



Earnings Presentation

Q3 & 9M FY19

FEBRUARY 1, 2019

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Q3 & 9M FY19 Performance Review

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Consistent performance

“ This has been another quarter of consistent performance wherein our Revenue and EBITDA grew by 20% and 57% respectively, with a 310 bps margin improvement. The all-round growth was fueled by execution excellence across both APIs and formulations.

Strategically, this was an important quarter as we filed our first in-house developed injectable in EU and completed first new product validation of a valuable injectable at Bremer site in Germany.

With the operating leverage playing out, our return ratios are improving consistently and we stay on track to create sustainable value for our stakeholders.”

Manish Gupta
Managing Director, Sequent

Revenues			YoY
Q3'19		2,705	20%
Q3'18		2,249	
EBITDA			YoY
Q3'19		355	57%
Q3'18		226	
PAT			YoY
Q3'19		130	Profitable Operations
Q3'18		-58	

All values in ₹ Mn

Strong performance across businesses

Revenue Distribution	Q3'19	Q3'18	YoY%	YoY% (Constant currency)
Formulations	1,812	1,691	7.2%	3.9%
<i>Europe</i>	945	911	3.7%	(3.6%)
<i>Turkey</i>	162	268	(39.6%)	(21.8%)
<i>Emerging Markets</i>	460	307	49.8%	34.5%
<i>LATAM</i>	245	205	19.5%	25.4%
APIs	893	558	60.1%	49.5%
Global Sales	2,705	2,249	20.3%	15.2%

Revenue Distribution	9M'19	9M'18	YoY%	YoY% (Constant currency)
Formulations	5,339	4,562	17.0%	16.7%
<i>Europe</i>	2,774	2,351	18.0%	8.1%
<i>Turkey</i>	629	759	(17.1%)	8.2%
<i>Emerging Markets</i>	1,236	852	45.1%	34.0%
<i>LATAM</i>	700	600	16.7%	27.7%
APIs	2,235	1,605	39.3%	29.4%
Global Sales	7,574	6,167	22.8%	20.0%

All values in ₹ Mn

Key Highlights

For 9M'19 business grew 22.8% driven by healthy growth across formulations (+17.0% YoY) & APIs (+39.3% YoY)

For the quarter Q3'19: Overall business delivered 20.3% growth YoY

- **API business** grew 60.1% on the back of increasing penetration with top 10 animal health players
- **Formulations business** grew 7.2% - ahead of industry growth of 4%,
 - Turkey continued to be impacted by currency and regulatory headwinds (which have now started easing). Business to be on-track in Q4
 - Europe grew 3.7% for the quarter, partially impacted by product availability issues. Some overhang of Brexit likely in Q4
 - Key EM market focus led to 49.8% growth during the quarter



Q3 & 9M FY19 Business Review

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Formulations

Leading revenue driver

Revenues in ₹ Mn

9M FY19	9M FY 18	YoY% (cc)
5,339	4,562	16.7%

Q3 FY19	Q3 FY 18	YoY% (cc)
1,812	1,691	3.9%

35+

Products Under Development

80+

Countries with marketing presence

30+

Launches

50%+

Sales to regulated markets

Key Highlights – Year to Date

- ✓ Robust growth across geographies, driven by 30+ launches and improved market share across key geographies
- ✓ Europe grew 8.1% slightly below our expectations given the supply chain challenges. Lack on clarity around Brexit can have some overhang in Q4
 - ✓ Launched 3 new products developed by inhouse R&D team
- ✓ Turkey grew 8.2% despite the regulatory headwinds
- ✓ Targeted key EM market focus is bearing fruits with 10+ launches in the region, delivered 34.0% growth
- ✓ LATAM grew 27.7% driven by 2 new launches in Brazil
- ✓ Bremer - On track for sustainable break-even by end of FY 19

Growth is in constant currency (cc)

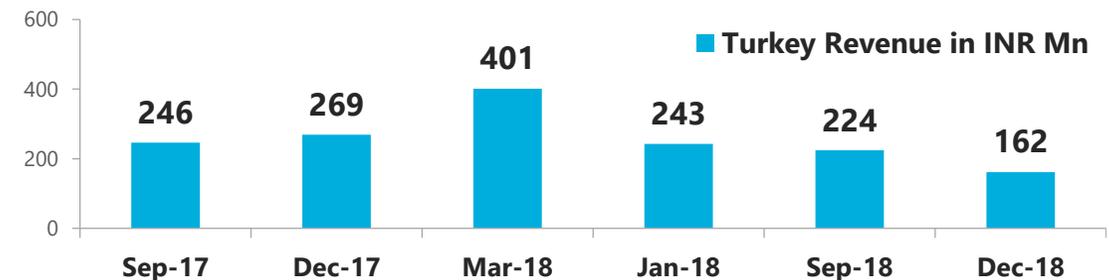
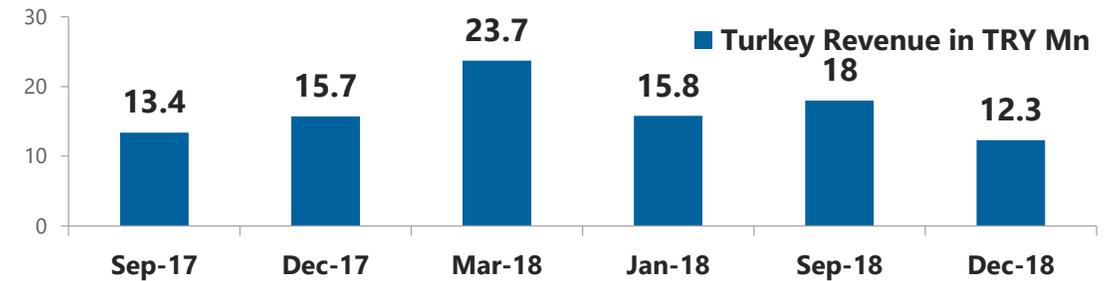
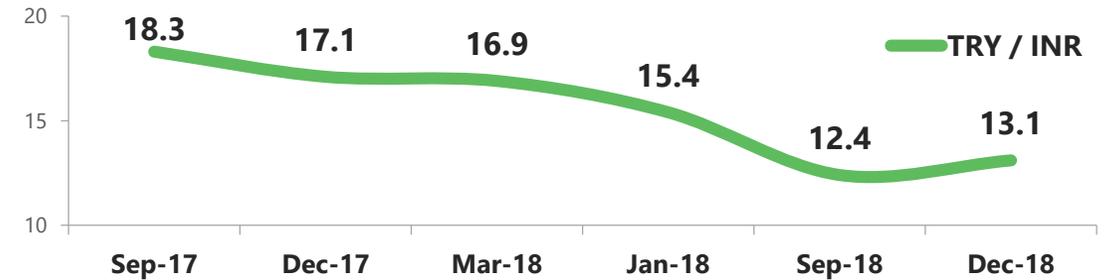
Key Highlights

- ✓ World over, regulations are being introduced for judicious use of anti-microbials in production animals
- ✓ Turkey implemented two key initiatives – E-Prescription (ER) and Veterinary Pharmaceutical Product Tracking (ITS). This resulted in primary sales slow-down from Q2. Full normalisation expected starting Q4
- ✓ Despite regulatory headwinds, Turkey grew 8.2% on YTD basis
- ✓ Currency depreciated 25% against ₹ further accentuated challenges
- ✓ With regulatory impact now behind us, we expect a strong Q4 resulting in low double-digit annualised cc growth over FY18

9M'19	9M'18	YoY%	YoY% (Constant currency)
629	759	(17.1%)	8.2%

Growth is in constant currency (cc)

Sales in Turkey v/s Turkish Lira Movement



APIs

Scaling the capability curve

Revenues in ₹ Mn

9M FY19	9M FY 18	YoY% (cc)
2,235	1,605	29.4%

Q3 FY19	Q3 FY 18	YoY% (cc)
893	558	49.5%

23 Commercial APIs	3 Manufacturing facilities	1.75x Asset turn	50%+ Incremental growth from global top 10 vs FY16
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Key Highlights

- ✓ Margin expansion through focus on regulated markets and high value products
- ✓ Deepening relationships with global top 10 paying off
- ✓ Asset turn for the business exceeds 1.75x for the quarter and we expect growth momentum to sustain
- ✓ US Business driving growth with commercialisation of 2nd product
- ✓ Scaling the value curve with entry in the highly regulated Japanese market with successful registration of 2 products

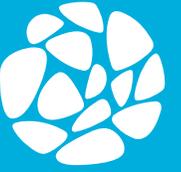
Robust R&D pipeline

	APIs Cumulative
Pipeline	14
Commercialized	23
US filed / approved	16
EU-CEP approvals	10

- ✓ Received CEP approval for Oxfendazole and Closantel
- ✓ Filed Diclazuril in US

	Formulations Cumulative
Pipeline	35
Global	25
US only	8
EU only	2

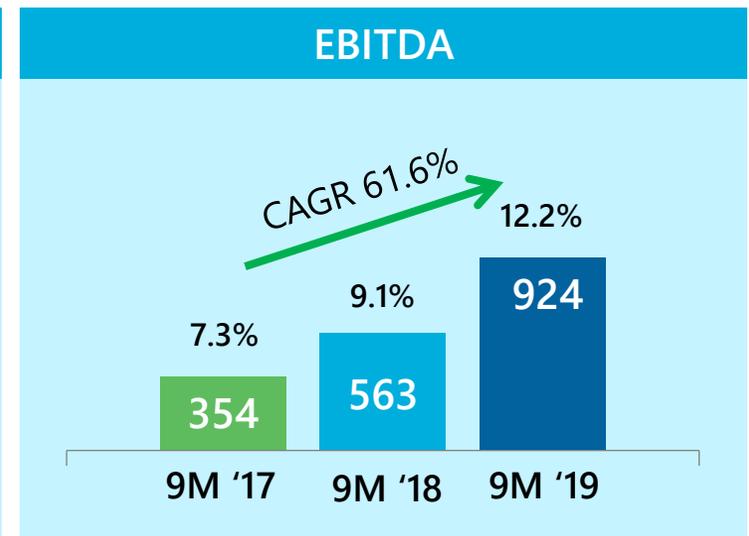
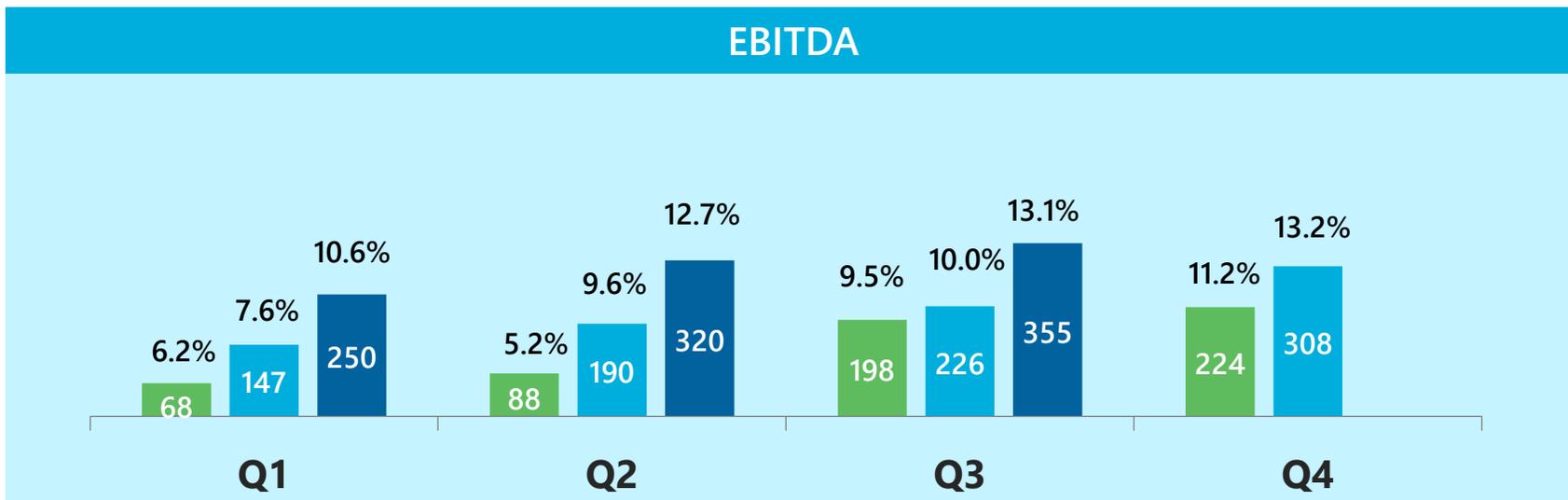
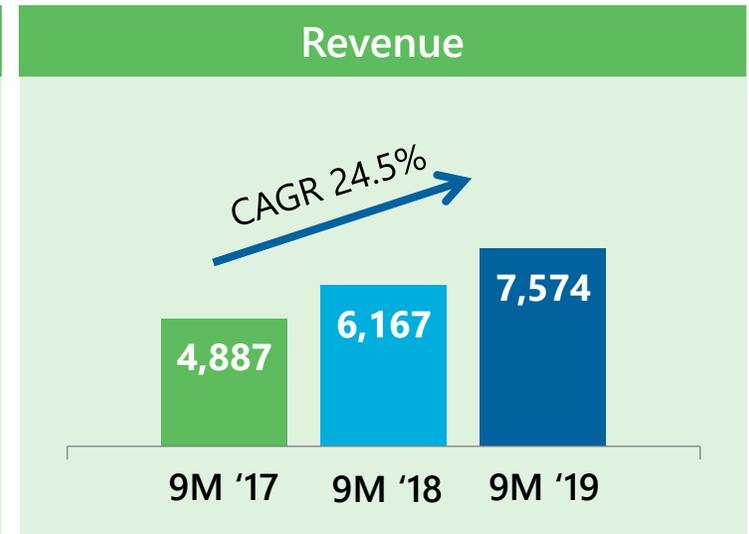
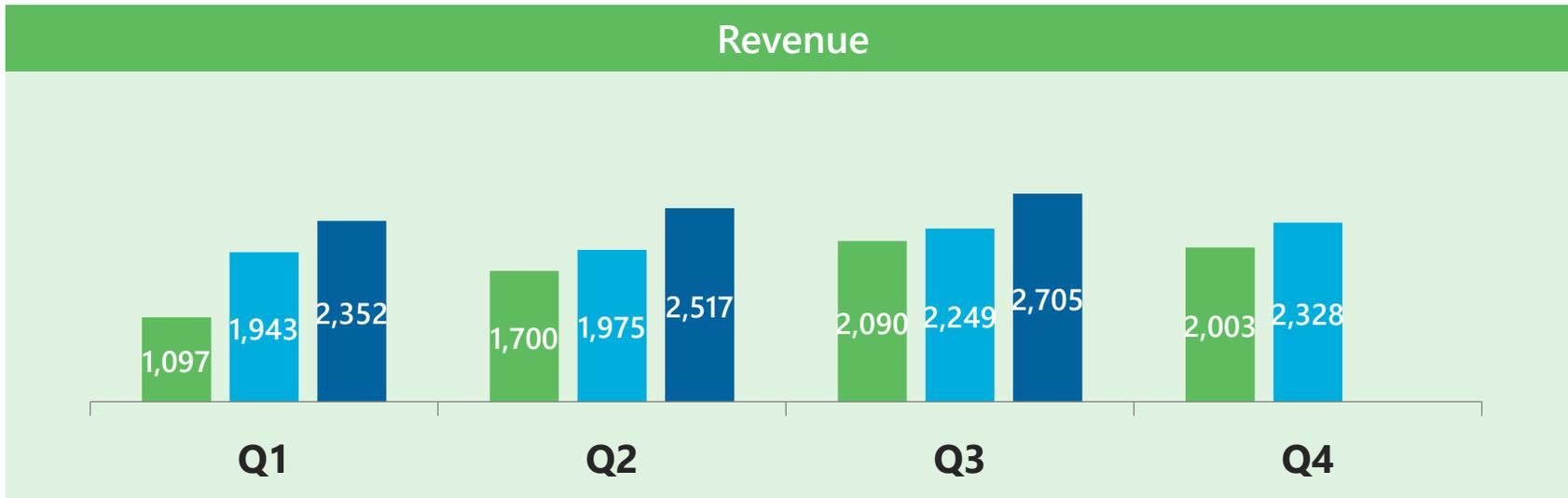
- ✓ Expanded R&D team, adept to execute 10+ projects per annum,
- ✓ Developed capabilities to execute ecotoxicity studies and Bio Equivalence studies in India - 30%+ cost reductions
- ✓ 1st validation completed at Bremer
- ✓ First US filing in Q2 FY20



Consistent delivery

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Delivering consistent outcome over 11 quarters



■ FY17 ■ FY18 ■ FY19

Consolidated Income Statement

PARTICULARS	Q3'19 Unaudited	Q2'19 Unaudited	Q3'18 Unaudited	9M'19 Unaudited	9M'18 Unaudited	FY18 Audited
Revenue from Operations	2,705	2,517	2,249	7,574	6,167	8,494
Material Consumption	(1,412)	(1,310)	(1,201)	(3,988)	(3,390)	(4,624)
Gross Margin	1,293	1,207	1,048	3,586	2,777	3,870
%	47.8%	47.9%	46.6%	47.3%	45.0%	45.6%
Operating Expenses	(938)	(887)	(822)	(2,662)	(2,214)	(2,999)
EBITDA	355	320	226	924	563	871
%	13.1%	12.7%	10.0%	12.2%	9.1%	10.3%
Exchange Gain / (Loss)	2	(42)	(38)	(64)	(36)	(41)
Other Income	20	24	34	62	137	166
Finance Cost	(83)	(78)	(99)	(239)	(234)	(331)
Depreciation	(112)	(102)	(117)	(310)	(319)	(414)
Exceptional Items	-	-	-	-	-	(15)
Earnings Before Tax	182	122	6	373	111	236
Taxes	(26)	33	(36)	(18)	(93)	(134)
Earnings after Tax	156	155	(30)	355	18	102
Minority Interest	(26)	(3)	(28)	(40)	(41)	(93)
Earnings post minority	130	152	(58)	315	(24)	9

Normalized post minority PAT

	Q1'19	Q2'19	Q3'19
Reported PAT (post minority)	33	152	130
Net impact of Exchange	(15)	(72)	32
Normalized PAT (post minority)	18	80	162

All values in ₹ Mn

Rationale

The Topkim acquisition in Turkey was funded through an intercompany dollar denominated debt.

Any fluctuation to USD / TRY does not impact the profitability of the business, but has an impact on taxes and minority interest.

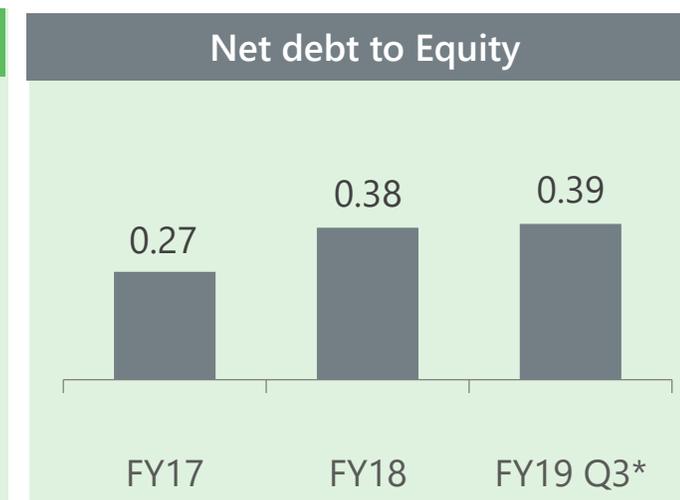
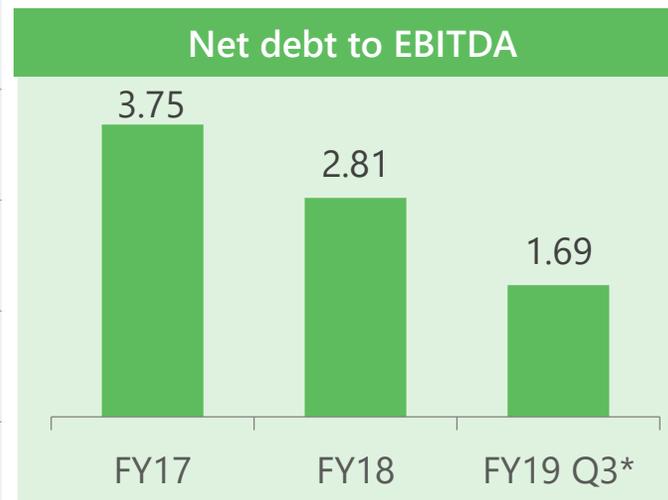
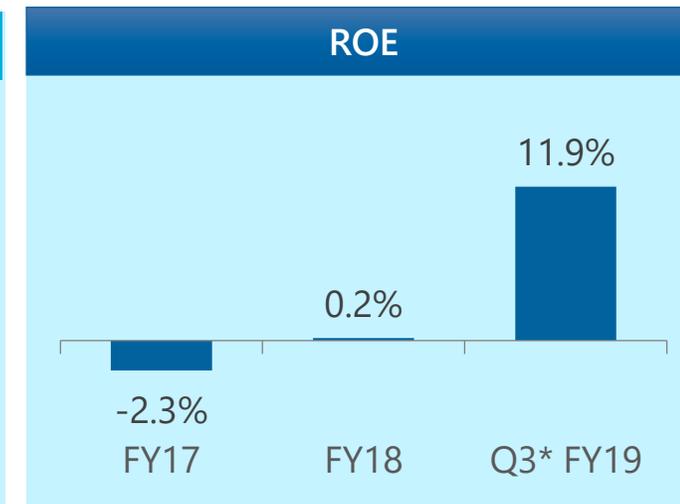
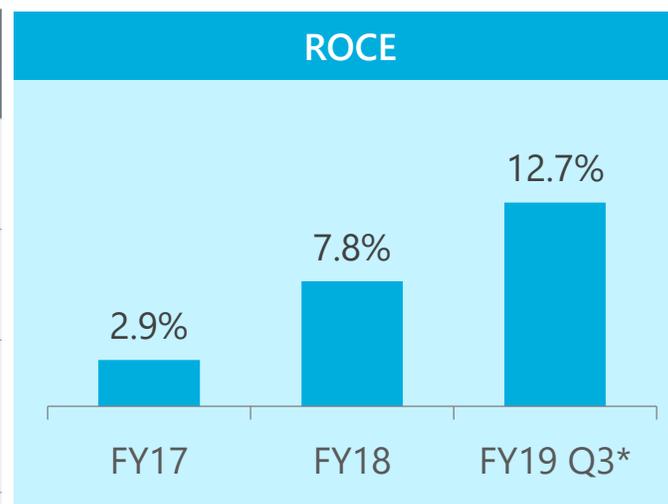
The appreciation of Turkish Lira against USD in the quarter resulted in an enhanced impact of ₹ 32.1 Mn at the PAT level post minority.

- Normalized Tax Rate: 14% YTD
- Normalized Minority: 20% YTD

Key Balance Sheet items

All values in ₹ Mn

Particulars	Mar-18	Dec-18	Comments
Shareholders' funds	6,476	6,133	Fair valuation of Strides / Solara shares
Minority Interest	370	380	
Borrowings	3,049	3,063	Temporary reduction. Normalised will be 3400mn
Cash	598	659	
Investments	2,217	1,699	Fair valuation of Strides / Solara shares
Tangible Assets	2,269	2,497	Mahad and Bremer
Intangible Assets	2,671	2,785	
Working Capital	2,486	2,375	



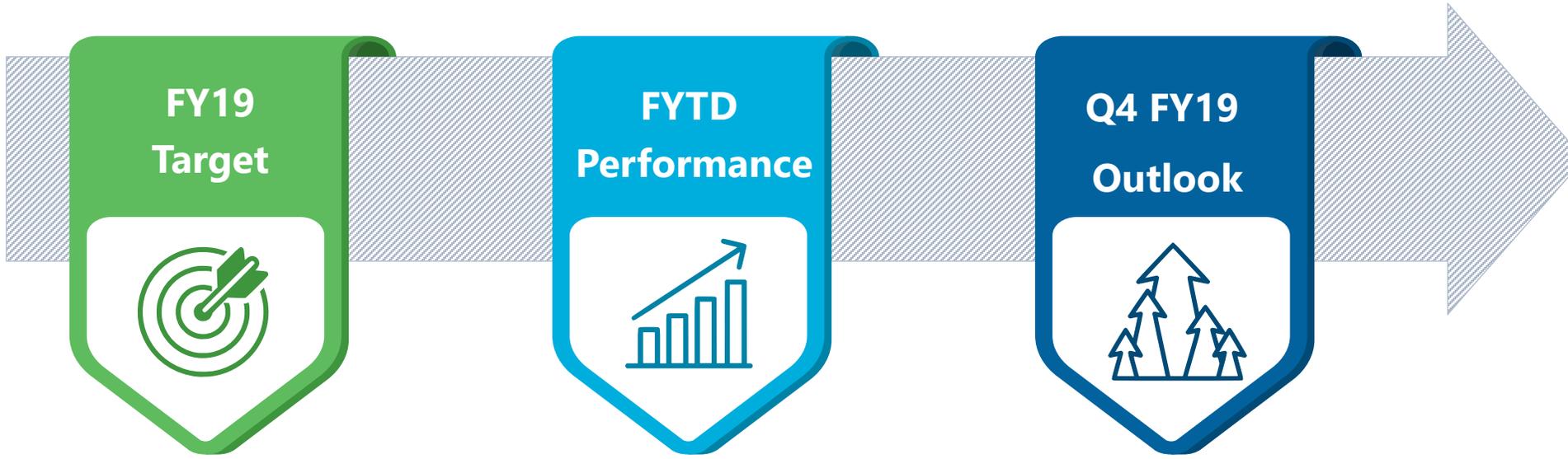
*Quarter Annualised on normalised PAT



FY 19 snapshot

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FY19 snapshot



Business on track to 'surpass' FY19 objectives

- High-teen revenue growth
- 200+ bps margin expansion

- Revenue up 22.8% YoY
- EBITDA expansion 310 bps YoY

- 20%+ revenue growth
- 250+ bps margin expansion

Sequent
Proven Ability In Life Sciences



ALIVIRA

Thank You

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