



ALKEM LABORATORIES LIMITED

Investor Presentation Q2FY19 – November 2, 2018

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 Q2FY19 and H1FY19

- **India Business:** Adjusted for the change in the distribution policy and GST impact, the India business grew in double digit YoY in H1FY19
 - Company's secondary sales in H1FY19 grew by 16.4% - higher than IPM growth of 12.1% (Source: IQVIA MAT Sep. 2018)
- **International Business:** Company's International Business comprising of the US and select international markets registered a robust growth of 33.7% YoY in H1FY19
- **US Business** grew by 55.3% YoY in Q2FY19 and 49.3% YoY in H1FY19, largely driven by new product launches and market share gain in existing products
- **R&D** – R&D expenses in H1FY19 increased by 27.0% YoY and was at 5.7% of revenue from operations.
- **ANDA filings:** The Company filed 11 ANDAs and received 4 ANDA approvals (including 2 tentative) from the US FDA during H1FY19
- **Update on the US FDA inspections :**
 - July 2018 - Received an EIR from the US FDA for its Daman facility, thereby successfully closing the inspection
 - August 2018 – Inspection at Baddi formulation facility, received zero Form 483
 - August 2018 - Inspection at California (USA) API facility, received zero Form 483

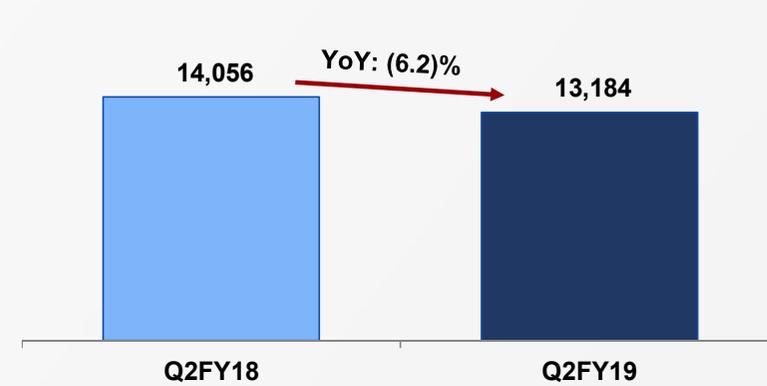
Key Financial Highlights – Q2FY19 (Consolidated)

All figures in Rs mn

Revenue from Operations



India sales*



International sales

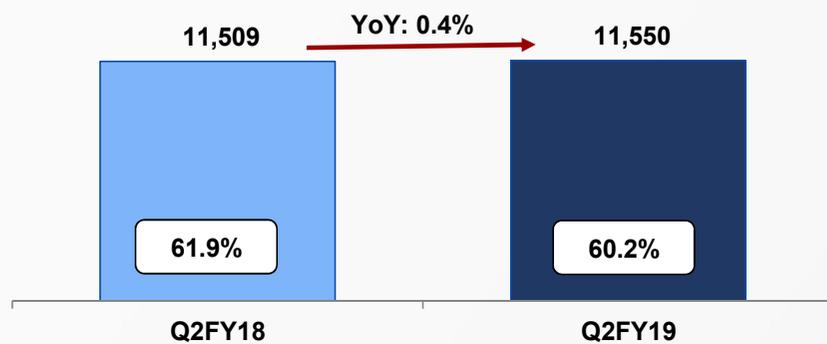


* YoY growth in India sales impacted by high base of Q2FY18 on account of inventory restocking post GST implementation

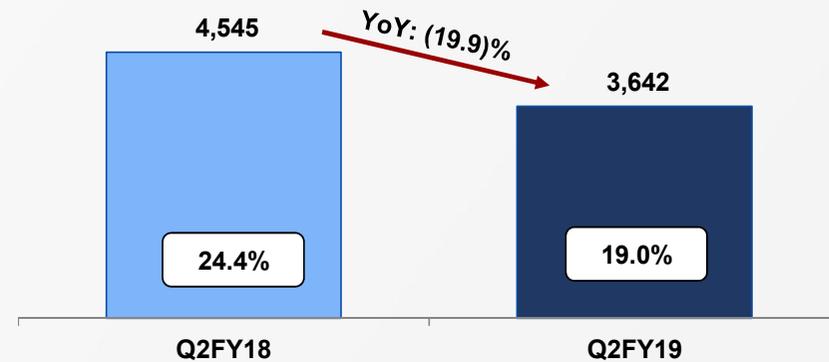
Key Financial Highlights – Q2FY19 (Consolidated)

All figures in Rs mn

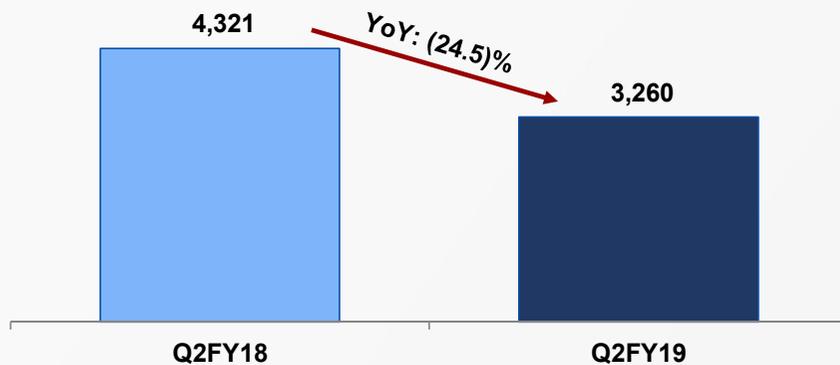
Gross Profit and Gross Margin



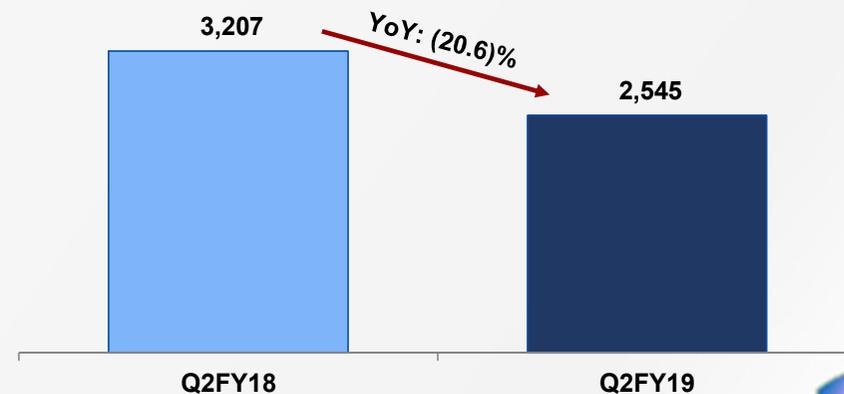
EBITDA and EBITDA Margin



PBT (before Minority Interest)



PAT (after Minority Interest)



Key Financial Highlights – H1FY19 (Consolidated)

Particulars (Rs mn)	H1FY19	H1FY18	YoY growth
Revenue from Operations	35,780	31,680	12.9%
Gross Profit	21,479	18,975	13.2%
Gross Profit margin	60.0%	59.9%	
EBITDA	5,680	5,454	4.1%
EBITDA margin	15.9%	17.2%	
PBT	4,978	5,127	(2.9)%
PBT margin	13.9%	16.2%	
PAT (After Minority Interest)	3,906	3,922	(0.4)%
PAT margin	10.9%	12.4%	
EPS (Rs / share)	32.67	32.80	

Adjusting for the change in distribution policy and GST impact, the underlying growth in India sales in H1FY19 was in double digits implying a higher than reported underlying YoY growth in the overall Revenue from Operations, EBITDA margin and PAT (after minority interest) in H1FY19.

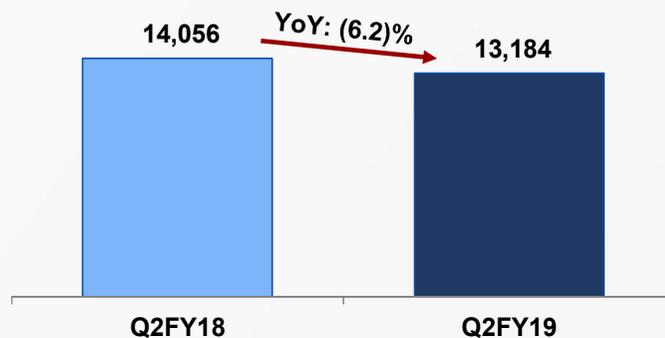
Notes: Post implementation of GST with effect from July 1, 2017 and as per Ind AS 18, revenue from operations is disclosed net of GST. Revenue from operations for earlier periods includes excise duty. Accordingly, revenue from operations for the six months ended September 30, 2018 is not strictly comparable with that of six month ended September 30, 2017.

India Business

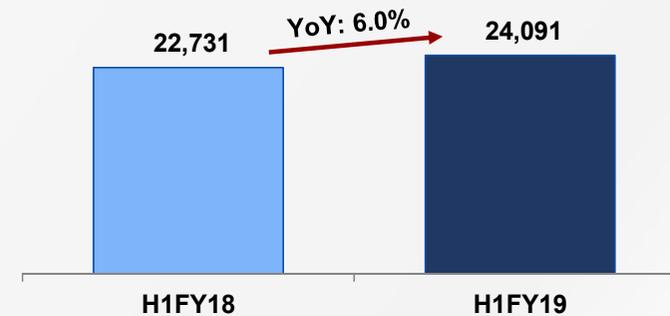
India Business: Q2FY19 Sales of Rs.13,184 million (6.2% YoY decline)

- YoY growth in India sales was impacted by high base of Q2FY18 on account of inventory restocking post GST implementation
- India sales contributed 69.4% to total sales in Q2FY19
- In Q2FY19 and H1FY19, Company's secondary sales growth outperformed the IPM growth by more than 400 bps (Source: IQVIA data)
- The Company continues to consolidate its position 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 continues to grow significantly ahead of the segment growth rate 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 six months ended September 2018 (Source: IQVIA data)

Q2FY19 – India Sales (Rs mn)



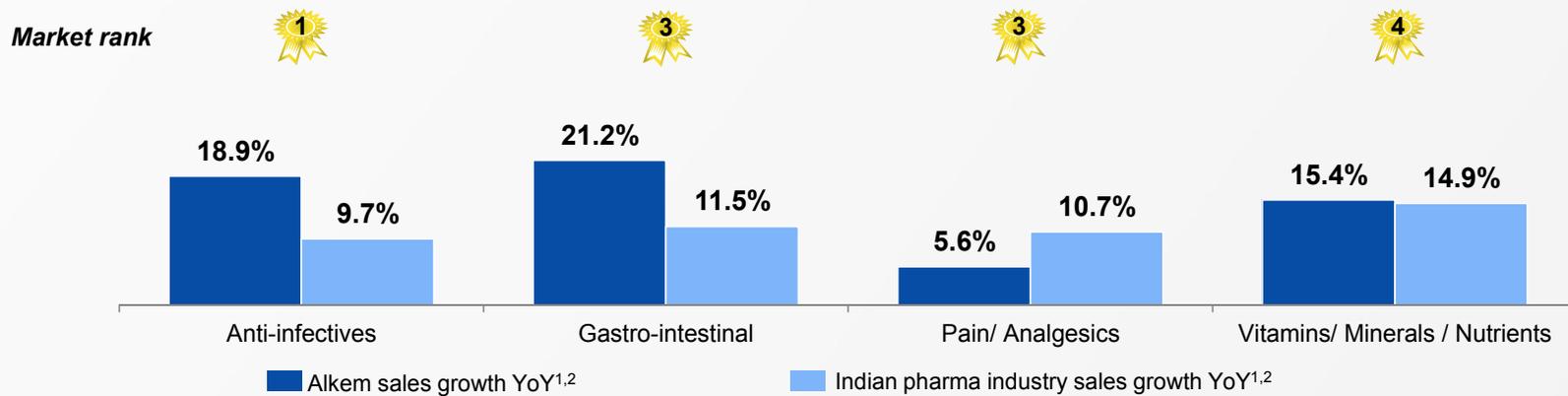
H1FY19 – India Sales (Rs mn)



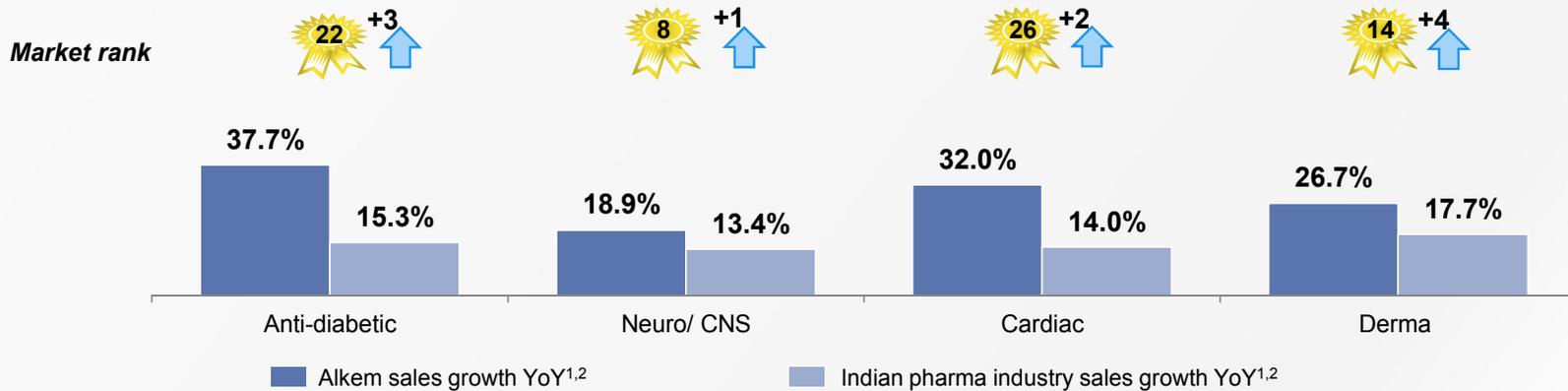
India Business – Secondary Sales Performance

Outperformance across most of the major therapeutic areas in Q2FY19

Established therapeutic areas of Alkem



Emerging therapeutic areas of Alkem



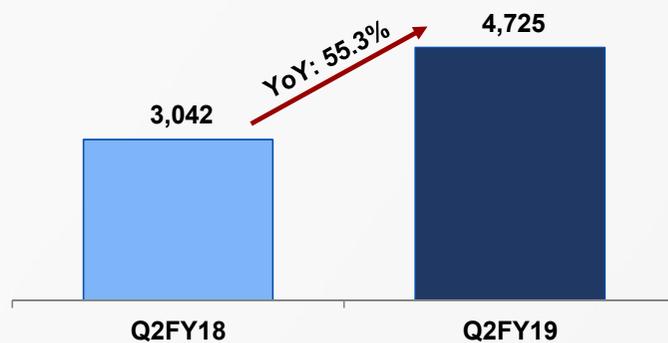
Source: IQVIA TSA data ¹ Domestic formulations sales; ² For 3 months ended September 30, 2018

US Business

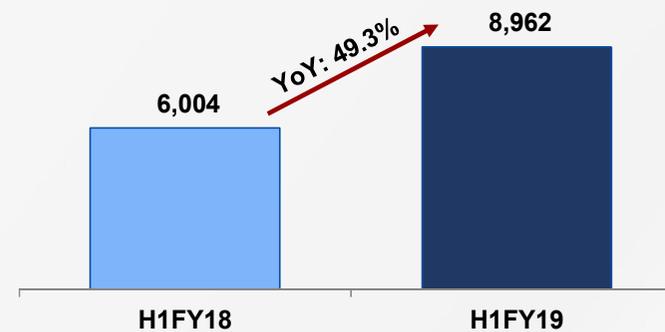
US Business: Q2FY19 Sales of Rs.4,725 million (55.3% growth YoY)

- US sales contributed 24.9% to total sales in Q2FY19
- Growth in the US business was driven by combination of new product launches and market share gains in the existing products. Depreciation of INR against USD also helped the YoY growth during Q2FY19 and H1FY19
- In Q2FY19, the Company filed 7 ANDAs with the US FDA and received 2 approvals (including 1 tentative approval)
- As on September 30, 2018, the Company has filed a total of 118 ANDAs (including 1 NDA) with the US FDA and has received 53 approvals (including 7 tentative approvals and 1 NDA)

Q2FY19 – US Sales (Rs mn)

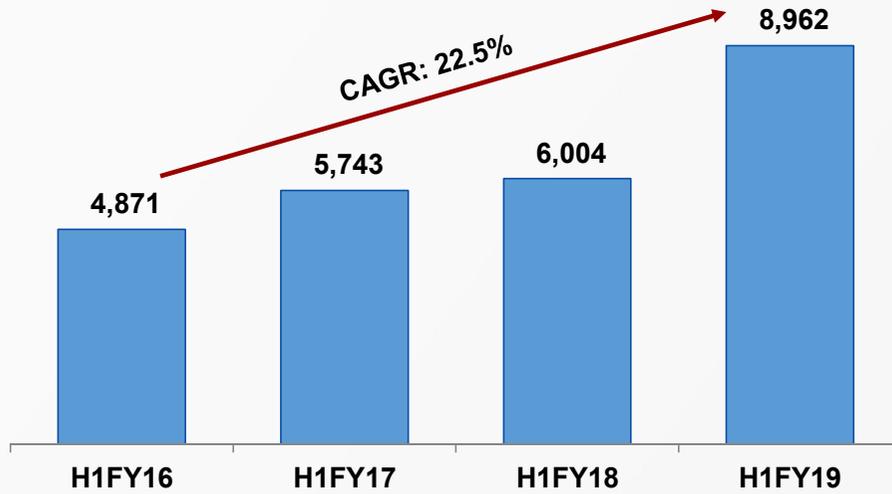


H1FY19 – US Sales (Rs mn)

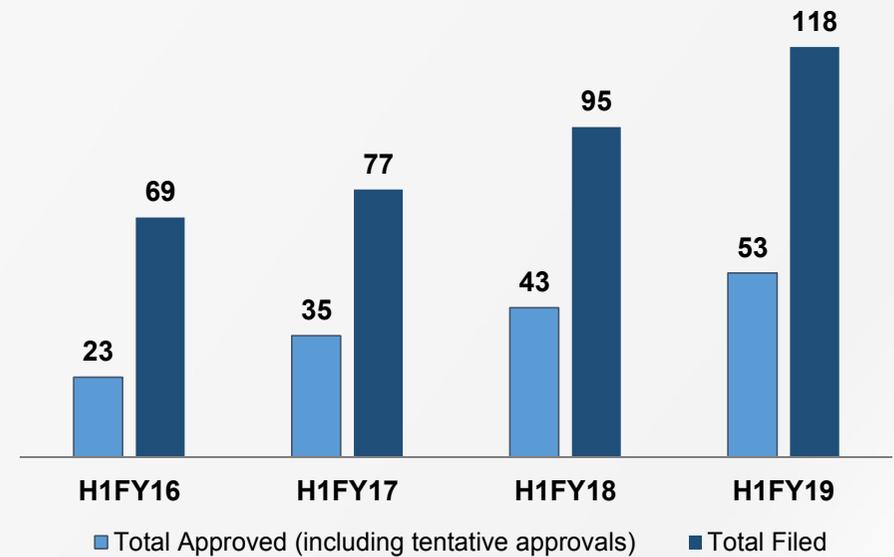


Steady progress in the US Business

US Sales (Rs mn)



Cumulative ANDA filings and approvals



Update on US FDA inspection

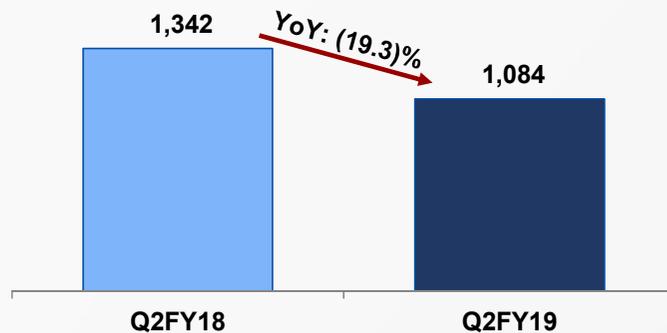
Facility	Scope	Inspection Date	Update
Daman (India)	Formulations	March 2018	EIR received in July 2018
Baddi (India)	Formulations	August 2018	Successfully closed the inspection with zero observation
Ankleshwar (India)	API	December 2016	EIR received in March 2017
Mandva (India)	API	September 2015	EIR received in March 2016
St. Louis (US)	Formulations	March 2018	Received one observation – CAPA filed with the US FDA
California (US)	API	August 2018	Successfully closed the inspection with zero observation

Other International Business

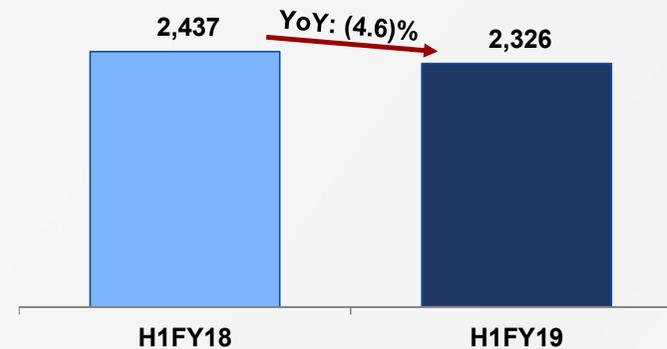
Other International Business: Q2FY19 Sales of Rs.1,084 million (19.3% YoY decline)

- Other International Market sales contributed 5.7% to total sales in Q2FY19
- The Company has presence in Australia, Europe, South East Asia, Latin America, Africa and CIS with key markets being Australia, Chile, Philippines, UK and Kazakhstan

**Q2FY19 – Other International Sales
(Rs mn)**

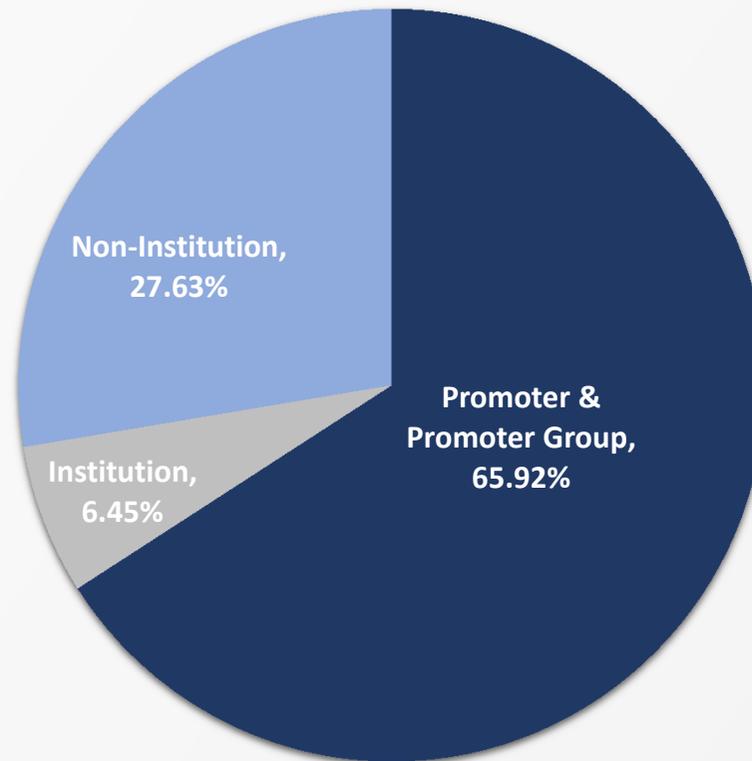


**H1FY19 – Other International Sales
(Rs mn)**



Latest Shareholding Pattern

Shareholding pattern as on September 30, 2018



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