

## SeQuent Scientific to become a pure-play Animal Health Company

- *Focus on value creation in Animal Healthcare (Alivira)*
- *To demerge Human API business into a separate Listed Company*
- *To divest Women Healthcare business*

**Mumbai, February 3, 2017:** SeQuent Scientific Limited today announced that the Board of Directors at their Meeting held today have in-principle approved demerger of Human API Business and divesting Women Healthcare business to focus on Alivira (Integrated Animal Healthcare business) for disproportionate value creation.

Having reviewed the strategic success in building Alivira as India's largest veterinary company with annual run-rate revenues of US \$ 120 mn (~Rs. 800 crores) along with future opportunities therein, the Board felt that the Management of SeQuent should focus on animal healthcare and free up management time and capital from the other two businesses.

### Background and transaction rationale

#### Human API business

- SeQuent's Human API business primarily driven out of its Mangalore, Mahad and Mysore facilities contribute ~ 27% of the top-line on a consolidated basis.
- While the differentiated business model of focusing on mature small volume molecules makes it highly profitable with annualised revenue of ~Rs. 300 crores, the business is sub-scale. Also, being a B2B business, it needs a differentiated strategic direction to grow and deliver value
- Further, the ever-evolving regulatory landscape exposes its business from concentration risk at one USFDA approved plant
- The Board felt the need for Management to focus on scaling up Alivira business and to this direction, it was decided to divest the Human API business which though profitable, will require significant CapEx to build scale and capabilities
- The Board has formed a Committee comprising of majority of Independent Directors to appoint Valuers, Merchant Bankers, Solicitors and other intermediaries, as may be required and also to draft/recommend the scheme of de-merger to the Audit Committee / Board of Directors of the company
- Once approved by the Audit Committee / Board of Directors, the company will seek shareholders' approval to de-merge the Human API business of SeQuent Scientific Limited into a new listed entity. As part of the same scheme, the commodity API business of Strides Shasun Limited is also proposed to be carved out into this New Company, thereby providing critical size to this business
- This combination will catapult the New Company to be one of the largest standalone API companies in the country supplying commodity and niche APIs globally. The business will create value for its stakeholders with its differentiated strategy and highly compliant manufacturing facilities
- The Newly formed API Company will have five manufacturing sites having key global regulatory approvals
- Shareholders of the Company will be issued shares in the new Company based on swap ratio to be approved by the Audit Committee / Board of the respective Companies.

#### Women Healthcare business (NAARI)

- NAARI, which was acquired by SeQuent in January 2016, is a vertically integrated steroid and hormone manufacturer specialising in high actives and complex chemistry
- Acquisition of NAARI paved entry for SeQuent into a niche area requiring dedicated manufacturing with limited competition

- SeQuent has completed the first phase of re-orienting the business towards regulated markets with the first filings made both for US and EU markets
- However, NAARI business requires significant investments for next three years in ramping up the R&D program/capacities
- SeQuent currently holds 51% of the equity share capital of NAARI
- The Board considered a proposal received from a Promoter Group Company for buying the entire stake held by SeQuent in NAARI for a consideration of Rs.110,000,000 (Rupees Eleven crores). The consideration has been arrived at Investment cost plus the value addition from SeQuent during the period of investment
- Regarding the provisions of Companies Act, 2013 and the SEBI (LODR) 2014, the transaction does not require shareholders approval as it does not breach the materiality parameters set out therein. However, being a related party transaction, the Board of Directors felt it prudent to seek approval of non-promoter shareholders of the Company through a postal ballot for the proposed transaction.

## About SeQuent Scientific Limited

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SeQuent Scientific Limited (BSE-512529, NSE-SEQUENT) is an integrated pharmaceutical company with a global footprint, operating in the domains of Animal Health API and formulation (Alivira), Human APIs, Women Healthcare (Naari) and Analytical Services. Headquartered in Mumbai, INDIA, SeQuent has 11 manufacturing facilities based in India, Turkey, Spain and Brazil with approvals from global regulatory bodies including USFDA, EUGMP, WHO, TGA among others.

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