Press Release

Alkem reports Q1FY19 Results

Mumbai, August 10, 2018: Alkem Labs Ltd (Alkem) today announced its consolidated financial results for the quarter ending June 30, 2018. These results were taken on record by the Board of Directors at a meeting held in Mumbai today.

Key financial highlights of Q1FY19

- Revenue from Operations was Rs.16,695 million, year-on-year growth of 27.2%
  - India sales were Rs.10,906 million, year-on-year growth of 25.7%
  - International sales were Rs.5,479 million, year-on-year growth of 35.1%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.2,142 million, resulting in EBITDA margin of 12.8% vs. 7.2% in Q1FY18. EBITDA grew by 127.0% YoY
- R&D expenses for the quarter was Rs.986 million, or 5.9% of revenue from operations compared to Rs.701 million in Q1FY18 at 5.3% of revenue from operations
- Profit Before Tax (PBT) was Rs.1,718 million, a growth of 112.9% compared to Q1FY18
- Net Profit (after Minority Interest) was Rs.1,362 million, year-on-year growth of 90.3%

In order to streamline its distribution process, the Company has made changes in its distribution policy due to which some portion of its India sales got deferred from Q1FY19 to Q2FY19. Adjusting for this change in distribution policy, the India sales would have reported a higher growth rate, leading to higher growth in the revenue from operations and better EBITDA margin in Q1FY19.

Commenting on the results, Sandeep Singh, Managing Director, Alkem said, “Financial year 2019 has started on a positive note with our Q1FY19 revenues growing at a healthy pace and Daman facility receiving an EIR from the US FDA. Both our key markets of India and the US reported robust growth driven by strong brands, effective sales and marketing strategies and new product launches. In order to continue with our growth momentum going forward in this rapidly evolving global pharmaceutical landscape, we have made significant investments in our infrastructure, capabilities and our people over the last two years. We are looking forward to leverage these investments to deliver a sustainable and a profitable growth going ahead.”

Operational Highlights

India Business

In Q1FY19, the Company’s India sales grew by 25.7% YoY, recording a sales of Rs.10,906 million as compared to Rs.8,675 million in Q1FY18. Adjusting for the change in distribution policy, the India sales growth was even higher.

As per IQVIA MAT June 2018, during the quarter, the Company registered value growth of 14.2% YoY, outperforming the Indian Pharmaceutical Market (IPM) growth of 10.6% YoY. In most of the large
therapy segments like Anti-infectives, Gastro Intestinal, Vitamins / Minerals / Nutrients, Neuro / CNS, Cardiac and Anti-diabetes, the Company grew significantly ahead of the segment growth rate, thereby gaining market share and improving its market ranking. This was a result of its strong brands, effective sales and marketing strategies, robust supply chain and distribution network and contribution from new product launches. Over the last two years, the Company has also added about 2,000 medical representatives to its field force in order to expand its reach in the India pharma market and enter newer therapy segments.

The performance highlights in the key therapeutic segments in Q1FY19 is as shown in the table below:

<table>
<thead>
<tr>
<th>Key Therapy segment</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Alkem Rank</td>
</tr>
<tr>
<td>Anti-infectives</td>
<td>1</td>
</tr>
<tr>
<td>Gastro Intestinal</td>
<td>3</td>
</tr>
<tr>
<td>Pain / Analgesics</td>
<td>3</td>
</tr>
<tr>
<td>Vitamins / Minerals / Nutrients</td>
<td>4</td>
</tr>
<tr>
<td>Neuro / CNS</td>
<td>8</td>
</tr>
<tr>
<td>Derma</td>
<td>16</td>
</tr>
<tr>
<td>Cardiac</td>
<td>26</td>
</tr>
<tr>
<td>Anti-Diabetic</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
</tr>
</tbody>
</table>

*Positive change in rank reflects improvement over same period previous year

Source: IQVIA MAT June 2018

International Business

In Q1FY19, the Company’s International sales grew by 35.1% YoY, recording sales of Rs.5,479 million as compared to Rs.4,057 million in Q1FY18.

- **US sales** for the quarter was Rs.4,237 million, recording a year-on-year growth of 43.1%.
- **Other International Markets sales** for the quarter was Rs.1,242 million, recording a year-on-year growth of 13.4%.

R&D Investments

Company’s revenue R&D expenses for the quarter was Rs.986 million, or 5.9% of revenue from operations.

During the quarter, the Company filed 4 abbreviated new drug applications (ANDAs) with the US FDA and received 2 approvals (including 1 tentative approval).

As on June 30, 2018, the Company has filed a total of 110 ANDAs and 1 new drug application (NDA) with the US FDA of which 49 are Para IV filings including first-to-files (FTFs). Of these, it has received approvals for 51 ANDAs (including 7 tentative approvals) and 1 NDA.
Q1FY19 Conference Call at 5:00pm IST, August 10, 2018

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, August 10, 2018 from 5:00 pm to 6:00 pm IST to discuss its Q1FY19 financial results.

Alkem Laboratories Ltd. will be represented on the call by Mr. Sandeep Singh, Managing Director and the senior management team.

Motilal Oswal Securities will host the call.

Details of the conference call are as under:

Time: 5:00 pm to 6:00 pm IST (GMT + 5:30) on Friday, August 10, 2018.

Dial in Details:
India : +91 22 6280 1149 / +91 22 7115 8050

International Toll Free
USA : 1 866 746 2133
UK : 0 808 101 1573
Singapore : 800 101 2045
Hong Kong : 800 964 448

You are requested to dial in 10 mins ahead of the scheduled start time. A transcript of this conference call will also be available on our website www.alkemlabs.com

About Alkem Laboratories Ltd.
Established in 1973 and headquartered in Mumbai, Alkem (NSE: ALKEM, BSE: 539523, Bloomberg: ALKEM.IN, Reuters: ALKE.NS) is a leading Indian pharmaceutical company with global operations, engaged in the development, manufacture and sale of pharmaceutical and nutraceutical products. The Company produces branded generics, generic drugs, active pharmaceutical ingredients (APIs) and nutraceuticals, which it markets in India and International markets. With a portfolio of more than 750 brands in India, Alkem is ranked the sixth largest pharmaceutical company in India in terms of domestic sales (Source: IQVIA TSA MAT March 2018). The Company also has presence in more than 50 international markets, with the United States being its key focus market.

For more information on Alkem Laboratories Ltd., please visit www.alkemlabs.com

For further information or queries please contact

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Safe Harbor Statement

This presentation contains forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects” and similar expressions. Risks and uncertainties that could affect us include, without limitation:

- General economic and business conditions in India and other key global markets in which we operate;
- The ability to successfully implement our strategy, our research and development efforts, growth & expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Governments in our key global markets;
- Changes in laws and regulations that apply to our customers, suppliers, and the pharmaceutical industry;
- Increasing competition in and the conditions of our customers, suppliers and the pharmaceutical industry; and
- Changes in political conditions in India and in our key global markets.

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements. Any forward-looking statement or information contained in this presentation speaks only as of the date of the statement. We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events, unless it is required by Law.
Key Highlights of Q1FY19

A positive start to the financial year 2019

- **India Business:** In Q1FY19, India sales grew by 25.7% YoY. Adjusting for the change in distribution policy, the growth was even higher. India sales were impacted in Q1FY18 on account of GST rollout
  - The Company outperformed the IPM with growth of 14.2% compared to IPM growth of 10.6% (Source: IQVIA data)

- **International Business:** Company’s International Business comprising of the US and select international markets registered a robust growth of 35.1% YoY for the quarter ended June 30, 2018

- **US Business** grew by 43.1% YoY, driven by new product launches and market share gain in existing products

- **R&D** – Company’s R&D expenses increased by 40.7% YoY and was at 5.9% of revenue from operations. The Company filed 4 ANDAs with the US FDA during the quarter

- **Received 2 ANDA approvals from the US FDA** during the quarter including one tentative approval

- **Update on the US FDA inspection at Daman:** The Company received an EIR from the US FDA for its Daman facility in July 2018, thereby successfully closing the inspection
Key Financial Highlights – Q1FY19 (Consolidated)

Revenue from Operations

<table>
<thead>
<tr>
<th></th>
<th>Q1FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,125</td>
<td>16,695</td>
</tr>
</tbody>
</table>

YoY: 27.2%

India sales

<table>
<thead>
<tr>
<th></th>
<th>Q1FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8,675</td>
<td>10,906</td>
</tr>
</tbody>
</table>

YoY: 25.7%

International sales

<table>
<thead>
<tr>
<th></th>
<th>Q1FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,057</td>
<td>5,479</td>
</tr>
</tbody>
</table>

YoY: 35.1%

Notes: Post implementation of GST with effect from July 1, 2017, revenue from operations is disclosed net of GST. Revenue from operations for earlier periods includes excise duty. Accordingly, revenue from operations for the quarter ended June 30, 2018 is not strictly comparable with that of quarter ended June 30, 2017.

Adjusting for the change in distribution policy, YoY growth in Q1FY19 was even higher.
Key Financial Highlights – Q1FY19 (Consolidated)

Gross Profit and Gross Margin

- Q1FY18: 7,502 (57.2%)
- Q1FY19: 10,034 (60.1%)

YoY: 33.8%

EBITDA and EBITDA Margin

- Q1FY18: 944 (7.2%)
- Q1FY19: 2,142 (12.8%)

YoY: 127.0%

Adjusting for the change in distribution policy, EBITDA margin in Q1FY19 was higher than 12.8%.

PBT (before Minority Interest)

- Q1FY18: 807
- Q1FY19: 1,718

YoY: 112.9%

PAT (after Minority Interest)

- Q1FY18: 716
- Q1FY19: 1,362

YoY: 90.3%
India Business

India Business: Q1FY19 Sales of Rs.10,906 million (25.7% growth YoY)

- India sales contributed 66.6% to total sales in Q1FY19
- Adjusting for the change in distribution policy, YoY growth during the quarter was even higher
- The Company has added about 2,000 MRs in the last two years as it entered new therapy segments and expanded its reach in the India Pharmaceutical Market (IPM). Its current field force strength is 8,000+ MRs
- For the quarter ended June 30, 2018, the Company continues to feature amongst the top 5 companies in the acute therapy areas of Anti-infectives, Gastro-intestinal, Pain / Analgesic and Vitamins / Minerals / Nutrients (Source: IQVIA data)
- The Company continued its strong growth performance in the chronic therapy areas of Cardiac, Anti-diabetes, Neuro / CNS and Derma, thereby improving its market share and rankings. The Company currently ranks as the 8th largest company in the CNS / Neuro segment for the quarter ended June 30, 2018 (Source: IQVIA data)

Q1FY19 – India Sales (Rs mn)

<table>
<thead>
<tr>
<th></th>
<th>Q1FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>YoY Growth</td>
<td>25.7%</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>8,675</td>
<td>10,906</td>
</tr>
</tbody>
</table>
India Business – Secondary Sales Performance

Outperformance across all the major therapeutic areas in Q1FY19

**Established therapeutic areas of Alkem**

<table>
<thead>
<tr>
<th>Therapeutic Area</th>
<th>Alkem sales growth YoY¹,²</th>
<th>Indian pharma industry sales growth YoY¹,²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-infectives</td>
<td>15.2%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Gastro-intestinal</td>
<td>16.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Pain/ Analgesics</td>
<td>3.9%</td>
<td>7.6%</td>
</tr>
<tr>
<td>Vitamins/ Minerals / Nutrients</td>
<td>16.4%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

**Emerging therapeutic areas of Alkem**

<table>
<thead>
<tr>
<th>Therapeutic Area</th>
<th>Alkem sales growth YoY¹,²</th>
<th>Indian pharma industry sales growth YoY¹,²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anti-diabetic</td>
<td>29.2%</td>
<td>13.7%</td>
</tr>
<tr>
<td>Neuro/ CNS</td>
<td>16.7%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Cardiac</td>
<td>21.8%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Derma</td>
<td>16.9%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

Source: IQVIA data ¹ Domestic formulations sales; ² For 3 months ended June 30, 2018
US Business

US Business: Q1FY19 Sales of Rs.4,237 million (43.1% growth YoY)

• US sales contributed 25.9% to total sales in Q1FY19
• Growth in the US business was driven by combination of new product launches and market share gains in the existing products
• In Q1FY19, the Company filed 4 ANDAs with the US FDA and received 2 approvals (including 1 tentative approval)
• As on June 30, 2018, the Company has filed a total of 111 ANDAs (including 1 NDA) with the US FDA and has received 52 approvals (including 7 tentative approvals and 1 NDA)
• **Status of the US FDA inspection at Daman:** In the month of July 2018, the Company received an EIR from the US FDA for its Daman plant which was inspected in March 2018, thereby successfully closing the inspection

### Q1FY19 – US Sales (Rs mn)

<table>
<thead>
<tr>
<th></th>
<th>Q1FY18</th>
<th>Q1FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,962</td>
<td>4,237</td>
</tr>
<tr>
<td>YOY</td>
<td>43.1%</td>
<td></td>
</tr>
</tbody>
</table>
Other International Business

Other International Business: Q1FY19 Sales of Rs.1,242 million (13.4% growth YoY)

• Other International Market sales contributed 7.6% to total sales in Q1FY19
• Company’s key markets including Australia and Chile recorded healthy growth for the quarter ending June 30, 2018
Shareholding pattern as on June 30, 2018

Promoter & Promoter Group, 65.92%

Institution, 6.80%

Non-Institution, 27.28%

Institution – Mutual Funds, Alternate Investment Funds, Foreign Portfolio Investors, Financial Institutions / Banks
Non-Institution – Public, Other Bodies Corporates, Clearing Members, Non Resident Indians, Hindu Undivided Family and Trusts
Thank You