ALKEM

Alkem Laboratories Ltd

Investor Presentation Q3FY19 – February 8, 2019

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.

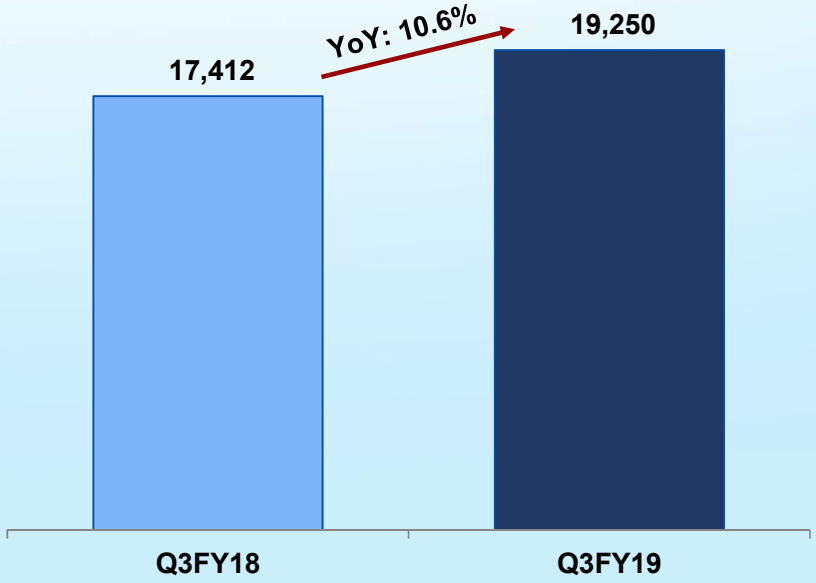
Key Highlights of Q3FY19 and 9MFY19

- **India Business**: Company's India sales registered 0.7% YoY decline in Q3FY19 on account of ban on select FDC products, slower growth in anti-infective and gastro-intestinal market and de-growth in trade generic business due to tightening of credit terms
  - Company's secondary sales in 9MFY19 grew by 14.2% YoY - higher than IPM growth of 11.5% YoY (Source: IQVIA MAT Dec. 2018)
- **International Business:** Company's International Business comprising of the US and select international markets registered a robust growth of 40.2% in Q3FY19 and 36.0% YoY in 9MFY19
- **US Business** grew by 44.3% YoY in Q3FY19 and 47.4% YoY in 9MFY19, largely driven by new product launches and market share gain in existing products
- **R&D** expenses in 9MFY19 increased by 27.7% YoY and was at 5.9% of revenue from operations compared to 5.2% in 9MFY19
- **ANDA filings:** The Company filed 14 ANDAs and received 10 ANDA approvals (including 3 tentative) from the US FDA during 9MFY19
- **Update on the US FDA inspections** :
  - January 2019 – Inspection at Daman formulation facility, received no Form 483
  - January - February 2019 - Inspection at St. Louis (US) formulation facility, received Form 483 with eight observations

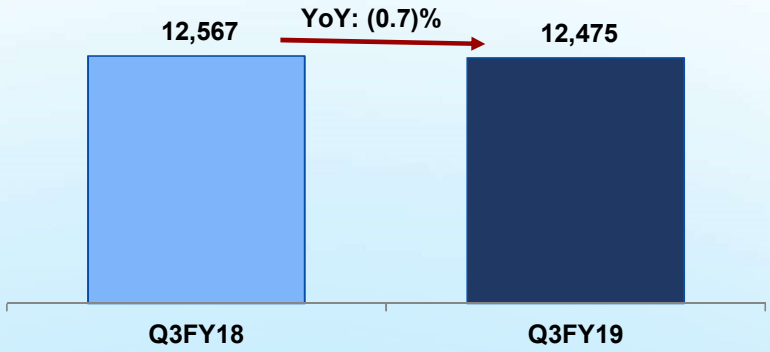
Key Financial Highlights – Q3FY19 (Consolidated)

All figures in Rs mn

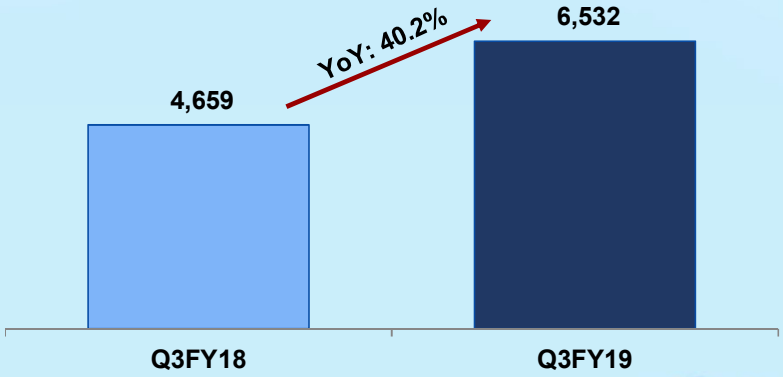
Revenue from Operations



India sales



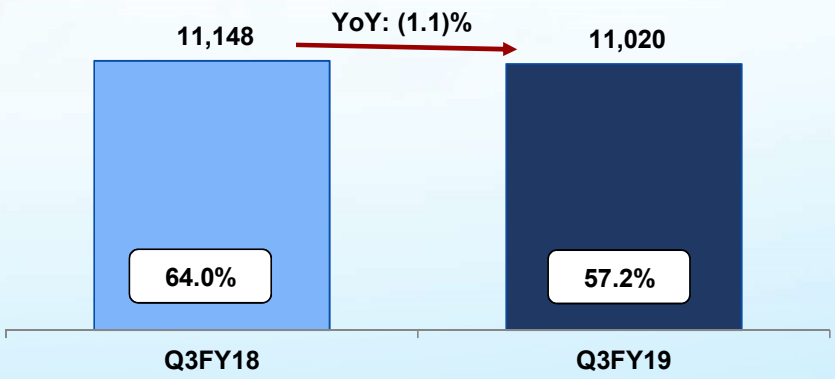
International sales



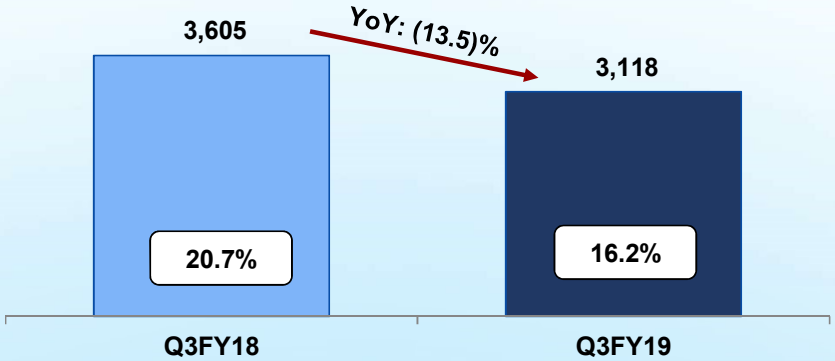
Key Financial Highlights – Q3FY19 (Consolidated)

All figures in Rs mn

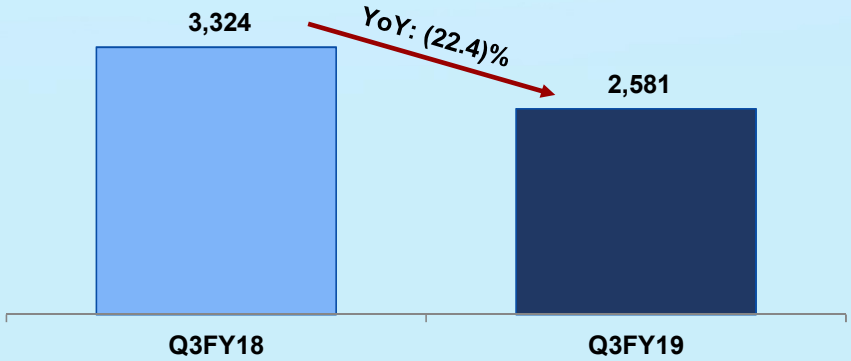
Gross Profit and Gross Margin



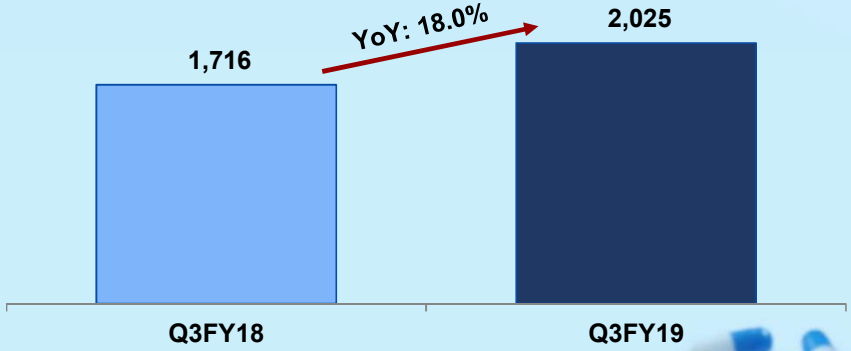
EBITDA and EBITDA Margin



PBT (before Minority Interest)



PAT (after Minority Interest)

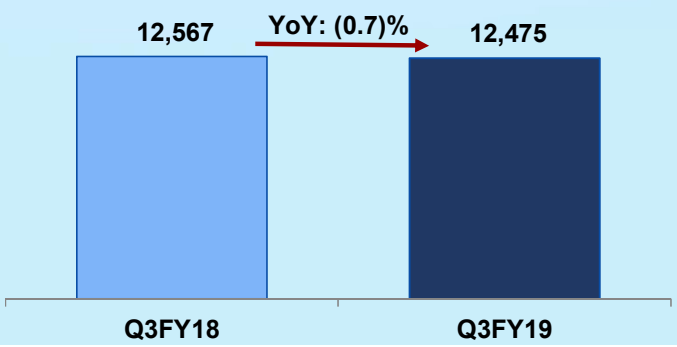


India Business

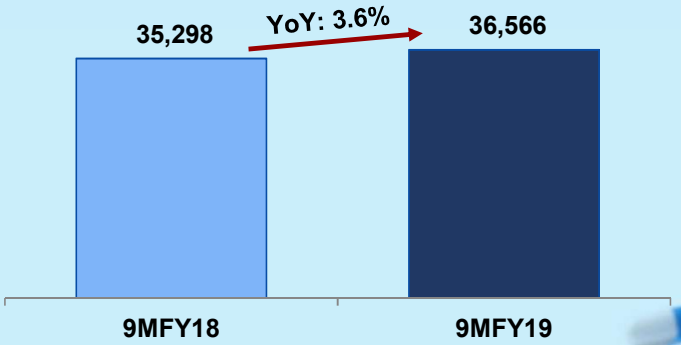
India Business: Q3FY19 Sales of Rs.12,475 million (0.7% YoY decline)

- YoY decline in India sales during Q3FY19 was mainly on account of ban on select FDC products, de-growth in Company's trade generic business due to tightening of credit terms, slower growth in the anti-infective market and high base of Q3FY18 (due to post GST channel inventory normalization)
- India sales contributed 65.6% to total sales in Q3FY19
- For 9MFY19, Company's secondary sales growth outperformed the IPM growth by 270 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 (Source: IQVIA data)

Q3FY19 – India Sales (Rs mn)



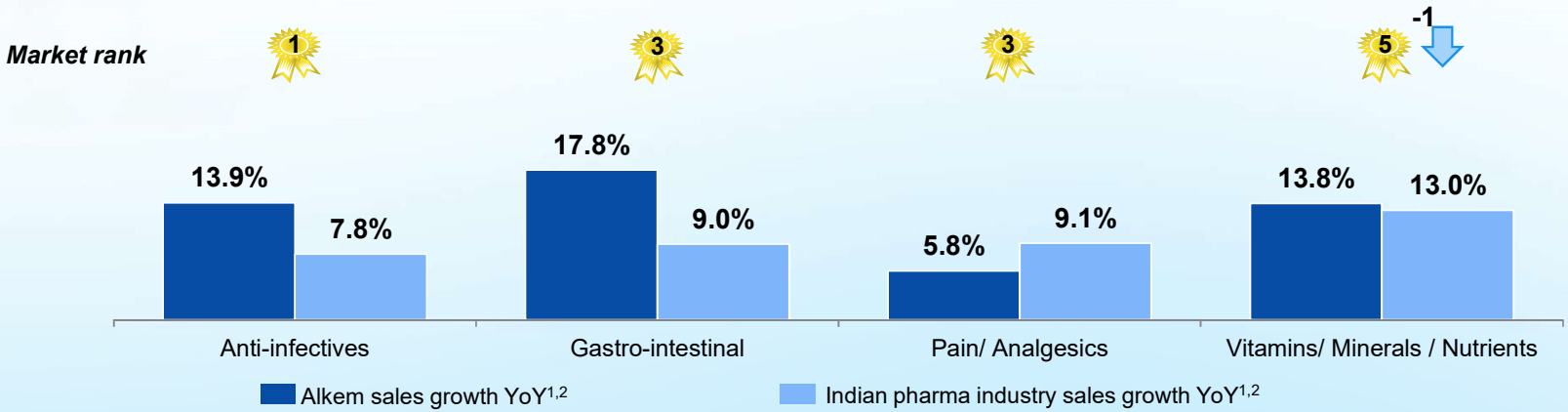
9MFY19 – India Sales (Rs mn)



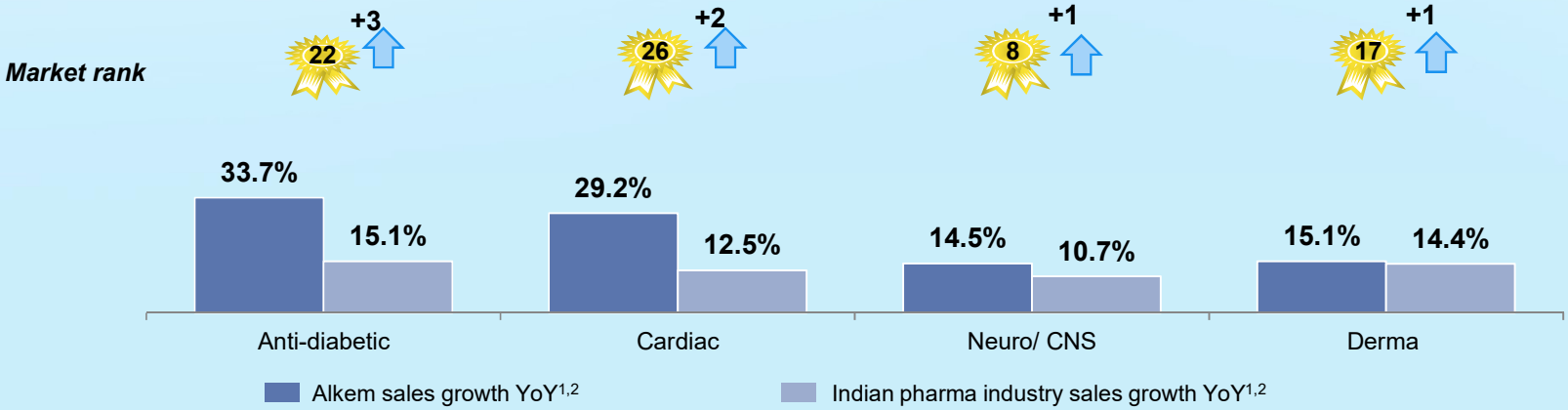
India Business – Secondary Sales Performance

Outperformance across most of the major therapeutic areas in 9MFY19

Established therapeutic areas of Alkem



Emerging therapeutic areas of Alkem



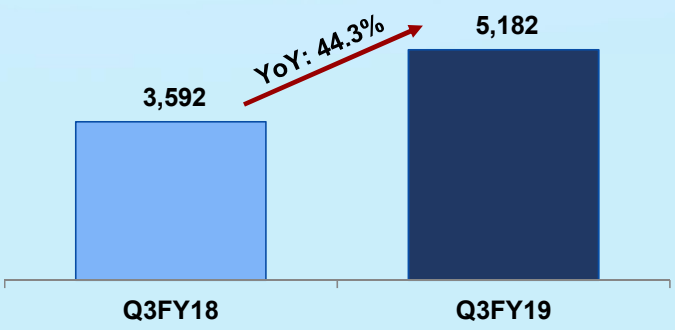
Source: IQVIA TSA data [1] Domestic formulations sales; [2] For 9 months ended December 31, 2018

US Business

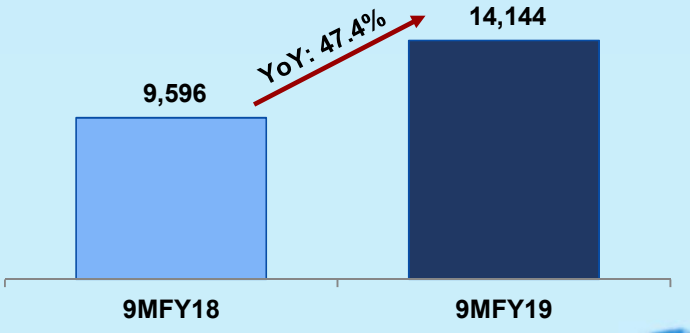
US Business: Q3FY19 Sales of Rs.5,182 million (44.3% growth YoY)

- US sales contributed 27.3% to total sales in Q3FY19
- 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 Q3FY19 and 9MFY19
- In Q3FY19, the Company filed 3 ANDAs with the US FDA and received 6 approvals (including 1 tentative approval)
- As on December 31, 2018, the Company has filed a total of 120 ANDAs (including 1 NDA) with the US FDA and has received 60 approvals (including 8 tentative approvals and 1 NDA)

Q3FY19 – US Sales (Rs mn)



9MFY19 – US Sales (Rs mn)



Update on the US FDA inspection

In the month of January and February 2019, the US FDA conducted inspections at the Company's formulation manufacturing facilities located at Daman (India) and St. Louis (US). At the end of the inspection, no Form 483 was issued for the Daman facility, while the St. Louis facility received Form 483 with 8 observations

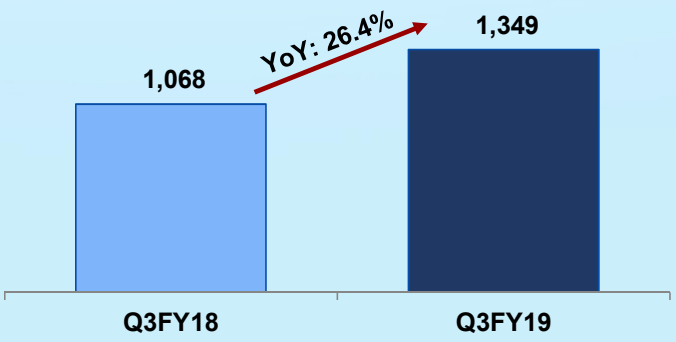
Facility	Scope	Inspection Date	Update
Daman (India)	Formulations	January 2019	Successfully closed the inspection with no Form 483
Baddi (India)	Formulations	August 2018	Successfully closed the inspection with no Form 483
Ankleshwar (India)	API	December 2016	EIR received in March 2017
Mandva (India)	API	September 2015	EIR received in March 2016
St. Louis (US)	Formulations	February 2019	Received Form 483 with eight observations
California (US)	API	August 2018	Successfully closed the inspection with no Form 483

Other International Business

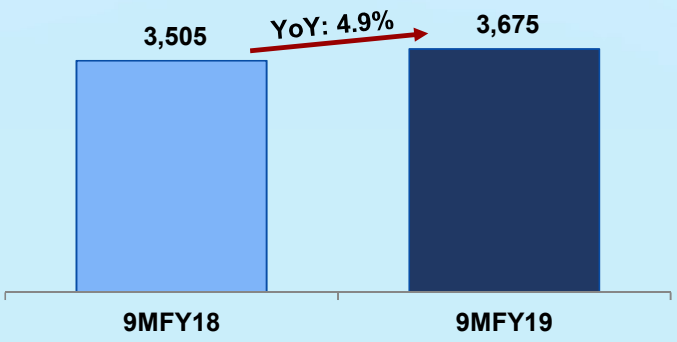
Other International Business: Q3FY19 Sales of Rs.1,349 million (26.4% YoY growth)

- Other International Market sales contributed 7.1% to total sales in Q3FY19
- The Company has presence in Australia, Europe, South East Asia, Latin America, Africa and CIS
- Australia and Chile registered robust growth during the quarter

Q3FY19 – Other International Sales (Rs mn)

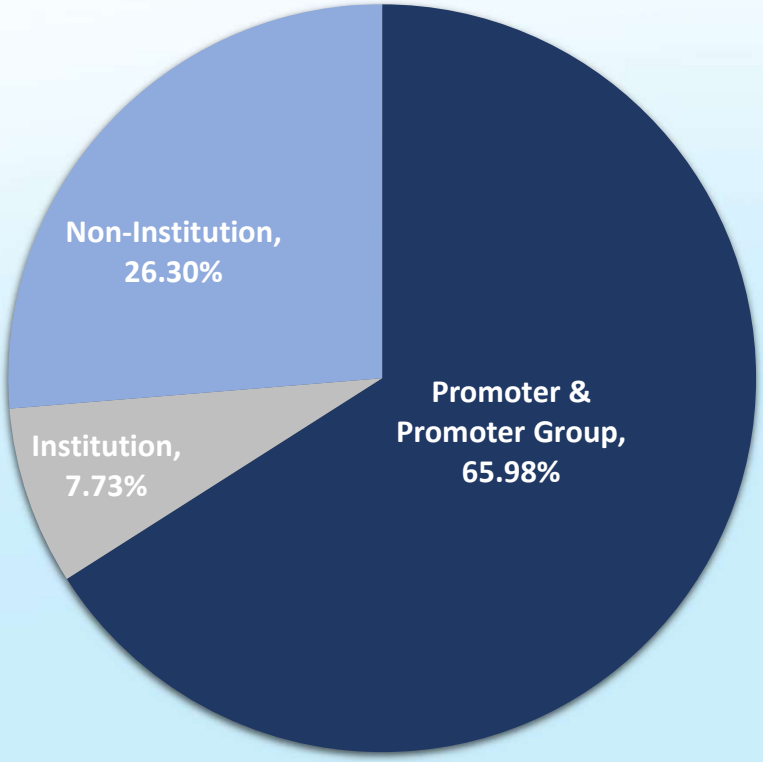


9MFY19 – Other International Sales (Rs mn)



Latest Shareholding Pattern

Shareholding pattern as on December 31, 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