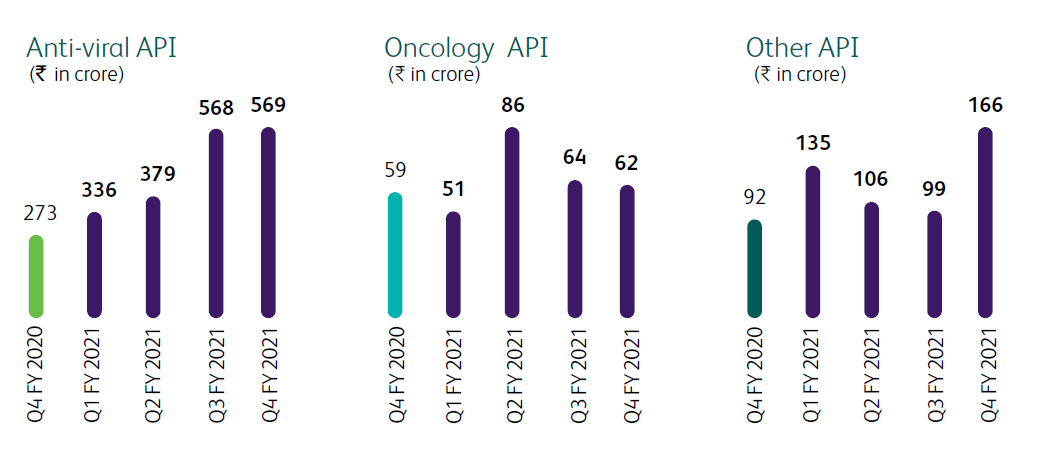
**Laurus labs – Annual Report FY 21**

Laurus Labs is a fully integrated pharmaceutical and biotechnology company, with a leadership position in generic Active Pharmaceutical Ingredients (APIs) and major focus on anti-retroviral, Hepatitis C, and oncology drugs. Four key business units: -

* **Laurus Generics - API -** Development, manufacture and sale of APIs and advanced intermediates across ARVs, anti-diabetic, cardiovascular, oncology etc.
  + Revenue Contribution 54%
  + Commercialized 60+ products
  + Filed 61 DMFs
  + 4 manufacturing facilities (4,186KL) and another 1,000 KL under expansion
  + Revenues in Generic API grew 61% YoY driven by
    - ARV API Sales which were up 70% YoY (high volumes for all key first line APIs and growth in second line too)
    - Oncology APIs grew 25% YoY
    - Other APIs grew 56% YoY (due to higher contract manufacturing orders from Europe)
  + Due to higher demand, **expanding capacity in this segment by c. 25% (brownfield expansion)**
  + Laurus is preferred API supplier in ARV segment supplying to 80% of the players participating in ARV tenders – large scale, efficient manufacturing process are key success factors.



* **Laurus Generics – Finished Dosage Form (FDF) -** Development and manufacture of oral solid formulations
  + Revenue Contribution 35%
  + Revenues in FDF grew by 102% YoY driven by (and from 5 crs in FY 19 to 825 crs in FY 21)
    - Higher no. of launches in US and opportunities from in-licensing of products
    - ARVs - LMIC growth – participation in global tenders and various in-country African tenders. Maintained leadership in first-line treatment of drugs, moved to second-line (Lopinavir, Ritonavir and Darunavir) and progressing towards third line of treatment.
  + **Capacity of 5 billion units / year, Enhancement to 10 billion units/year in tranches over next 18 months (brownfield expansion)**
  + Product offering – ARV, anti-diabetic, cardiovascular, CNS etc.
  + Filed 27 ANDAs with 9 final approvals and 8 tentative approvals. Filed 12 dossiers in Canada, 9 in Europe, 8 with WHO, 2 in South Africa, 2 in India and 14 in RoW
  + FY 21 highlights
    - Commenced marketing of in-licensed products in the US by leveraging the frontend
    - Completed 3 product validations for formulation
    - Strong demand in ARV segment for LMIC – Launched TLE 400 in LMIC market (where there are only 3 suppliers)
* **Laurus Synthesis -** Key starting materials, intermediates and APIs for New Chemical Entities (NCEs)
  + Revenue contribution 11%
  + CDMO for global pharma, steroids and hormone manufacturing capability etc.
  + 50 active projects in CDMO, commercial supplies ongoing for 4 projects
  + Expanded client base – added 2 big pharma cos
* **Laurus Bio –** Recombinant products - animal origin free products for safer and viral free bio manufacturing
  + During FY 21, Laurus acquired 79.21% stake in Richcore Lifesciences and company has been renamed as Laurus Bio Pvt Ltd, Amount spent c. 247 crs.
  + Purpose – To diversify and enter high growth areas of recombinant animal origin free products, enzymes and building biologics to CDMO at scale.
  + Current promoters continue with day-to-day management of the company
  + **On course to commission large scale fermentation capability**
  + **Acquiring additional land for further expansion to create close to million litres fermentation capacity**
  + Three distinct revenue streams – biotech, enzymes and CDMO – Going forward, CDMO will be a major contributor to growth as major proportion of incremental capacities are towards this business.

To summarize,

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Topline breakup** | **FY 16** | **FY 17** | **FY 18** | **FY 19** | **FY 20** | **FY 21** |
| Generic APIs | 1,651 | 1,734 | 1,850 | 1,948 | 1,622 | 2,621 |
| Finished Dosage Forms (FDFs) | - | - | - | 55 | 825 | 1,664 |
| Synthesis | 101 | 162 | 195 | 295 | 384 | 519 |
| **Total** | **1,775** | **1,905** | **2,056** | **2,292** | **2,831** | **4,804** |

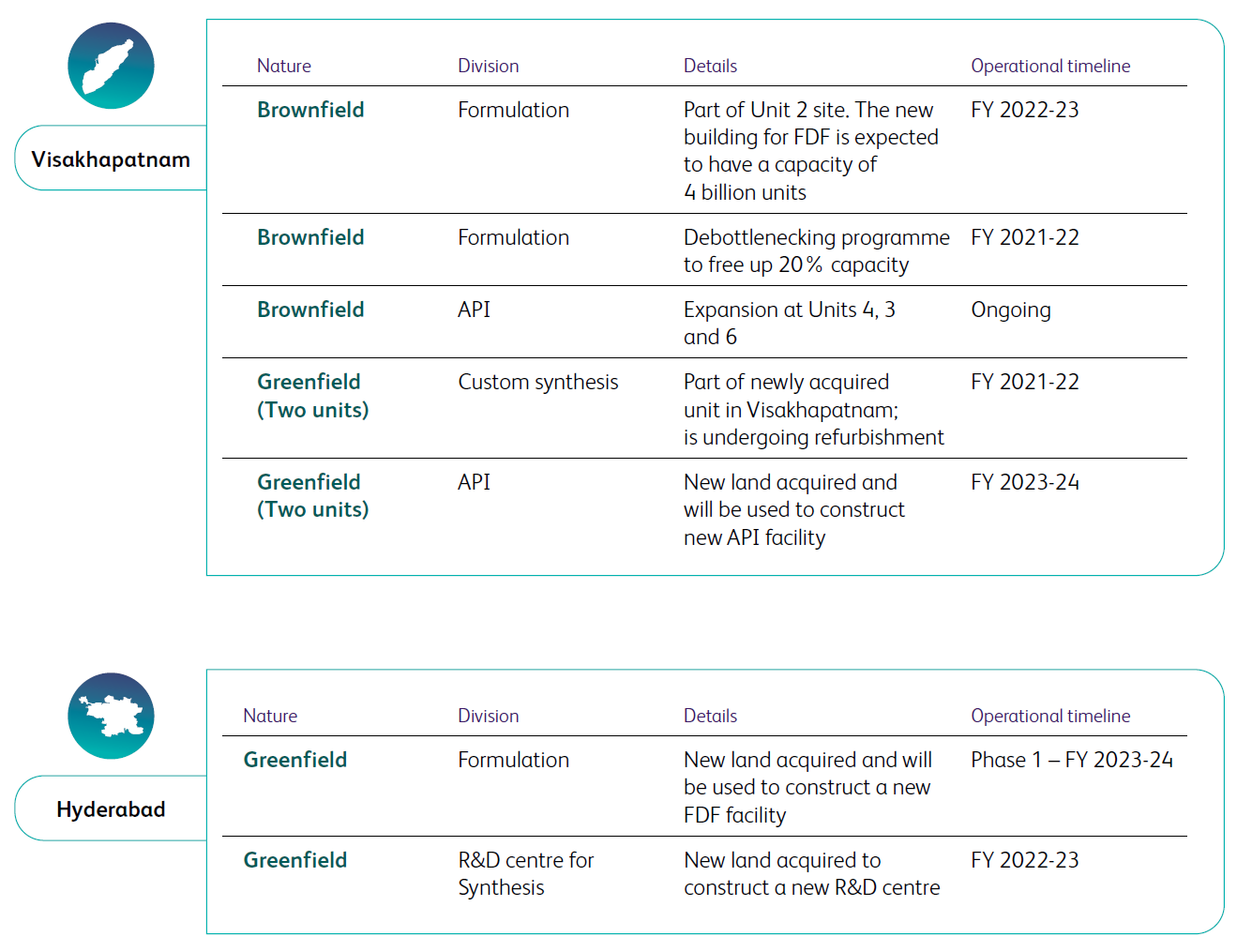
*\*No separate mention of Laurus Bio in the table as the acquisition completed in Jan’21*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **API Break up** | **FY 16** | **FY 17** | **FY 18** | **FY 19** | **FY 20** | **FY 21** |
| Antiviral API | 1,456 | 1,467 | 1,521 | 1,513 | 1,087 | 1,852 |
| Onco API | 142 | 114 | 164 | 229 | 211 | 263 |
| Other API | 53 | 152 | 164 | 206 | 324 | 506 |
| **Total** | **1,651** | **1,734** | **1,850** | **1,948** | **1,622** | **2,621** |

*Significant increase in ARV API.*

**Future outlook/Capex plans**

* **FDF** 
  + Key growth engine – expand ARV portfolio, robust ANDA pipeline, filing dossiers in other key markets and expansion in other therapeutic areas like diabetes, cardiology.
  + **Capacity to increase capacity to 1.8-2.0x in 18 months** in phased manner starting Aug’21 and will be fully operational by end of 2021-22 (Another para in AR mentioned 15% by April’21 and balance by Dec'21).
  + **Entered into a partnership with European generic player for contract manufacturing.**
* **APIs**
  + ARV and Other APIs (anti-diabetic, CNS and PPI) to be key growth drivers due to robust order book
    - Oncology – focus on high potent molecules
    - Other APIs – focus on anti-diabetic, PPIs and CNS products commercialized for contract mfg opportunities.
    - ARV APIs – Growth to be driven by introduction of second line products, launch of new first line products – Lamivudine and Dolutegravir, and supply of APIs to EU and North America.
  + Large capacity by end of next year
* **Synthesis**
  + Rising demand for NCE drug substances
  + **Expect strong growth over next 2 years** with new client additions and increasing commercialization of products.
  + Planning to add a block for High potency API (HAPI) to support growth in synthesis
  + **Setting up dedicated R&D center and greenfield manufacturing capacity to support future growth**
* **Laurus Bio**
  + **Expected to grow substantially over next 4-5 years**



**Key numbers**

* **Financials (FY 21):** Sales Rs 4,814 crs / EBITDA 1,573 crs (33%) / Net Profit 984 crs (20%) / RoCE 40% / RoE 45% / Debt equity 0.56
  + **Gross margin** increased from 50% in FY 20 to 55% in FY 21
    - Change in product mix (higher FDFs where they are backward integrated, better pricing power and where new capex is coming too#)
    - High proportion of ARVs where they are lowest cost manufacturers (driven by large scale, process efficiencies)
  + **Operating leverage benefits** increased EBITDA Margin from 20% to 32% (3% in employee benefit expenses and 4% in other expenses)

|  |  |  |
| --- | --- | --- |
| **Key PnL metrics** | **FY 20** | **FY 21** |
| Gross Margin % | 50% | 55% |
| Employee benefit expenses % | 12% | 9% |
| Other expenses % | 18% | 14% |
| EBITDA Margin % | 20% | 32% |

* **Organic capex done** (excl acquisition) in FY 21 c. 700 crs
* Exports 3,325 crs, Imports 1,656 crs
* **Cash flow** from operating activities: 733 crs vs PAT 984 crs

*# apart from synthesis business & Laurus bio which have even higher margin*

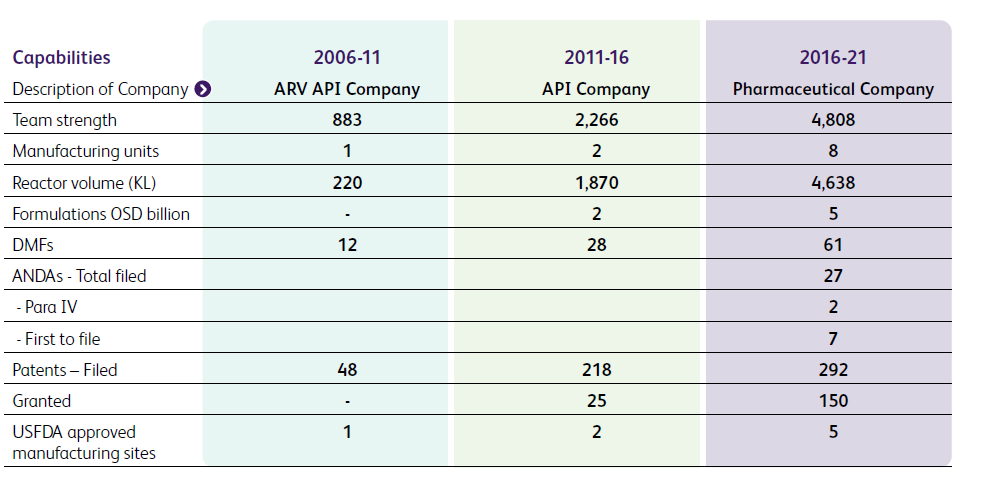
* **WC:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Amount (Rs crs.)** | | **WC Cycle (No. of days)** | |
| **FY 20** | **FY 21** | **FY 20** | **FY 21** |
| Inventory | 905 | 1,575 | 234 | 266 |
| Debtors | 791 | 1,306 | 102 | 99 |
| Creditors | 616 | 1,179 | 159 | 199 |
| **Net WC** | **1,080** | **1,702** | **177** | **166** |

* **Related party transactions:** No major transactions
* **KMP remuneration:** 
  + Promoter remuneration c. 26 crs FY 21 vs c. 16 crs FY 20
  + CFO remuneration: 5.8 crs FY 21 vs 3.4 crs FY 20
  + Significant increase in FY 21 vs FY 20 but profits are also up 400% in FY 21. Overall numbers as a % of PAT are acceptable.
* **Dividend payout:** 75 crs FY 21 vs 39 crs FY 20
* **Subsidiaries audited by others:** Revenue 161 crs and Total assets of 210 crs PAT (< 5% as % of consol nos)
* **Auditor remuneration:** 1.22 crs in FY 21 vs 0.99 crs in FY 20
* **Contingent liability:** Total c. 120 crs vs 102 crs in FY 20 (nothing significant)
* **Workforce** c. 3800 employees in FY 20 to c. 4800 employees in FY 21

**15-year journey of Laurus labs**

Transition from an ARV API company to an API company, to forward integration into formulations, and now synthesis business.



**Annexure: List of manufacturing sites**



(Note: Approvals by USFDA, PMDA)