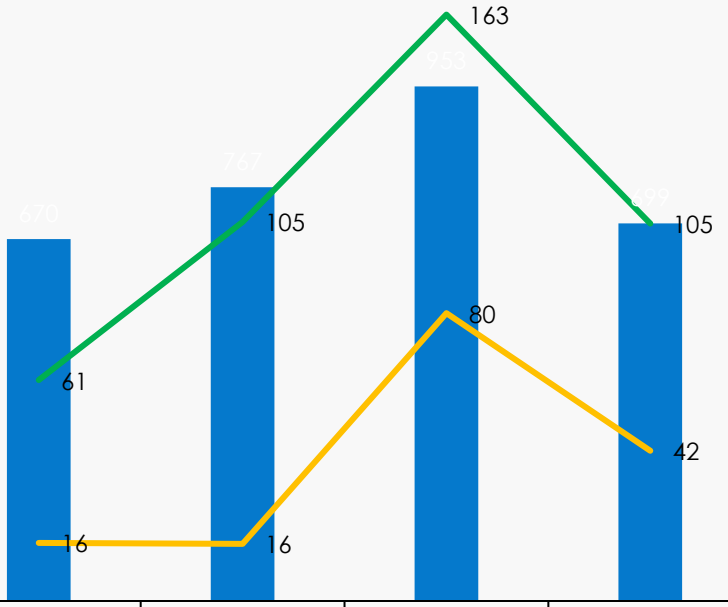
Export revenues 75%

Regulated markets revenue 93%

FINANCIALS

Continuous Growth…

Rs. In Cr



	FY19	FY20	FY21	9MFY22
Sales	670	767 *	953	699
EBITDA	61	105	163	105
Net Profit	16	16	80	42

Sales EBITDA Net Profit

FINANCIAL PERFORMANCE HIGHLIGHTS

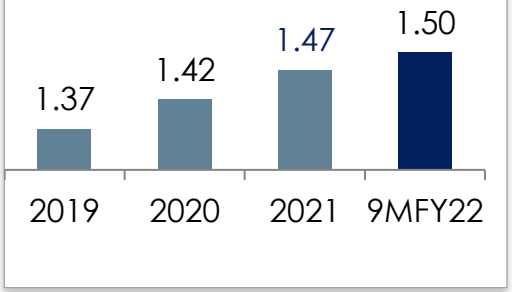
- Revenue CAGR of 19.2% for FY 19-21 led by growth in all 3 businesses
- EBITDA growth of 62.8% CAGR in FY 19-21 due to balanced contribution from both GDS and CMS business
- Shift to CMS and Specialty in overall revenue mix along with resource efficiency steps accelerated profitability

* 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

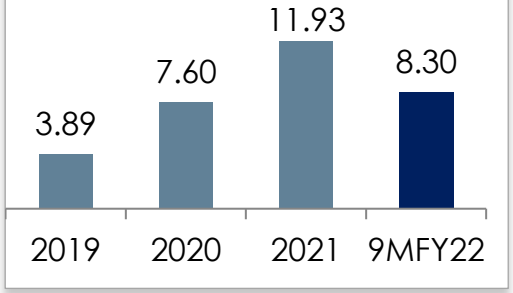
Stable Balance Sheet..

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

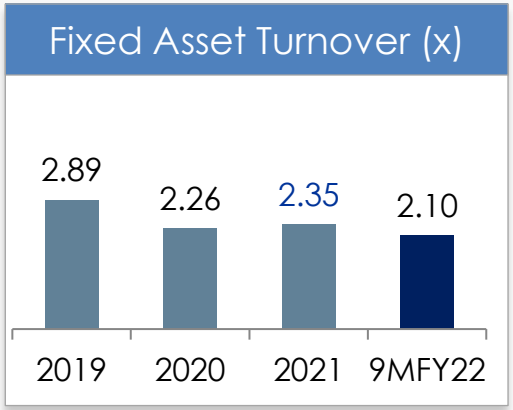
Current Ratio (x)



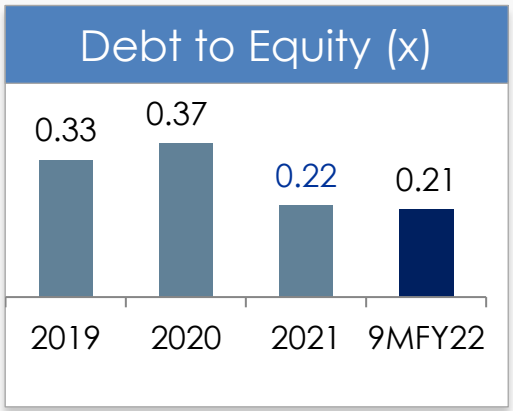
ROCE (%)



Fixed Asset Turnover (x)



Debt to Equity (x)



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
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

NEULAND
WHERE OPPORTUNITY BECOMES REALITY

CREATE AN ORGANIZATION THAT RESULTS IN VALUE FOR ALL STAKEHOLDERS

BUSINESS

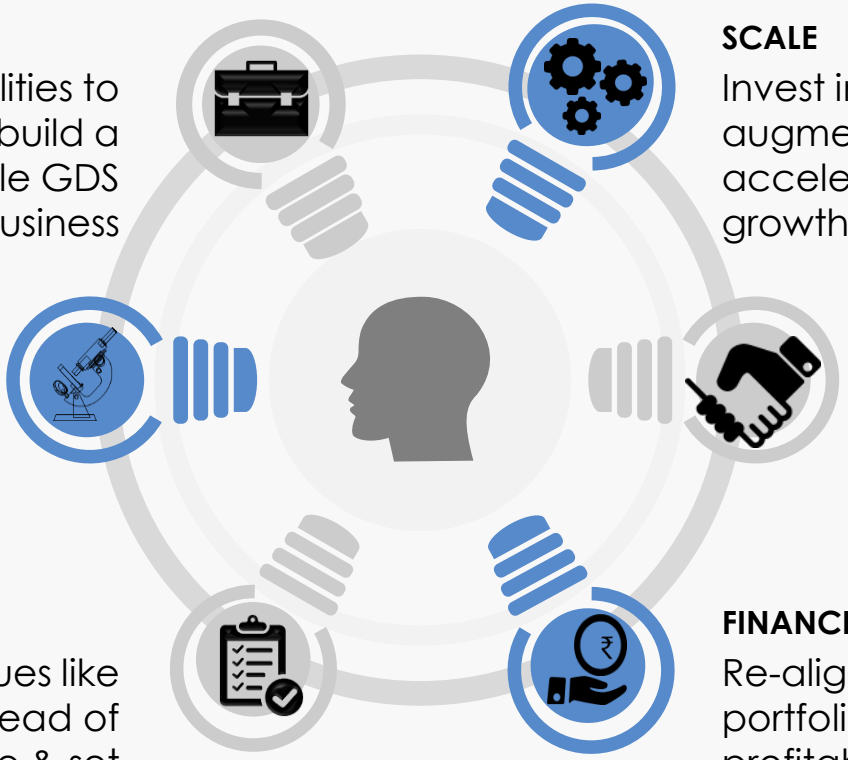
Extend capabilities to organically build a sustainable GDS and CMS business

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

Contact Us

NEULAND
WHERE OPPORTUNITY BECOMES REALITY

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