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CIN: L24110TG1991PLC012471

Dated May 13, 2021

To,
National Stock Exchange of India Limited
BSE Limited
Symbol: NSE: GRANULES; BSE: 532482

Sub: Granules India Limited -Q4 and FY 2021 Earnings Conference Call Transcript -Revised
Ref: Transcript of the Analyst/Investors Earnings Conference call submitted to the exchanges on 12th May 2021

Dear Sir,

With reference to the subject matter, we are herewith submitting the revised file of Transcript of the Analyst/Investors Earnings Conference call of the Company for Q4, FY 2020-21 held on Tuesday, the 11th day of May 2021.

Kindly take the above information on record.

For GRANULES INDIA LIMITED

G. Chaitanya. 

CHAITANYA TUMMALA
(COMPANY SECRETARY &
COMPLAINCE OFFICER)



“Granules India Limited
Q4 and FY 2021 Earnings Conference Call”

May 11, 2021

* Post this earnings call, since there was confusion around the margin guidance, the Chairman- Managing Director, Mr. Krishna Prasad Chigurupati clarified the EBITDA margin guidance in an interview with CNBC on the morning of the 12th of May, 2021 (LINK- <https://www.cnbctv18.com/earnings/granules-india-q4fy21-mixed-show-mgmt-expects-18-22-profit-growth-in-next-quarters-9274091.htm>) stating that the EBITDA for FY 22 would be up to 25% and not 20% and that the PAT growth guidance continues to remain at 20%.

ANALYST: **MS. RASHMI SANCHETI – INCRED CAPITAL RESEARCH**

MANAGEMENT: **MR. KRISHNA PRASAD CHIGURUPATI - CHAIRMAN & MANAGING DIRECTOR - GRANULES INDIA LIMITED**

MS. PRIYANKA CHIGURUPATI - EXECUTIVE DIRECTOR – GRANULES PHARMACEUTICAL INC.

Operator

Ladies and gentlemen, good day, and welcome to the Q4 and FY '21 earnings call for Granules India Limited hosted by InCred Capital. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Ms. Rashmi Sancheti. Thank you, and over to you, ma'am.

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Rashmi Sancheti -

Yes. Good evening, everyone. I would like to welcome the management of Granules India, and thank them for giving us the opportunity to host the earnings call. We have with us today Mr. Krishna Prasad Chigurupati, Chairman and Managing Director; Ms. Priyanka Chigurupati, Executive Director, GPI; and Mr. Sandip Neogi, Chief Financial Officer. I shall now hand over the call to Ms. Richa Singh from the Investor Relations team. Over to you, Ms. Richa Singh.

Richa Singh -

Thank you, Rashmi. Before we proceed with this call today, I would like to take this opportunity to remind everyone about the safe harbor related to this conference call. Today's discussion may be forward-looking in nature based on management's current beliefs and expectations. It must be viewed in conjunction with the risks that our business faces and cause future results, performance and achievements.

With this, I would like to hand over the call to Mr. Krishna Prasad, Chairman and Managing Director. Over to you, sir.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Thank you, Richa. Good afternoon, ladies and gentlemen. Thank you very much for attending our Q4 earnings call. Unfortunately, our CFO, Sandip Neogi, is suffering from COVID and is not able to join us today. Instead, we have Krishna Raghunathan, our Vice President, Finance and Accounts, with us today.

When we met last time for the Q3 earnings call, the COVID situation looked like it was improving. But unfortunately, it turned out to be worse than we can imagine even in our wildest dreams. We as a country, and all of us at Granules are facing a huge challenge and I'm grateful to all our employees for braving this situation and managing to keep their operations going without any disruptions. I wish that you and all your families continue to stay safe.

We faced a lot of challenges during Q4 with regards to shortages of certain raw materials, drastic increases in prices of some key raw materials and general price increase across the board, including logistics. There was a huge global disruption in the supply of para-aminophenol, the key starting material for paracetamol due to a major manufacturer in China shutting down temporarily. The situation is slowly improving as new capacities are coming up in India, and the Chinese company also will start operations shortly.

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This had resulted in us working only at 45% capacity. There was about 225% increase in the cost of PAP and 60% increase in the cost of acetic anhydride and other starting materials for paracetamol. This was again the result of a global shortage of acetic acid. The resultant increase in cost of paracetamol was about 200%.

We were able to pass on only a part of this to our customers. This situation is expected to normalize in Q2 or Q3 of this fiscal. Despite this situation, which resulted in a decline in PAT sequentially, I'm happy to state that we had achieved a 64% bottom line growth for FY '21 as compared to FY '20.

This was possible due to increased sales of our other products, product mix, and new launches. We have very challenging times ahead of us, but are confident that we will be able to overcome these and keep growing. Construction of our MUPS formulation facility and API expansion at Vizag are on track, and the new capacities will take care of our revenue growth for a few more years.

The planning for a greenfield formulation site is on, and we expect to break ground in the current fiscal year. The capacity expansion at GPI, our U.S. subsidiary, is completed and production from this will start in this quarter. All of you have seen the financials posted on our website. And before we go into Q&A, Priyanka will take you through a few important numbers and events. Over to you, Priyanka.

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

Thank you. Good evening, everybody. Moving on to the financials for Q4 FY '21 and full year FY '21. We're happy to announce a good set of numbers despite the challenges posed by various business scenarios in the backdrop of COVID and logistics disruptions, resulting in shortage of raw material and lower utilization of capacity, especially in paracetamol.

Revenue. The fourth quarter revenue stood at INR 799 crores compared to around INR 599 crores in Q4 of fiscal '20. Our increased sales from the existing products and new launches had compensated for the loss of MEIS benefits. On a full year basis, sales increased by 24.6% from INR 2,598 crores to INR 3,237 crores. Increased contributions from our existing products and sizable contributions from new launches catapulted this growth.

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There is a drop in revenue and profits from Q3 FY '21 to Q4 FY '21, mainly on account of reduction in paracetamol sales due to KSM shortages. This situation, like CMD said, is likely to improve from Q4 to Q3 of fiscal '22. We're also in discussions with various partners in India to alleviate this shortage. We have a short-term and medium-term plan in place to address the PAP situation.

The sales breakup as for business verticals and regions are presented in our investor presentation, which is available on the website. For the quarter, the gross margins moved from 53.5% to 57.3% on better realizations across our existing molecules, and increased stocks for our new launches and higher volumes over the previous year, same quarter, contributed to the increase in margins.

On a full year basis, the gross margin moved from 50.7% to 57% mainly on our higher PFI and finished dosage volumes, which have grown by around 50% over the previous year. EBITDA for the quarter stood at INR 202 crores when compared to INR 100 crores in Q4 FY '20, an increase of 102%, mainly on account of higher sales and volumes over a lower base of the previous year, which were affected due to lockdowns and export ban of paracetamol.

EBITDA for the full quarter improved from 20.2% to 26.4% in the current year, mainly on higher volumes at lower investments and new launches. Our operational efficiencies in combination with our added capacities have increased our finished dosages volume by nearly 50%, which translated into a higher EBITDA.

In addition to this, our focus on product rationalization based on profitability enabled us to achieve this growth. PAT for this quarter stood at INR 127 crores, a 38.2% increase over that of the previous year, same quarter, attributed to all reasons as specified above. On a full year basis, our PAT increased by 63.8% from INR 335 crores to INR 549 crores.

ESG- Granules has always been on the forefront when it comes to taking care of the environment and the society around which we operate and with sustained governance. In a bid to enhance our ESG footprint further, we have hired a senior ESG professional, under whose guidance various teams have been formed to enhance our focus on ESG and its various pillars. We will be able to give you regular updates on our sustained ESG over the next couple of quarters.

Our R&D spend for the quarter stood at INR 36 crores compared to a INR 21 crores in the previous year. During the full year, we had filed 5 ANDAs, 2 EU dossiers, 3 Canadian dossiers and 1 South African filing. We've also filed 4 U.S. DMFs and 3 CEPs. We received approvals for 14 ANDAs and 2 dossiers, and we've launched 12 products this fiscal across various regions.

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Our R&D spend for the full year stood at INR 100 crores or 3% of the revenue compared to INR 79 crores the year before. The entire amount has been written off for this year. A lot of R&D activities in India had to be spilled over due to this fiscal due to COVID-related delays. Otherwise, our spend as a percentage of revenue would have been higher than what it is today. We also acquired 7 ANDAs, which we will be looking to launch over the next couple of quarters. With this, we have a total of 58 filed ANDAs or dossiers across different markets, 18 pending approval and 7 pending tech transfer. We also have over 35 ANDAs or dossiers at different stages of development.

Our gross debt reduced on account of reduction of our long-term loans by 83 Crs, while our short-term loans went up a bit due to an increase in inventory buildup for new launches. Our net debt too reduced from INR 605 crores in the previous year to INR 575 crores in the current year, mainly on account of better realizations of receivables and factoring some part of our receivables at competitive rates.

Our cash-to-cash cycle increased from 109 days to 117 days Y-o-Y, mainly on account of increase in inventories, which we are consciously building up on account of new launches and also to tide over any crisis due to the COVID second wave.

Our operational cash flow for the year at INR 432 crores versus INR 476 crores in the previous year, mainly on account of increase in working capital changes for the increased business and also an increase in inventory buildup for the new product launches.

Our free cash flow fell from INR 292 crores in the previous year to INR 162 crores in the current year for the higher CapEx spend to cater to future business needs.

With this, I hope -- I would like to open the floor for questions. I hope all of you and your families remain safe.

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Q&A

Operator

(Operator Instructions) The first question is from the line of Sudarshan Padmanabhan from Sundaram Mutual Fund.

Sudarshan Padmanabhan Sundaram Asset Management Company Ltd. - Research Analyst

My question is to understand a little bit more about the raw material issues that you talked about on PAP side. You said that primarily from the second half of this year that you see things reverting back to normal. I mean, I believe that there is also some capacities coming across with Sadhana Nitro Chem and Valiant, et cetera. I mean how do you see -- I mean, do you see that things getting a little tighter in the intermediate term before it actually gets little lighter. And apart from PAP, do you see pressure in any other raw material?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Okay, PAP, maybe it's good for me to give a little background. The largest manufacturer of PAP in the world in China has shut down due to pollution issues. They're moving to a new site, and we expect this to start in the next 2 or 3 quarters. So meanwhile, like you said, a lot of new capacity is coming up in India. Sadhana Nitro Chem, you said -- I mean is one of them. And there are a few others like Aarti and also another company called Kutch Chemicals, they are also coming up. So they are in trial production. So we expect that this situation will start easing in end of Q2 and Q3 a little bit. But meanwhile, Q1 and early Q2, we see a terrible shortage that's going to come up.

And once the Chinese plant also starts up or all the capacity in India comes up, there will be a very decent capacity world over. And in addition to PAP, it's another material called acetic anhydride, which is another key raw material, which is also made from acetic acid. There's a global shortage of acetic acid, again, because of one of the major manufacturers in China shutting down and also due to one of the plants in south of the U.S. which got damaged during the snowstorm. So they're about still to come back to normalcy. So this also will take maybe a quarter to streamline. So like you said, there will be a tough situation for at least a few months.

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Sudarshan Padmanabhan Sundaram Asset Management Company Ltd. - Research Analyst

Sure. And with respect to specifically, you talked about the products that you have filed globally, I mean, across markets. Specifically with respect to the U.S., I mean, how many ANDAs we have filed till date and how many are we planning to file?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Yes, I think Priyanka will take that question. Priyanka?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

Yes. Sorry, can you hear me?

Sudarshan Padmanabhan Sundaram Asset Management Company Ltd. - Research Analyst

Yes.

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

Specifically, in the U.S., we filed 49 ANDAs, out of which we have 37 approved, and the remaining pending approval. And we have about 23 under development and 7 that we've just acquired that are still pending check transfer.

Sudarshan Padmanabhan Sundaram Asset Management Company Ltd. - Research Analyst

One final question from my side is to understand a bit more about the CapEx. I think going through the note, it clearly shows a lot of confidence. I think we have upped our CapEx what we are planning for the next 3 years, INR 1,000 crores across various legs. I mean between say 2 quarters and now, I mean, clearly, it looks like there is a lot more confidence with the tone, I mean, and the magnitude of the CapEx. What has changed in the last 2 quarters to:

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number one, show confidence in a qualitative manner as well as to increase the CapEx absolutely on a quantitative manner as well?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Okay. I mean, we see our -- as our products are getting approved, we see the necessity for more capacity. And we were planning for actually INR 800 crores between last year, this year and the next year. And -- but anyway, there's more clarity on our needs today. And we see there's a very, very clear visibility on our growth. So it's like this. MUPS block, that is going on. There is -- I mean, still we need to spend about INR 180 crores on that. And Unit-V, we are expanding in Vizag. We are expanding API capacity. We see the need for a lot of APIs to feed our finished dosages. So this is essential for us. We are also building some packaging facilities in the U.S. that is going to take up some amount. And we are also very excited that in the next 3 years, we need a lot of API capacity and that we are earmarking about INR 250 crores.

And also the new formulation plant greenfield, which we were talking about, that is going to take about INR 320 crores. And also in our Bonthapally plant where we have paracetamol and metformin, we are planning some expansions, adding them to the product and also expansion of metformin. So that will take about INR 30 million, INR 40 crores, and then there is maintenance CapEx. So this is a broad breakup of what we are doing. There's very clear visibility, and we are very excited that we're going to invest all this cash. And all this, like I've been repeatedly saying, we are very confident we can meet with our internal accruals. And I don't see the need for any debt going forward.

Operator

The next question is from the line of Anil Sarin from Centrum Wealth.

Anil Sarin *Centrum Wealth Management Limited - Executive Director & CIO-Centrum PMS*

Congratulations on an actually elevated margin despite the PAP problem that you might -- that you have been facing. I wanted to know -- is there a way of quantifying the revenue loss on the paracetamol front?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Paracetamol front, there was -- 1 minute, I'll give you the -- it's about INR 40 crores loss just on paracetamol.

Anil Sarin *Centrum Wealth Management Limited - Executive Director & CIO-Centrum PMS*

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Okay. And to extent that...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

But for revenue loss, Anil, it's also a loss in profitability. So even though we were able to get some high prices, but we were not able to pass on the full price increases to our customers. So the impact of -- loss of profitability is a little more than loss on revenue. It's not proportional.

Anil Sarin Centrum Wealth Management Limited - Executive Director & CIO-Centrum PMS

Okay, I get it, but that makes it all the more commendable. That -- I mean you were saying that this is a reduced profitability, but what one is seeing is actually a good gross margin. So one can only imagine the gross margin would have been higher still had this PAP, the raw material problem, not being there. Am I right on that?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

It would have been higher. But again, I would say not in sales proportion. It would have been higher definitely.

Anil Sarin Centrum Wealth Management Limited - Executive Director & CIO-Centrum PMS

Okay. Okay. Great. So what I like about Granules is that there is this large component of your older generation molecules, which keep on giving you the cash flow with which you can go and build some forward-looking or more interesting kind of -- more interesting kind of products on a going-forward basis. So we have reached around 26% EBITDA margin. Considering bulk of your margins are assured in natural because of the older products that you have, which continue to have good strong demand and continue to deliver good margins, going forward, as you add more highly value-added or higher value-added products, what is the EBITDA margin outlook, let us say, by fiscal '23? Or maybe for the next 2, 3 years, if you can give a guidance?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

I mean, we've always been talking about EBITDA margins of about 25%, 26%, and new launches are definitely contributing, but we need to experience how these things are going. Volumes of the new launches, while some of them are very good, everything need not be in the volumes or magnitude of our existing products. So we need to really test the waters, but 25%, 26%, 23%, 24% and all, we should be -- we're quite confident. However, this year, for FY '22, we see a lot of challenges. And 25% looks like a little aggressive number to us. I will feel comfortable saying for this year alone, around 20%, I would stand by as of today looking at current scenario worldwide and the situation around us. That's where we are running. * (please see note above)

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Operator

The next question is from the line of Tushar Manudhane from Motilal Oswal.

Tushar Manudhane Motilal Oswal Securities Limited, Research Division - Research Analyst

Sir, just as a clarification, so you said FY '22, 20% to 25% margin range? Or if you could please repeat?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

For the current fiscal, we expect that the growth – the EBITDA also will be around 20% and growth also over the base of '21 will be 20%. * (please see note above)

Tushar Manudhane Motilal Oswal Securities Limited, Research Division - Research Analyst

And the scope of passing on the raw material price hike to the customers, how do we see that changing?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Let's say, products like paracetamol, where the cost has gone up by 200%, there is no way everything can be passed on to our customers. Customers, we are actually partners, so we would like to share some of the losses and not expect just one person to bear the entire thing. So we can partially pass on the price increases.

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

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And I'd just like to say that we do have an element of B2C and B2B. When it comes to B2C, we work more closely as partners, so there is a scope for a little bit of an increase of pass-through of cost. But when it comes to B2B business, it's not possible at all to pass on any price increases. So that -- and we have seen a significant cost increase in a lot of our products, so passing those on to the B2B customers will be very difficult.

Tushar Manudhane Motilal Oswal Securities Limited, Research Division - Research Analyst

And is that because of...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

The model has changed quite a bit. It's mostly moving towards B2C from B2B. So there is a bigger percentage of B2C customers today.

Tushar Manudhane Motilal Oswal Securities Limited, Research Division - Research Analyst

Got you. But is it because of the long-term contracts in place where prices are kind of fixed in nature or like -- or is it to do more with the...

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

The prices are not fixed in nature when it comes to B2B customers, but if...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

B2C.

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Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

You essentially try -- B2C customers, apologies, but if you increase the prices, then your product will go into an RFB situation. So that's precisely why we can't really increase the prices. As Granules, we do have the wherewithal to take this short-term hit in profitability, but we do want to protect our volume because that's the nature of our business.

Tushar Manudhane *Motilal Oswal Securities Limited, Research Division - Research Analyst*

Got you. And just lastly on this same aspect. Like while we are doing a good amount of CapEx or capacity expansion for the -- on the paracetamol as well, but is there any scope for doing the backward integration to -- and have this PAP in-house manufacturing to some extent so that we avoid or rather reduce this risk going forward?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

PAP is a chemical, Tushar, and this is made from PNCB. So there are a lot of people who are integrated into PNCB. So they start with, I mean, chlorobenzene and then they make PNCB. And when you make PNCB, you get on ONCB. It is a downstream product in ONCB. So just a individual company making PAP from bought-out PNCB cannot be competitive as they go by. So we have clarified this before. If we want to be integrated in PAP, we need to have a different technology, which we have where we start from nitrobenzene, we don't get any byproducts. But however, the cost of the plant -- the scale has to be very high and also the cost of that plant is going to be very high. So we were encouraging other partners to start production for us, and we were in the process of discussing buybacks with them. And a few people have -- it's in advanced stages. So we will be partnering with people rather than integrating backwards. It's a chemical, and we want to be competitive and use our cash judiciously rather than going into backward integration just for the sake of that. We know we are going to be secure in the future.

Tushar Manudhane *Motilal Oswal Securities Limited, Research Division - Research Analyst*

Understood. And a good amount of this cost increase is already factored fully in the fourth quarter performance, right?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Not full (technical difficulty) there were some raw materials, which were negotiated a few months in advance. So they were not fully accounted for. This quarter, we'll have to encounter higher price increases.

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Tushar Manudhane *Motilal Oswal Securities Limited, Research Division - Research Analyst*

And that's the reason why we are factoring the lower -- I mean, we are indicating the lower margins overall?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

That's right. The first quarter is going to be not that great. And overall, the year will -- it will pick up in the subsequent quarters, but the whole year, we want to be cautious. We don't know what's going to happen.

Operator

The next question is from the line of Abdul Puranwala from Anand Rathi.

Abdulkader Puranwala *Anand Rathi Financial Services Limited, Research Division - Research Analyst*

Sir, my first question is with regard to the U.S. launch. So in the last 6 to 9 months, we have got a couple of approval for MUPS products, potassium chloride being one of those. So sir, what is the status on launch of this product? Have you already launched this in U.S.? Or is it planned and...

Operator

Sorry to interrupt, Mr. Puranwala. Sir, there's a disturbance coming from your line, sir.

Abdulkader Puranwala *Anand Rathi Financial Services Limited, Research Division - Research Analyst*

Yes. Is it better now?

Operator

Yes, sir.

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Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Yes, much better.

Abdulkader Puranwala Anand Rathi Financial Services Limited, Research Division - Research Analyst

Yes. So sir, my question was on the MUPS product. So we had got a couple of approvals in the last 6 to 9 months. So have we launched these products? Or this has been lined up for FY '22 or '23?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Priyanka?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

Yes. I don't want to talk about product specifics here, but we have launched the MUPS products that we have received approval for. We still have 1 that's pending launch, which we'll launch in Q1, Q2 of this fiscal. And apart from that, we also have other MUPS based products in our U.S. site, which have all been launched.

Abdulkader Puranwala Anand Rathi Financial Services Limited, Research Division - Research Analyst

Sure. And -- yes, my second question is with regards to the margin guidance of somewhere around 20%, which is close to our historical rate. So, sir, are we building any cost element coming off from the MUPS side towards the Vizag plant, which will be up and running this year. So are we factoring some cost increase on that point as well in the guidance?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Yes, there will be some cost increases there because the plant will come up, but it will not be -- it will only be in the last quarter possibly, and there would not be too much production coming through the plant.

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Abdulkader Puranwala Anand Rathi Financial Services Limited, Research Division - Research Analyst

Sure, sir. And what finally...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Mainly, it would be due to cost of -- increases in raw material prices and shortage of raw materials and, let's say, capacity utilization.

Abdulkader Puranwala Anand Rathi Financial Services Limited, Research Division - Research Analyst

All right. And yes, just final question, if I may. So sir, in your opening remarks, you mentioned that the paracetamol capacity is operating at 45% capacity. So how do we see an improvement in this utilization from Q2, Q3 onwards? I'm considering that there would be still some uncertainties with the supply side. So by when would we expect the supply or the capacity utilization to resume back to the previous level?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

I would say end of Q4 they would be back to normal. And it will be a slow ramp up. Q2 will be a little possibly better than Q1, and Q3 will be better. That's how it's going to go on. Because we have reassured that we're going to get some materials from domestic capacities that are coming up. So there will be a slow ramp up.

Operator

The next question is from the line of Ranvir Singh from Sunidhi Securities.

Ranvir Singh -

Congratulations for good number despite the challenges. So my question is around the guidance you've given earlier of having PAT growth of 20% to 25% during '21 to '23 on CAGR basis. So are we still standing with it?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

If you take a 3-year CAGR, yes, Ranvir. But if you just see this year, we are saying it's going to be around 20%, '22 versus '21.

Ranvir Singh -

One year growth you're saying, '22 will be...

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. CAGR, yes; 3-year CAGR, we expect will definitely do -- yes, we are very confident of 20% to 25%.

Ranvir Singh -

Okay, okay. And any ballpark number on revenue growth in '22?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

'22, we see about 15% to 20% revenue growth from -- over '21.

Ranvir Singh -

Okay. Okay. And just for clarity, you said that i MUPS product has been launched. So that potassium chloride has been launched?

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Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Priyanka?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

We don't want to get into -- I don't want to get into product specifics at this point, Ranvir.

Ranvir Singh -

No. With the perspective in last call, you had mentioned that by April, we'll be launching potassium chloride. So that I want to...

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

No, no. I don't think we took the names of any product, but we have launched the 1 product from India that we got approval for, that's MUPS based.

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

That answers your question, Ranvir?

Ranvir Singh -

Yes, yes, yes. Okay. And just one more, if I can. I see that margin-wise, we had around -- loss on API due to paracetamol and so bigger loss on EBITDA also on API segment, still we have a higher EBITDA. So I think, formulation segment has contributed more on EBITDA or it's the PFI, which has contributed...

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Both have contributed, formulations more than PFI, but both have contributed. APIs have actually gone down, and these 2 PFIs and FDs have contributed. I think there was a slide in our presentation, which clearly depicts this.

Operator

(Operator Instructions) The next question is from the line of Kunal Dhamesha from Emkay Global.

Kunal Dhamesha *Emkay Global Financial Services Ltd., Research Division - Senior Healthcare Analyst*

The first question is related to the para-aminophenol. So our guidance of 30% EBITDA margin, does that assume significant deflation in PAP prices in, let's say, quarter 3 or quarter 4? Or does that assume similar pricing, which we are getting on PAP right now?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Quarter 4, we are optimistic that the prices are going to come down. And yes, it's based on a little optimism for Q4.

Kunal Dhamesha *Emkay Global Financial Services Ltd., Research Division - Senior Healthcare Analyst*

Sure. And secondly, when we say we are partnering with some of the local players for PAP. The contracts that we are entering in right now, are those kind of a fixed price contract in terms of we'll buy at certain price because they will also be incurring CapEx or maybe for us and maybe 2, 3 other players. So are we entering into a fixed-price contract with them on PAP? Or it will be a market-based price at which we'll buy PAP from them?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

It will be a combination of many things. It will be a combination of raw material prices formula and also market pricing. It will be a little complex the way we operate this.

Kunal Dhamesha *Emkay Global Financial Services Ltd., Research Division - Senior Healthcare Analyst*

Okay. So maybe a certain part would be raw material plus the margin and then there will be some caveat saying that the market sizes are above this and something like that?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. I think you're -- yes, you're right. You're close to the idea.

Operator

The next question is from the line of Mitesh Shah from ICICIdirect.

Mitesh P. Shah *ICICIdirect.com, Research Division - Research Analyst*

Just looking at your guidance about the 20%-plus CAGR for next year, then the FY '21, you're expecting 20% kind of margin? So are you expect that from the FY '23 onwards your -- is the raw material pricings are coming down or it's normalizing? Can we achieve the FY '21 kind of margin in FY '23?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes, 25% EBITDA is what we always plan. I've been saying that is what we are optimistic about. And definitely, considering that FY '22 is going to be 20%, and we are expecting between 20% and 25% in 3-year CAGR. '23 and '24 are going to be close to 25%. * (please see note above)

Mitesh P. Shah *ICICIdirect.com, Research Division - Research Analyst*

Okay. And the -- about your INR 1,000 crore CapEx plan for next 3 years. So I believe that major CapEx would be coming in FY '22, right? Can you give any guidance about that?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Not major. FY '22, we expect to spend INR 400 crores in '22. And the rest of the INR 600 crores is spread over '23 and '24.

Mitesh P. Shah *ICICIdirect.com, Research Division - Research Analyst*

And the new domestic capacity coming -- raw material capacity for paracetamol, is it sufficient that -- largely to replace the Chinese player?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Definitely, I wouldn't say replace, it will be close to the capacity of the Chinese player, which would make sure that there's enough raw material around. But there will also be the Chinese player coming back. So there's going to be, I mean, I would say, lot of surplus material in the market.

Operator

The next question is from the line of Praful Bohra from Systematix.

Praful Bohra *Systematix Shares & Stocks (India) Ltd., Research Division - Research Analyst*

Sir, on one of the previous points that you mentioned about price increase is not possible in B2C segment. I'm just trying to understand this a little better. Because, see, typically, the PAP price increase would be true for the entire market. And all the contracts would have some price escalation clauses there, right? So I mean how does it exactly work that we still are not able to take any price increase there?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Priyanka, you want to say that -- answer that?

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

Sure. Sure. So the contract that you have with B2C customers are definitely different than the contracts that you have with your B2B partners. And the flexibility of passing on any cost increases is highly unlikely. It's not that there's a fixed cost, but if you need to be competitive in the market, you have to make sure that you don't increase prices. Because if you do, like I said earlier, there is a chance that the product will go into an RFB, which essentially means that they put it out to bid, and you might lose the volume because you don't know what the other -- your competition will necessarily good at.

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Praful Bohra *Systematix Shares & Stocks (India) Ltd., Research Division - Research Analyst*

So this can be true if it is a company-specific issue and the prices are increasing only for one company. If the prices are increasing for the entire market, then logically, the market price itself should go up.

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

Yes, sorry. So price increase for the market, in that -- cost increases are different than price increases. In that, if my cost is increasing, I might not necessarily -- as XYZ supplier, if I have a big, big basket of products, for example, I might not necessarily want to pass it on, on this product. I might pass it on for another product or I might just ask a higher price. Or -- you look at the entire basket as a whole. But when it comes to product specifics, you might not necessarily raise the prices because my profitability threshold can be completely different than what XY -- other company's profitability threshold might be. But for us, we look more at the volumes that we're getting from specific products. And like I said, any short-term hit, we can certainly take. But if it continues going for a much longer period, then we'll have to, we'll look at how the situation will play out.

Praful Bohra *Systematix Shares & Stocks (India) Ltd., Research Division - Research Analyst*

Okay. And so, say, suppose if the situation continues for another quarter or so, do we run the risk of non supply in the U.S. and hence the penalties?

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

No, no. We are actually proactively building our inventories to up to 6 months of inventory right now because of the uncertainties involved. Not only on -- like our production at the Indian sites and the U.S. sites are going on at close to 100%, but it's sourcing, being able to source the raw materials on time, logistics, et cetera that could delay having product in stock and full -- in our warehouse here. So we are proactively building up inventory for the near future. So I don't see any disruptions happening at the moment.

Operator

The next question is from the line of Darshit Shah from Nirvana Capital.

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Darshit Shah -

Sir, on the PAP side, you said one of the largest Chinese customer is shifting. Sir, can you just let us know how much production is coming up in India over next 1 or 2 quarters, you said?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

You're talking of India, you said, right?

Darshit Shah -

Yes, yes.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. I think it could be close to the total capacity what the Chinese supplier had. And it could be somewhere around, I would say, 35,000, 40,000 tonnes per annum.

Darshit Shah -

Okay. And the Indian players like Sadhana Nitro and another (inaudible) group company, Valiant Organic which are coming up. So are we in talks with them for supplying PAP to us?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes, yes. This is a priority thing. We are on top of it. And again, we have short-term plans, medium-term and long-term plans for the whole thing.

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Darshit Shah -

Okay. Got it, sir. And sir, on the margin guidance which you have given, and on FY '22 what you are saying is probably we might end up doing 20% PAT growth over FY '21. But sir, that -- I mean, if the margins are going to fall from 26% to 20% this year, I mean, I don't know, I mean, the revenues have to grow quite a bit to kind of outpace the PAT growth over FY '21? I know, I mean, either you're conservative on the margin side this year? Or probably -- I mean, there is some kind of mismatch I see.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Not a great mismatch. There maybe a few percentage points, Darshit, not a great mismatch. But I mean, if you have some clear numbers, you can send it to us, we can clearly come back and explain that better. *(please see note above)

Operator

The next question is from the line of Tushar Bohra from MK Ventures.

Tushar Bohra -

Commend the management for a steady performance in the -- in light of all the troubles on the PAP side. Sir, a couple of points. First, just on the gross margin, just wanted to quickly clarify. Is there any positive one-off on the gross margin side for any of the other products? Or if I may, if -- once the paracetamol situation eases out, do we expect that the gross margins actually should be higher if there is no one-off in the other parts?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

There is to some -- I won't say one-off, but one of the reasons for gross margin increase is also buildup of inventory. As Priyanka mentioned sometime ago, we've built up a lot of inventory in India and in the U.S. and as you know, the overheads on the inventory makes a difference, that adds to the gross margin a bit. So that's one of the reasons. And also, overall, the product mix and the new launches have made a little positive contribution. And to answer your

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question, we'll have to see how things go. As of today, it's a situation, but it is a very dynamic world in B2C marketing. So we are trying to be a little conservative.

Tushar Bohra -

Fair enough, sir. Second, on the U.S. business itself, on the new launches, how have they performed, any qualitative or quantitative comments in terms of market share or what has been better than expectations and so on?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Priyanka?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

I'll take that question, Tushar. I think we have been able to launch every product that we have worked on launching. We still have a couple of launches that are still -- sorry, it's a couple of approvals that are still pending launch. And again, it's all because we do want to take a conservative approach when it comes to COVID. We want to make sure that we line up our supply chain well ahead of being able to launch into the market. But in terms of all the products that we have launched, we do have a decent market share. And I think we'll continue to keep growing the market share as we go forward, but not at the cost of profitability. So we're not in the game of just slashing prices and getting into the market.

Tushar Bohra -

Yes. But if I read your -- the bunching up of new launches combined with the ANDAs that you're also sort of taking on from others, I see an aggression overall in approaching the U.S. market in terms of building the formulation side. If you can just help us understand the strategy on these other products that you've -- the tech transfer is happening for 7 products you mentioned. What is the strategy for complementing additions to the portfolio? And overall, what is the strategy for the next couple of years, how we see Granules formulation building up in U.S. and Europe as well?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

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So this actually ties into somebody's question earlier on CapEx and what gives us the confidence of incurring this much CapEx. See, I think the game, especially now with how dynamic the finished dosage industry is in the U.S. market, we do have competitors. And as Granules, we do have competitive advantage on a lot of products. But there are other factors that kind of come into play when it comes to getting market share. And like I said, we're not in the game of just reducing prices and trashing the market to be able to get in. So sometimes your pickup might be a little bit later than you expect it to be. In that if you expect to get to a certain level of market share this year, it might take you an additional 6 months or 1 year to get to that point.

So we do believe that you need a basket of products to get into -- to play very strongly in the U.S. market, primarily because end of the day, there's a lot of consolidation in the U.S. market and the bigger suppliers do take the cake because they do have a basket of products to play with them. That said, we are not diverting too much from our strategy that we have set of focusing on a few molecules where there is a competitive advantage. So we are linking all the acquisitions that we have and all the future products that we are -- that are under development, which together comes to about 44 products to some level of backward integration, some level of complexity on a finished dosage front or some level of strategic partnerships that we are building on a KSM front.

So everything is linked. And we will have some products in the basket that are going to just sit in the basket that we might not launch immediately. But as we see the need for them to be launched, we will launch them. I hope I've been clear.

Tushar Bohra -

Yes. So -- and what I also understand from your response is that overall, as we are looking at building a much stronger formulation piece and also as we are backward integrating on most of our critical products, especially in light of what has happened last with PAP also now, overall, I think as we scale up the business, our margins -- gross margins in particular should start to look more like they are for some of the larger generic players in U.S. from India, where gross margin profile is much stronger. We should be moving in that direction?

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

I would -- we are moving in that direction. We do have some more complex generics also coming in. But if you look at any of our large competitors, they have a mix of different regions. They're not just talking about the U.S. market when they talk about gross margins, right? And the U.S. market, while it is very helpful when it comes to margins, it still is highly competitive. So yes, I do think the gross margin profile will certainly improve. But if you ask me about competitive landscape, we'll have to look at specific companies and the mix of markets that they have versus the mix of markets we have.

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Tushar Bohra -

If I can squeeze in one last very quickly, I -- just back of the hand calculation next 3 years, if the profit guidance that we're giving, say, between 20%, 25% CAGR, we should generate somewhere in the vicinity of INR 2,300 crores to INR 2,500 crores PAT and adding depreciation will be probably closer to INR 3,000 crores of operating free cash. Ex of CapEx and working capital, we should still have about anywhere between INR 800 crores to INR 1,000 crores of free cash flow. Any sense on where that money can incrementally be invested? Any specific areas that you guys are very interested in beyond MUPS, somewhere 3- to 5-year horizon?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Now let me take that. So there's also a payback of some -- the long-term debt, which we have and there will be some -- as business grows, there will also be a working cap need. So after taking care of all these things, I don't think we will have the INR 3,000 crores, like you said. But we will be in a comfortable cash position. And like I repeatedly say, we are -- we don't need debt to fund our expansions. And as we see more opportunities and we see cash available, we will utilize the cash. We are not going to just build up cash, and we're going to be -- make productive use of the cash, which we generate. We are always looking for newer opportunities. We are looking for other areas of growth like other dosage forms. So we are working on our strategy. This is an ongoing thing.

Operator

The next question is from the line of Mohit Mandhana from Fidelity.

Mohit Mandhana -

Sir, I have actually same question which one of the other participant asked on FY '22 guidance. So what we are saying is 20% revenue growth. And we are seeing our margins -- EBITDA margins go down from, let's say, 26% or so to 20%. In that scenario, how can our PAT growth be 20% in FY '22?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

It depends on the product mix, Mohit. If the product mix changes, the margins also will change in certain products. But like I said, we can have a very detailed working on this, and we can interact, definitely.

Mohit Mandhana -

Okay. But (technical difficulty)

Operator

Sorry to interrupt, sir, your voice is not audible.

Mohit Mandhana -

Sorry. The order mix changes, et cetera, all factored in this 20% EBITDA margin guidance?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. You're right. You're right. There could be a little variation in what we are saying. One of these things like the previous question, there could be a little mismatch, but we will give exact details. That's not an issue. That's a slight mismatch.* (please see note above)

Mohit Mandhana -

Okay. But you are still sticking to sort of 20% kind of PAT growth in FY '22?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. No, top line is never a very important thing for us. Yes, PAT growth of 20%, yes, we will definitely -- we are very confident. And EBITDA could be fluctuating here and there. We will see how it goes.

Mohit Mandhana -

So 20% PAT growth in FY '22 and over the next 3 years, CAGR of 20% to 25%?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

That's right. That is something which we are very clear about.

Operator

The next question is from the line of Mithun Soni from Geecee Investments.

Mithun Soni *Geecee Investments Limited - Research Head & Fund Manager*

Yes. Just -- most of the questions have been answered. One question on paracetamol. So you -- how much of the cost increase would have been passed on this quarter? And how much more price increase you will still need to take in Q1? And also, if you can just give broadly the trajectory of how do you see the volume ramp-up as well as the margin impact for Q1, Q2, Q3. If you can just give some ballpark idea?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Look, first of all, passing on any more increases, it's not possible. The market is already -- I mean the prices have gone up so high. I don't think the market can absorb anything more. So that is ruled out. And we did pass on some increases last quarter, but not the full increase, like we said. So that's why we see the margins going to be under pressure in this current quarter as raw material prices go up, and we are not able to pass on.

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Mithun Soni Geecee Investments Limited - Research Head & Fund Manager

So if I can interrupt here, so let's say, you say -- let's say for -- in Q4, let's say, your average raw material cost for PAP and all the other raw materials for paracetamol was 100 -- a base of 100, how much will that be in Q1, raw material cost? Your price has -- your price will not increase, but you said that you still had some low price raw material, which -- and the full impact will only come in Q1. So how much should the base increase be in the raw material cost in Q1?

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Maybe another 20% or so, the cost will increase.

Mithun Soni Geecee Investments Limited - Research Head & Fund Manager

Okay. Okay. So Q1 will be the least of the margins. But then, sir, in Q1, if it's only 20% and in Q4, we have seen about 25% EBITDA margin. And can we see a sharp drop all the way to 20 -- even if I take 20% cost increase in the raw material only for one portion of the product, we...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

We cannot make the [arithmetic flow] in so much detail. There is a lot of uncertainties around, so we cannot say it will be only 20% or whatever. We just have to take it as it comes.

Mithun Soni Geecee Investments Limited - Research Head & Fund Manager

Okay. Okay. But -- and just one -- what is the current Q1 utilization of the plant we are expecting for paracetamol?

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Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes, it would be around the same, maybe 2% more because some domestic PAP is coming in. So it maybe 2%, 3% more, but around the same level. And this also we are looking into this.

Operator

The next question is from the line of Deepan Sankara Narayanan from TrustLine PMS.

Deepan Sankara Narayanan -

Congratulations for good set of numbers. So firstly, I wanted to understand what is the contribution of GPI for full year in terms of revenue and EBITDA?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

GPI was -- go ahead Priyanka.

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

GPI was about 15% to 17% of the overall top line. And EBITDA, I don't think we're getting into EBITDA specifics right now.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

But overall yearly revenue is about INR 500 crores. And I think, we'll -- let's not talk about EBITDA.

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Deepan Sankara Narayanan -

And we are quite happy to see that promoter pledging has come down from 38% to 10% currently. So any guidance on pledging when it will be removed fully?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

It's not -- less than 10%. It's around 5%, 6%...

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

It's actually 3.8% of the overall shareholding right now.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

no, no, out of the promoter's shareholding, it's about 6% of my shareholding. And don't think this is a serious issue. So -- I mean, when it was an issue, we were very cautious and we were doing our best to -- by every means to reduce it. So not a pressing issue, but maybe in the next 1 or 2 quarters, it will actually extinguish itself without any great efforts.

Operator

The next question is from the line of Rashmi Sancheti.

Rashmi Sancheti -

Yes. Just want to understand more on the R&D part, how much are we planning to spend in FY '22? Because this year, the R&D, overall, the activity was very low. So if you can guide for FY '22 and FY '23?

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Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

I don't think the R&D was necessarily very low in terms of spend. We guided to a total R&D spend of about INR 150 crores for this year, out of which we've spent about INR 100 crores. And we did about 6 to 9 filings depending on the region, and we also have another 37 products that are under development now. But going forward, at the moment, we do -- we plan on spending about a minimum of INR 150 crores every year.

Rashmi Sancheti -

Okay, ma'am. So basically, this would be more towards GPI? I mean if you can give some kind of breakup like how much it would be spent on GPI products and how much on the India?

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

I wouldn't necessarily say GPI and India products because R&D is pretty much the same for us. I would talk maybe in terms of medium to high-volume integrated products versus the more, I think, I would say, opportunity products. The split, like we mentioned in our R&D presentation a few -- in our, sorry, investor presentation, a few quarters ago, would be between 70%, 75% for the former and 20%, 25% towards GPI product -- or, sorry, low volume opportunity product.

Rashmi Sancheti -

70%, 75% you said on the medium...

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

High volume integrated -- medium high-volume integrated product.

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Rashmi Sancheti -

Okay. Okay. And again, a little bit again on gross margin. So I think we ended this year giving 57% gross margins. I understand that there was a favorable business mix as well as the product mix. So from Q1 would be bad, but for FY '22, are we going to see a very steep fall of, say, 600 to 700 basis point from the current gross margin level? Or it would be just 200 to 300 basis point dip because we will be doing a good number of launches also, right?

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

So I've just said this will...

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Go ahead, Priyanka.

Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

Like CMD said, we were...

Rashmi Sancheti -

Sorry, go ahead, go ahead.

Krishna Prasad Chigurupati Granules India Limited - Chairman & MD

Around 52% or so.

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Rashmi Sancheti -

Okay. So 50% to 53% is what -- is something which is sustainable, even though if the raw material prices are high?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

That's right. But this is all a very hypothetical situation today. That's why we are erring on the conservative side and giving the bottom line number. So exact arithmetic cannot be predicted here. But around 52% or so is -- yes, that's where we will go to, or maybe 51% let's see.

Rashmi Sancheti -

Okay. And sir, what is happening on the PFI business? Because I think this year, we have seen a very sharp growth. So is it something that this is -- this growth is sustainable or it is not sustainable? Or is it that we have received some onetime orders, which is not going to be recurrent in the future?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

I have every -- I have no reason to believe it's not sustainable. It is sustainable, and most of the growth has come in from Lat Am and Europe.

Rashmi Sancheti -

Lat Am and Europe. So you mean to say that this...

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

New customers, and definitely, it's the effect of result of a lot of BD in the past few years.

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Rashmi Sancheti -

Okay. And this kind of growth, which is like 30 -- 40%, 45% is something which is sustainable even in the future?

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

Yes. I mean, PFIs may not really keep growing to that level, but we will be making growth in every area. PFI will definitely grow at a lesser pace. Because it's -- one can say, new customers were added, it happened. So let's see how many customers will be added in the next coming few years.

Rashmi Sancheti -

Okay. And sir, last one question. Priyanka, if you can just tell me with FY '21 close, how many total products are currently in the U.S., I mean, total number of launched products in the U.S. market, cumulative?

Priyanka Chigurupati *Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.*

U.S. market, we -- I would say, North American market, we have 31.

Operator

Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Krishna Prasad Chigurupati *Granules India Limited - Chairman & MD*

So ladies and gentlemen, once again, thank you very much for attending our call. And again, in these stressful times, I wish all of you stay safe. Thank you very much.

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Priyanka Chigurupati Granules India Limited - Executive Director of Granules Pharmaceuticals Inc.

Thank you.

Operator

Thank you. On behalf of InCred Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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