

Management Discussion & Analysis for Q4 & FY23

FINANCIAL PERFORMANCE

A. Profit and loss statement:

(₹ in Million)	Q4 FY23	Q3 FY23	Q4 FY22	QoQ %	YoY %	FY23	FY22	YoY%
Revenue from Operations	6,213.2	5,407.3	5,140.6	14.9%	20.9%	21,612.2	21,232.1	1.8%
EBITDA	2,092.7	1,520.6	1,473.1	37.6%	42.1%	6,712.5	6,307.6	6.4%
EBITDA Margins	33.7%	28.1%	28.7%			31.1%	29.7%	
PAT	1,463.6	1,049.9	989.0	39.4%	48.0%	4,669.6	4,187.2	11.5%

Highlights for Q4 FY23 and FY23

- GLS registered a revenue from operations of ₹ 6,213 Mn for Q4 FY23, recording a strong growth of 14.9% QoQ and growth of 20.9% YoY.
- Gross Margins for the quarter were at 54.9%, up 390 bps QoQ and up 450 bps YoY driven by higher contribution from CDMO, better product mix, PLI scheme benefit and lower input cost.
- Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) for Q4 FY23 was at ₹ 2,092.7 Mn up 37.6% on QoQ and 42.1% YoY. EBITDA margins were at 33.7%, up 560 bps QoQ and up 500 bps YoY majorly due to higher gross margin and lower growth in operating costs.
- Profit After Tax (PAT) for the quarter was at ₹ 1,463.6 Mn in Q4 FY23, registering a growth of 39.4% QoQ and 48% YoY. PAT Margin for the quarter was at 23.6%.
- Revenue from operations for FY23 was at 21,612 Mn, up 1.8% YoY. EBITDA for FY23 was at Rs. 6712.5 Mn, up 6.4% YoY. PAT for FY23 was at Rs. 4,670 Mn, up 11.5% YoY. Strong growth in PAT was driven by better margins during the year as well as lower finance cost.
- R&D expenditure for FY23 was at Rs. 652 Mn, 3.0% of sales.
- Capital expenditure for FY23 was at Rs. 1702 Mn.
- Healthy cash generation from operation at Rs. 3,134 Mn with free Cash flow of Rs. 1,432 Mn.
- ROICE (adjusted for Cash and CWIP) was 33.5% for FY23 and the Fixed assets turnover ratio at ~3x.

BUSINESS PERFORMANCE & COMMENTARY

A. Segment Performance:

(₹ in Million)	Q4 FY23	Q3 FY23	Q4 FY22	QoQ %	YoY %	FY23	FY22	YoY%
Generic API	5,299.2	4,798.9	4,589.6	10.4%	15.5%	19,079.2	19,154.3	-0.4%
CDMO	567.9	279.4	435.2	103.1%	30.4%	1,399.1	1,720.1	-18.7%
Other Operating Revenue	346.1	329.0	115.8	5.2%	199.0%	1,133.8	357.7	217.0%
Revenue from Operations	6,213.2	5,407.3	5,140.6	14.9%	20.9%	21,612.2	21,232.1	1.8%

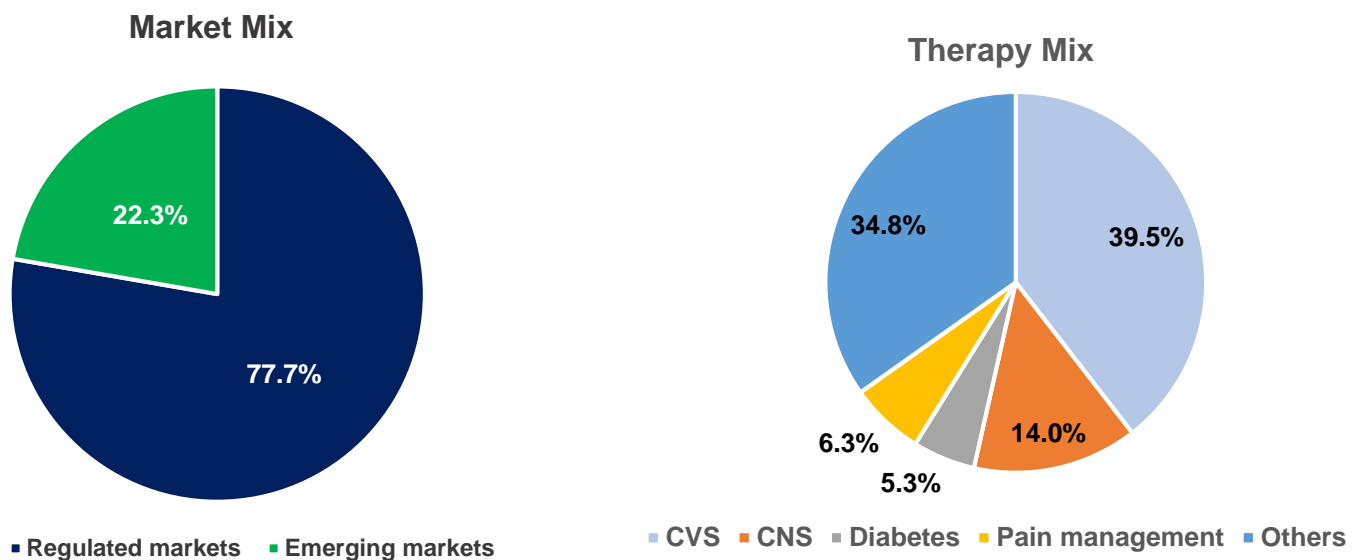
Generic API:

- Generic API revenues in Q4 FY23 increased 10.4% QoQ and increased 15.5% YoY.
- Steady growth momentum across regulated as well as emerging markets
- Strong recovery in GPL business and steady growth in external API business led the growth
- GPL business saw strong recovery of 45% on sequential basis and grew 25% YoY

CDMO:

- CDMO revenues at Rs. 568 Mn doubled sequentially and grew by 30.4% YoY in Q4 FY23
- CDMO revenues were driven by pick-up in demand from one project which was affected by inventory rationalisation
- Multiple discussions ongoing with companies globally for additional business opportunities

B. Market and Therapeutic Area Mix FY23



- Regulated markets contribution increased to 77.7%
- Regulated markets growth for the year was driven by steady growth across the markets along with robust recovery in GPL and CDMO business
- Our key focused area of chronic therapies contributed 65% of the net sales on a full year basis.
- Therapy wise CVS, CNS and Pain management delivered strong growth in FY23

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 Q4 FY23, taking the total cumulative filings to 468 as on Mar 31, 2023.

- 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 Dec'22)
 - Addition of 1 new high potent API to the development grid has taken the total number of high potent API in the GLS portfolio to 9, with a global market size of more than USD 19 billion (Source: IQVIA Dec'22) of which 5 products are in an advanced stage of development
- CDMO Segment
 - Continue to target 505 B (2) and Lifecycle management opportunities
 - Multiple discussions ongoing with companies globally for additional business opportunities

B. Capex update

- Dahej:
 - 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.
- Ankleshwar:
 - Intermediate manufacturing block at the Ankleshwar site with a manufacturing capacity of 400 KL, of which 192 KL is commissioned and operational and balance 208KL will be operational in second half of FY24.
- Solapur:
 - The Company has received Environmental Clearance for the installation of 1000 KL capacity along with CTE (Consent to Establish) for the planned greenfield site at Chincholi Industrial Area, Solapur and construction work will begin in FY24.

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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