

Management Discussion & Analysis for Q1 FY24

FINANCIAL PERFORMANCE

A. Profit and loss statement:

(₹ in Million)	Q1 FY24	Q4 FY23	Q1 FY23	QoQ %	YoY %
Revenue from Operations	5,785	6,213	4899	-6.9%	18.1%
EBITDA	1,950	2,093	1,563	-6.8%	24.8%
EBITDA Margins	33.7%	33.7%	31.9%		
PAT	1,355	1,464	1,087	-7.5%	24.6%

Highlights for Q1 FY24

- GLS registered a revenue from operations of ₹ 5,785 Mn for Q1 FY24, recording a strong growth of 18.1% YoY and a decline of 6.9% compared to high base of Q4 FY23
- Gross Margins improved strongly in Q1 FY24 trending at 57.1%, up 220 bps QoQ and 380 bps YoY; driven by lower input costs and better product mix.
- Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) for Q1 FY24 was at ₹ 1,950 Mn up 24.8% YoY. EBITDA margins were at 33.7%, up 180 bps YoY driven by higher gross margin and offset by higher operating cost
- Profit After Tax (PAT) for the quarter was at ₹ 1,355 Mn in Q1 FY24, registering a growth of 24.6% YoY. PAT Margin for the quarter was at 23.4%, up 120 bps YoY.
- R&D expenditure for Q1 FY24 was at ₹ 174 Mn, 3% of sales.
- Capital expenditure for Q1 FY24 was at ₹ 354 Mn.
- ROICE (adjusted for Cash and CWIP) was 35% for Q1FY24 and the Fixed assets turnover ratio at 2.7x.
- Strong free cash generation of INR 982 Mn during the quarter leading to Cash & Cash Equivalents of ₹ 3,820 Mn as on 30th June 2023.

BUSINESS PERFORMANCE & COMMENTARY

A. Segment Performance:

(₹ in Million)	Q1 FY24	Q4 FY23	Q1 FY23	QoQ %	YoY %
Generic API	5,042	5,299	4448	-4.9%	13.3%
CDMO	464	568	243	-18.2%	91.3%
Other Operating Revenue	279	346	208	-19.5%	34.1%
Revenue from Operations	5,785	6,213	4,899	-6.9%	18.1%

Generic API:

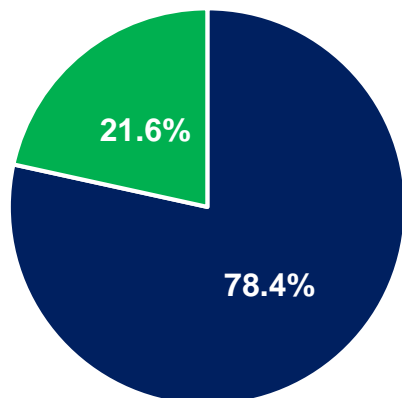
- Generic API revenues in Q1 FY24 increased by 13.3% YoY and decreased by 4.9% QoQ
- Generic API business was driven by strong growth in regulated markets and supported by steady growth in emerging market.
- Regulated markets were driven by sustained growth momentum in US and Europe market coupled with strong performance in the India market driven by Ex-GPL business

CDMO:

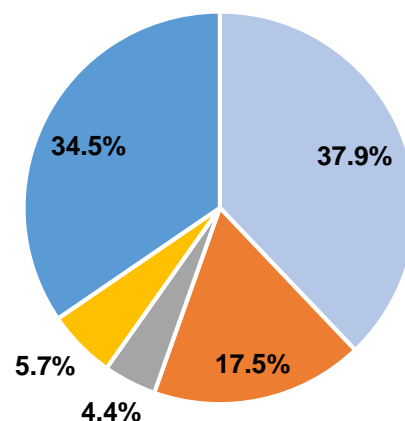
- CDMO revenues at Rs. 464 Mn, continued the strong growth momentum growing 91% YoY driven by healthy recovery in demand
- Multiple discussions ongoing with companies globally for additional business opportunities

B. Market and Therapeutic Area Mix Q1 FY24

Market Mix



Therapeutic Mix



■ Regulated markets ■ Emerging markets ■ CVS ■ CNS ■ Diabetes ■ Pain management ■ Others

- Regulated markets contribution remains stable at 78.4%
- Regulated markets growth for the quarter was driven by growth in US, Europe, India and CDMO business.
- Our key focused area of chronic therapies contributed 66% of the revenue in Q1 FY24
- Therapy wise CVS, CNS and Pain management continued to deliver a strong growth in Q1 FY24

OTHER BUSINESS HIGHLIGHTS

A. Product Pipeline

- DMF/CEPs filing continues across major markets (i.e. United States, Europe, Japan, Russia, Brazil, South Korea, Taiwan, Canada, China and Australia) in Q1 FY24, taking the total cumulative filings to 476 as on June 30, 2023.

- Generic API Segment
 - 1 New Complex molecule added to the portfolio backed by customer interests, summing up an addressable market for the basket of complex products to \$676 Mn (Source: IQVIA, MAT March 23). The basket is seeded with 6+ customers. One molecule filed and rest are under development.
 - 1 New iron complex added to the existing grid of 3 molecules, each backed by customer interest. Filing completed for 1 iron complex with 2 others in advanced stages of development. Total addressable market of \$1.8 Bn (Source: IQVIA, MAT March 23).
 - 2 New high potent / oncology molecules added to the current grid of 9 products, with a total addressable market of ~\$19 Bn (Source: IQVIA, MAT March 23) and 10+ customer tie-ups. 4 products validated and 5 are under advanced stages of development.

B. Capex update

- Ankleshwar:
 - Remaining 208KL of Intermediate block at the Ankleshwar site is under construction out of total manufacturing capacity of 400 KL, will be operational in second half of FY24.
 - Further, additional brownfield capacity in the range of 280KL – 300KL will be operational between FY25 and FY26
- Dahej:
 - Additional brownfield capacity of 220KL – 240KL will be operational between FY24 to FY26
- Solapur:
 - The Company has received Environmental Clearance and CTE (Consent to Establish) for the installation of 1000MT capacity for the planned greenfield site at Chincholi Industrial Area.
 - Detailed engineering work has started for the construction of 200KL in phase 1, total capacity of ~500KL will be operational by FY26.
 - Solapur's further capacity expansion will be calibrated as per the volume demand.

Disclaimer

Some of the information in the document, especially information with respect to our plans and strategies, may contain certain forward-looking statements that involve risks and uncertainties. These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties which could cause actual outcomes and results to differ materially from these statements depending upon economic conditions, government policies and other incidental factors. Such statements should not be regarded by recipients as a substitute for the exercise of their own judgment. The company undertakes no obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise. Our actual results may differ materially from those expressed in, or implied by, these forward-looking statements.

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