

Management Discussion & Analysis for Q2 FY24 & H1 FY24

FINANCIAL PERFORMANCE

A. Profit and loss statement:

(₹ in Million)	Q2 FY24	Q1 FY24	Q2 FY23	QoQ %	YoY %	H1 FY24	H1 FY23	YoY%
Revenue from Operations	5,954	5,785	5093	2.9 %	16.9%	11,738	9,992	17.5%
EBITDA	1,725	1,950	1,537	-11.5%	12.2%	3,675	3,099	18.6%
EBITDA Margins	29.0%	33.7%	30.2%			31.3%	31.0%	
PAT	1,187	1,355	1,069	-12.3%	11.1%	2,542	2,156	17.9%

B. Balance sheet:

Key Balance Sheet Items (₹ in Million)	September-23	March-23
Equity	23,917	21,382
Inventory	6,695	6,042
Trade Receivables	8,075	8,068
Net Tangible Assets	8,438	8,242
Cash and Cash Equivalent*	4,430	2,838

* Includes bank deposits

Highlights for Q2 FY24 and H1 FY24

- GLS registered a revenue from operations of ₹ 5,954 Mn for Q2 FY24, recording a strong growth of 16.9% YoY and 2.9% QoQ
- Gross Margins improved in Q2 FY24 trending at 54.1%, up 120 bps YoY
- Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) for Q2 FY24 was at ₹ 1,725 Mn up 12.2% YoY. EBITDA margins were at 29.0%, down 120 bps YoY, driven by better gross margin and higher employee expenses
- Profit After Tax (PAT) for the quarter was at ₹ 1,187 Mn in Q2 FY24, registering a growth of 11.1% YoY. PAT Margin for the quarter was at 19.9%
- R&D expenditure for H1 FY24 was at ₹ 367 Mn, 3.1% of sales
- Capital expenditure for H1 FY24 was at ₹ 627 Mn
- ROICE (adjusted for Cash and CWIP) was 35.6% for H1 FY24 and the Fixed assets turnover ratio at 2.8x
- Strong free cash generation of INR 1,535 Mn during H1 FY24 leading to Cash & Cash Equivalents of ₹ 4,430 Mn as on 30th Sep 2023

BUSINESS PERFORMANCE & COMMENTARY

A. Segment Performance:

(₹ in Million)	Q2 FY24	Q1 FY24	Q2 FY23	QoQ %	YoY %	H1 FY24	H1 FY23	YoY%
Generic API	5,428	5,042	4533	7.7%	19.7%	10,470	8,981	16.6%
CDMO	253	464	309	-45.5%	-18.1%	717	552	30.0%
Other Operating Revenue	273	279	251	-2.1%	8.7%	551	459	20.2%
Revenue from Operations	5,954	5,785	5,093	2.9%	16.9%	11,738	9,992	17.5%

Generic API:

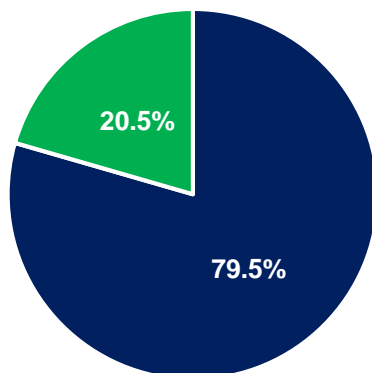
- Generic API revenues in Q2 FY24 increased by 19.7% YoY and 7.7% QoQ
- Generic API business was driven by strong growth in regulated markets with regions like US, LATAM and Europe contributing to the growth momentum

CDMO:

- CDMO revenues at Rs. 253 Mn, witnessed a de-growth of 18.1% on YoY basis driven by temporary low demand for one of the CDMO products
- Multiple discussions ongoing with companies globally for additional business opportunities

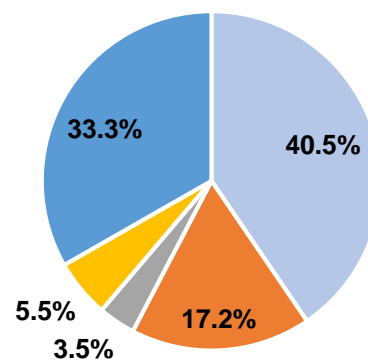
B. Market and Therapeutic Area Mix H1 FY24

Market Mix



■ Regulated markets ■ Emerging markets

Therapy Mix



■ CVS ■ CNS ■ Diabetes ■ Pain management ■ Others

- Regulated markets contribution remains stable at 79.5%
- Regulated markets growth for the quarter was driven by growth in US, Europe, India and LATAM business
- Our key focused area of chronic therapies contributed 68% of the revenue in Q2 FY24
- Therapy wise CVS and CNS portfolio continued to deliver a strong growth

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 Q2 FY24, taking the total cumulative filings to 489 as on Sep 30, 2023
- Generic API Segment
 - 3 new products added to the grid of which 1 is High potent API (HP API) / oncology molecule and 2 are synthetic small molecules
 - The HP API portfolio now extends to 12 products with an addressable market of \$21bn (Source: IQVIA, MAT June 23); 3 products are validated, and 3 products are in advanced stage of development
 - Development progressing well for new iron complex added last quarter 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 June 23).

B. Capex update

- Ankleshwar:
 - Remaining 208KL of Intermediate block at the Ankleshwar site is under construction out of total manufacturing capacity of 400 KL, which will be operational in second half of FY24
 - Further, additional brownfield capacity expansion in the range of 280KL – 300KL is planned to be completed by FY25-FY26
- Dahej:
 - Additional brownfield capacity expansion of 220KL – 240KL is planned to be completed by FY25-FY26
- Solapur:
 - The Company has received Environmental Clearance and CTE (Consent to Establish) for the installation of 1,000MT 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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