Management Discussion & Analysis for Q3 & 9M FY23

FINANCIAL PERFORMANCE

A. Profit and loss statement:

(₹ in Million)	Q3 FY23	Q2 FY23	Q3 FY22	QoQ %	YoY %	9M FY23	9M FY22	YoY%
Revenue from Operations	5,407.3	5,093.0	5,225.0	6.2%	3.5%	**15,399.0**	16,091.6	-4.3%
EBITDA	1,520.6	1536.5	1,496.0	-1.0%	1.6%	**4,619.8**	4,834.6	-4.5%
EBITDA Margins	28.1%	30.2%	28.6%			**30.0%**	30.0%	
PAT	1,049.9	1068.8	1,037.1	-1.8%	1.2%	**3,206.0**	3,198.3	0.2%

Highlights for Q3 FY23

- GLS registered a revenue of ₹ 5,407 Mn for Q3 FY23 from operations, recording a growth of 6.2% QoQ and growth of 3.5% YoY.
- Gross Margins for the quarter were at 51.0%, up 20 bps YoY driven by product mix and PLI scheme benefit.
- Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) was at ₹ 1,520.6 Mn for Q3 FY23. EBITDA margins at 28.1% remain steady on YoY basis, with a slight sequential decline mainly due lower gross margins.
- Profit After Tax (PAT) for the quarter was at ₹ 1,049.9 Mn in Q3 FY23, registering a growth of 1.2% YoY. PAT Margin for the quarter was at 19.4%.
- R&D expenditure was at ₹ 167.6. Mn, 3.1% of sales.
- Capital expenditure was at ₹ 324 Mn.
- ROICE (adjusted for Cash and CWIP) was 32.2% for 9M FY23 and the Fixed assets turnover ratio at ~3x.

BUSINESS PERFORMANCE & COMMENTARY

A. Segment Performance:

(₹ in Million)	Q3 FY23	Q2 FY23	Q3 FY22	QoQ %	YoY %	9M FY23	9M FY22	YoY%
Generic API	4,798.9	4,533.9	4,714.6	5.9%	1.8%	13,780.0	14,564.7	-5.4%
CDMO	279.4	309.1	405.7	-9.6%	-31.1%	831.3	1,285.0	-35.3%
Other Operating Revenue	329.0	251.0	104.7	31.1%	214.4%	787.7	241.9	225.6%
Revenue from Operations	**5,407.3**	**5,093.0**	**5,225.0**			**15,399.0**	**16,091.6**	

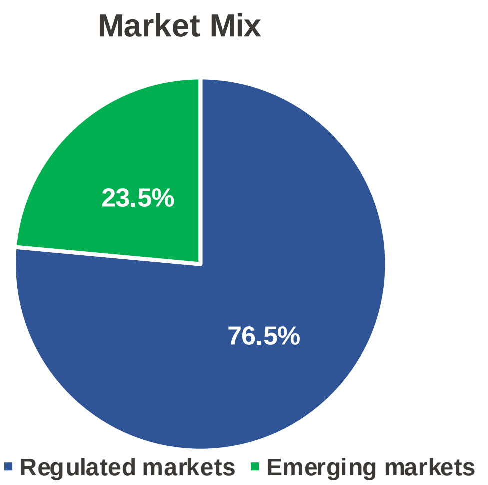
Generic API:

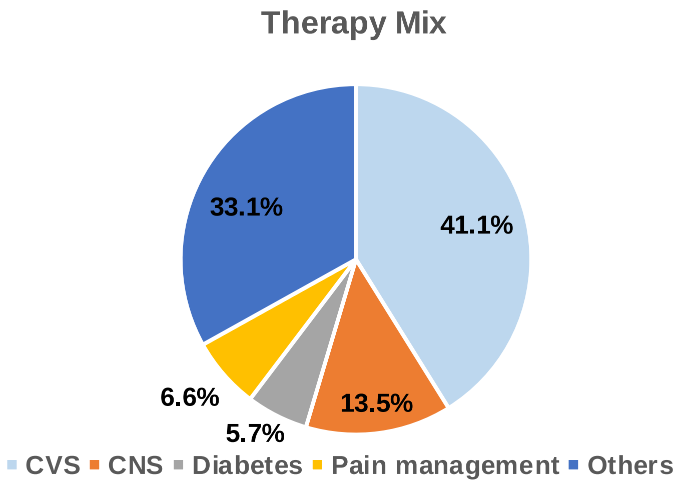
- Generic API revenues in Q3 FY23 increased 5.9% QoQ and increased 1.8% YoY.
- Regulated markets business continues the strong growth momentum.
- India, Europe and LATAM delivered strong performance while US witnessed healthy recovery
- GPL business saw strong recovery of 19% on sequential basis

CDMO:

- CDMO revenues in Q3 FY23 decreased by 9.6% QoQ
- Demand is expected to be picked up from Q4FY23
- 4th CDMO project is stalled due to regulatory delays at the customer’s end
- Multiple discussions ongoing with companies globally for additional business opportunities

B. Market and Therapeutic Area Mix (9M FY23)





- Regulated markets contribution increased to 76.5%
- Regulated markets growth was driven by steady growth in external business along with robust recovery in GPL business
- Our key focused area of chronic therapies contributed 67% of the net sales

OTHER BUSINESS HIGHLIGHTS

A. Product Pipeline

- DMF/CEPs filling continues across major markets (i.e. United States, Europe, Japan, Russia, Brazil, South Korea, Taiwan, Canada, China and Australia) in Q3 FY23, taking the total cumulative filings to 456 as on Dec 31, 2022.
- Generic API Segment
  - 3 Iron compounds in Portfolio of which - Regulatory filing completed for 1 iron compound, other iron compounds at advanced stage and initial stage of development with cumulative global market size of more than USD 1.8 billion (Source: IQVIA MAT Sep’22)
  - There are currently 8 high potent API in the portfolio with global market size of more than USD 18 billion (Source: IQVIA MAT Sep’22). 4 products are in an advanced stage of development out of the 8 products and remaining in the development stage.
- CDMO Segment
  - Multiple discussions ongoing with companies globally for additional business opportunities

B. Capex update

- The brownfield expansion for the Generic API products at Dahej facility is complete with 240 KL capacity.

- The brownfield expansion at Dahej for the Oncology plant is completed. Out of the 2 independent modules, one module is 100% commissioned.
- Intermediate manufacturing block at the Ankleshwar site with a manufacturing capacity of 400 KL is expected to be completed in Q4 FY23. Module wise commissioning of the plant is planned with 1st module to be commissioned in Q4 FY23.
- The Company has received Environmental Clearance for the installation of 1000 KL capacity for the planned greenfield site at Chincholi Industrial Area, Solapur and construction work will begin in the next financial year.

Disclaimer

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