ALKEM

ALKEM LABORATORIES LTD.

Regd. Office : " ALKEM HOUSE", Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013. Phone : 022-3982 9999, Fax : 022-2495 2955
Email : contact@alkem.com Website : www.alkemlabs.com
CIN :- L00305MH1973PLC174201

ALKEM
VISION

To achieve value driven leadership in Indian Health Care Industry and beyond... Through

Quality that is infinite
Service that cares
Hardwork that endures

9th February, 2018

B S R & Co. LLP
Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
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Review report *(Continued)*

Alkem Laboratories Limited

Based on our review conducted as above and based on the consideration of the reports of other

Alkem Laboratories Limited

Annexure I to the Review report

ALKEM LABORATORIES LIMITED

CIN No.:L00305MH1973PLC174201

Regd. Office and Corporate Office: Alkem House, Senapati Bapat Marg, Lower Parel, Mumbai - 400013, Maharashtra, India.

Tel No:91 22 3982 9999 Fax No: +91 22 2492 7190

Website : www.alkemlabs.com, Email Id : investors@alkem.com

Statement of Unaudited Consolidated Financial Results for the Quarter and Nine months ended 31 December 2017

Notes :

1 The above unaudited financial results of the Company were reviewed and recommended by the Audit Committee on 8 February 2018 and subsequently approved by the Board of Directors at its meeting held on 9 February 2018. The figures for the quarter and nine months ended 31 December 2017 have been subjected to limited review by the statutory auditors. The auditors have expressed an unmodified opinion in the limited review report for the quarter and nine months ended 31 December 2017.

2 The Group operates in one reportable business segment i.e. "Pharmaceuticals".

3 Financial results for the periods presented have been prepared in accordance with Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory

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Review report

To Board of Directors of Alkem Laboratories Limited

We have reviewed the accompanying statement of unaudited standalone financial results ('the Statement') of Alkem Laboratories Limited ('the Company') for the quarter and nine months ended 31 December 2017 attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements)

Unaudited Unaudited Unaudited Unaudited Unaudited Audited

Notes :

1 The above unaudited financial results of the Company were reviewed and recommended by the Audit Committee on 8 February 2018 and subsequently approved by the Board of Directors at its meeting held on 9 February 2018. The figures for the quarter and nine months ended 31 December 2017 have been subjected to limited review by the statutory auditors. The auditors have expressed an unmodified opinion in the limited review report for the quarter and nine months ended 31 December 2017.

2 Financial results for the periods presented have been prepared in accordance with Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory Committee on Accounting Standards, under section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and the relevant provisions of the Act.

3 The Company operates in one reportable business segment i.e. "Pharmaceuticals"

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Quality that is infinite
Service that cares

ALKEM LABORATORIES LTD.

Investor Presentation Q3FY18 – 9th February 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 For The Quarter

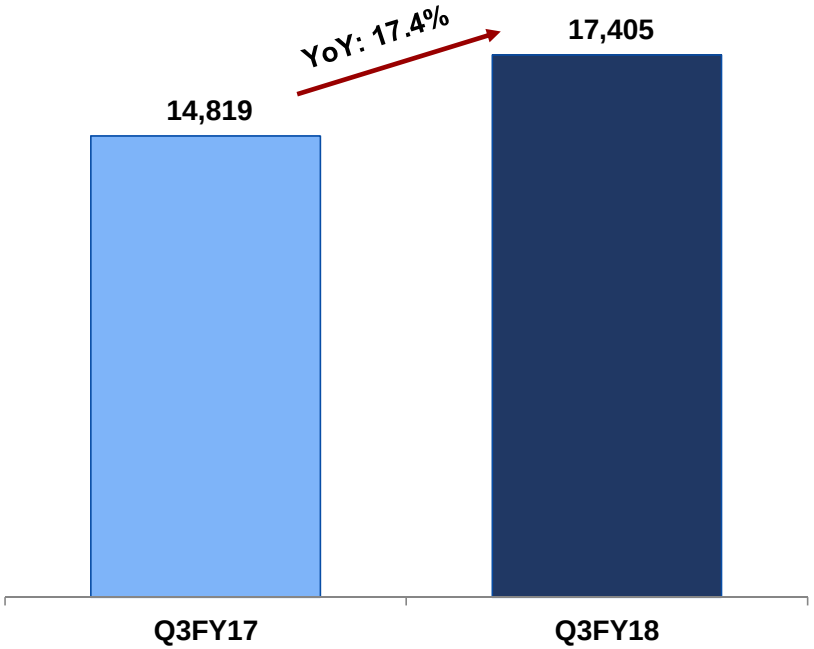
Robust quarter – Strong revenue growth accompanied with improvement in EBITDA margins

- **India Business reported 22% YoY growth**: Company maintained its leading positions in the acute therapy areas while improving its presence in the chronic therapy segments
- **Healthy growth in the International Business:** Company's key select International markets including US registered a healthy growth. Growth was even better in local currency terms
- **EBITDA margins improve by 260bps YoY to 20.7%:** Despite the challenging regulatory environment and competitive landscape in the key markets of India and US, the Company delivered YoY improvement its EBITDA margins driven by better product mix and operating leverage
- **7 ANDA approvals in Q3FY18:** Company filed 3 ANDAs and received 7 approvals from the US FDA during Q3FY18. On-track to meet its guidance of 12-15 ANDA filings per year with 8 ANDA filings in 9MFY18
- **US FDA inspections**: All the 6 manufacturing facilities catering to the US market have an EIR with no pending observations in any of them
- **Reported Net Profit after tax** for Q3FY18 and 9MFY18 impacted by one-off charge of Rs.449 million (part of tax expenses) due to significant changes to the US corporate tax system

Key Financial Highlights – Q3FY18 (Consolidated)

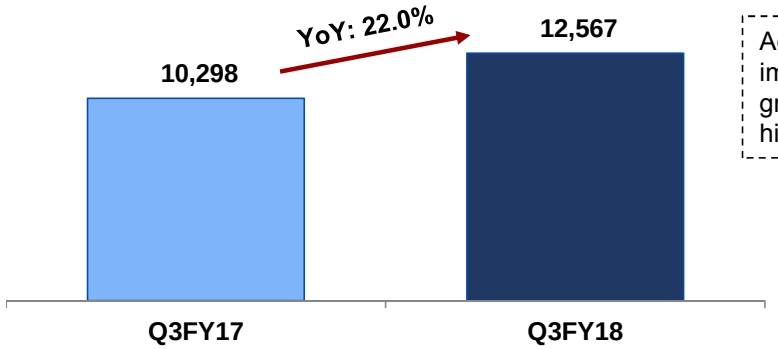
All figures in Rs mn

Total Revenue from Operations



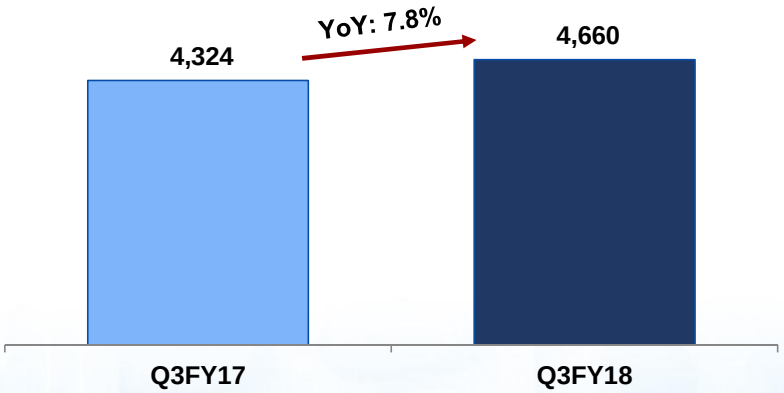
Notes: Post implementation of GST with effect from 1st July 2017 and as per Ind AS 18, Revenue from Operations is disclosed net of GST. Revenue from Operations for earlier periods includes excise duty. Accordingly, Revenue from Operations for the quarter and nine months ended 31 December 2017 are not comparable with those of previous period presented.

India sales



Adjusting for the impact of GST, YoY growth was even higher

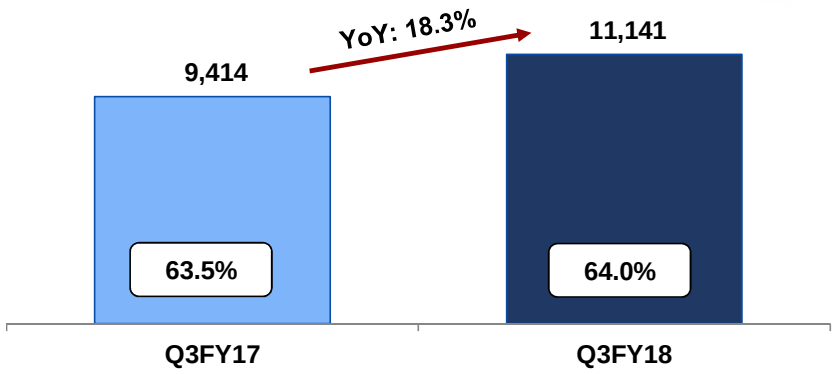
International sales



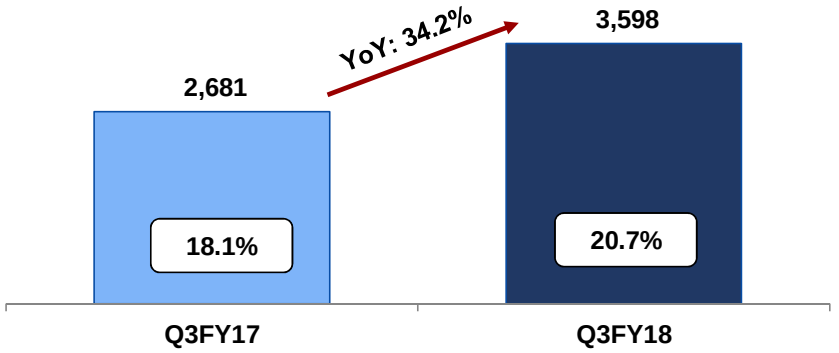
Key Financial Highlights – Q3FY18 (Consolidated)

All figures in Rs mn

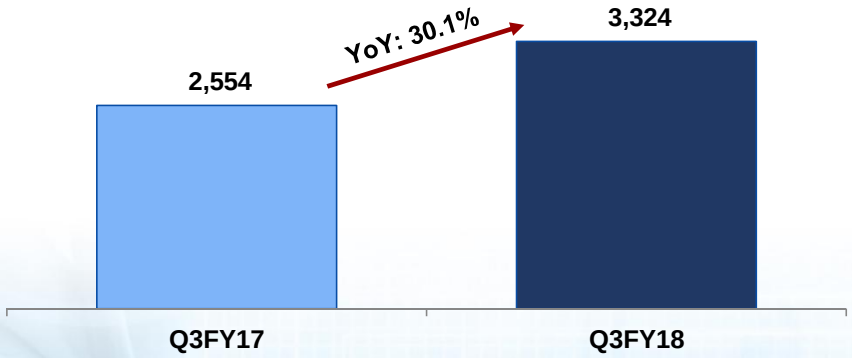
Gross Profit and Gross Margin



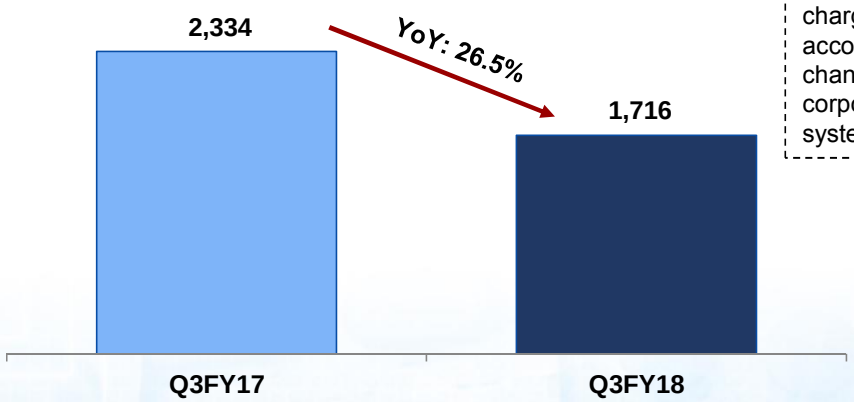
EBITDA and EBITDA Margin



PBT (before Minority Interest)



PAT (after Minority Interest)



Reported Net Profit after tax impacted by one-off charge of Rs.449mn on account of significant changes to the US corporate income tax system

Key Financial Highlights – 9MFY18 (Consolidated)

Particulars (Rs mn)	9MFY18	9MFY17	YoY growth
Revenue from Operations	49,180	46,011	6.9%
Gross Profit	30,211	28,404	6.4%
Gross Profit margin	61.4%	61.7%	
EBITDA	9,146	8,497	7.6%
EBITDA margin	18.6%	18.5%	
PBT	8,451	8,286	2.0%
PBT margin	17.2%	18.0%	
PAT (After Minority Interest)	5,639	7,550	(25.3)%
PAT margin	11.5%	16.4%	
EPS (Rs / share)	47.16	63.15	(25.3)%

Notes: Post implementation of GST with effect from 1st July 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 quarter and nine months ended 31 December 2017 are not comparable with those of previous period presented.

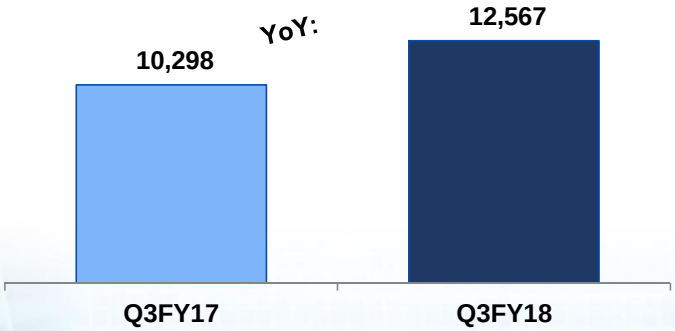
- Adjusting for the GST impact, the YoY revenue growth in 9MFY18 was higher
- Growth in the International Business was impact by adverse currency movement
- EBITDA margins improved despite challenging regulatory environment and competitive landscape in key markets of India and US
- PAT (after minority interest) impacted by one-off charge of Rs.449 million (part of tax expenses) due to significant changes to the US corporate tax system

India Business

India Business: Q3FY18 Sales of Rs.12,567 million (22.0% growth YoY)

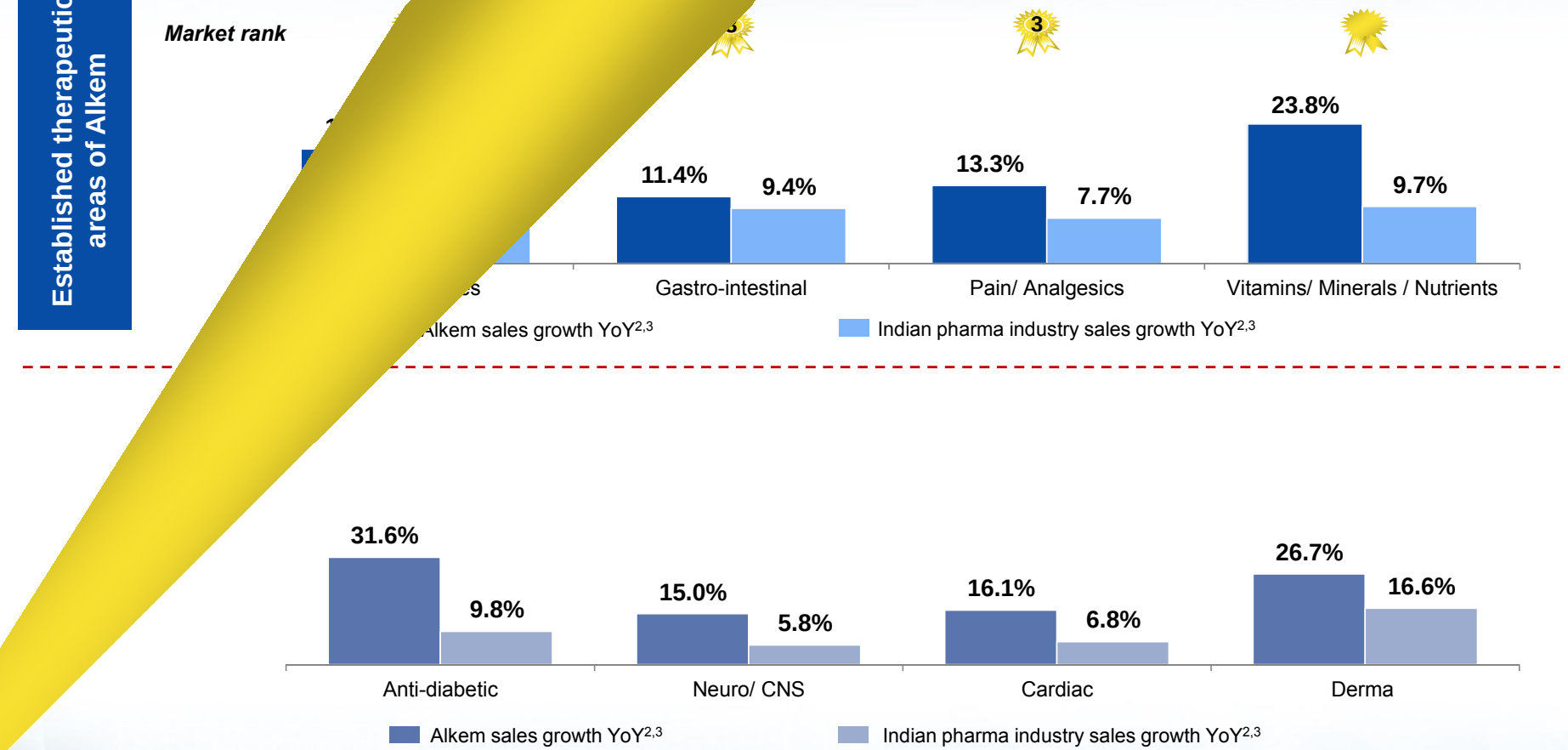
- India sales contributed 73.0% to total sales in Q3FY18
- Adjusting for the GST impact, YoY growth during the quarter and nine months ending 31st December 2017 was even higher
- The YoY growth during the quarter was majorly driven by volume growth along with contribution from new product launches
- During the quarter, the Company outperformed the IPM across all the major therapy segments. (Source: IMS TSA data)
- The Company improved its market share and rankings in chronic therapy areas of Cardiac, Anti-diabetes, Neuro / CNS and Derma. The Company now ranks 8th (YoY improvement of 2 ranks) in the CNS / Neuro segment for Q3FY18. (Source: IMS TSA data)

9MFY18 - India sales (Rs mn)



India Business – S… …ales Performance

Established therapeutic areas of Alkem



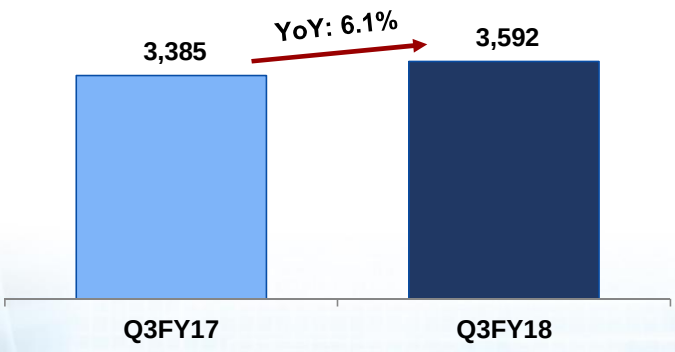
Source: IMS TSA data [2] Domestic formulations sales; [3] For 3 months ended December 2017

US Business

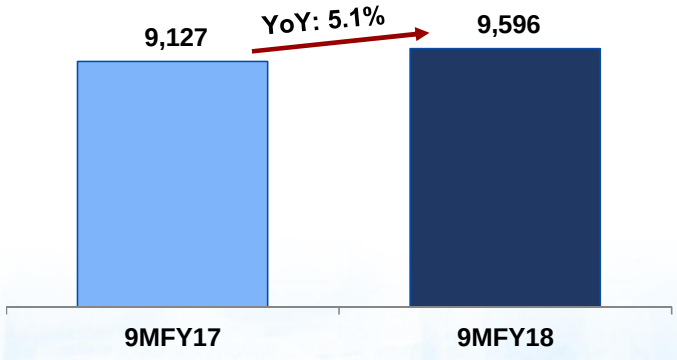
US Business: Q3FY18 Sales of Rs.3,592 million (6.1% growth YoY)

- US sales contributed 20.9% to total sales in Q3FY18
- YoY growth during the quarter was higher in US$ terms
- In Q3FY18, the Company filed 3 ANDAs with the US FDA and received 7 approvals (including 1 tentative approval)
- As on 31st December 2017, the Company has filed a total of 97 ANDAs (including 1 NDA) with the US FDA and has received 49 approvals (including 6 tentative approvals and 1 NDA)
- **Status of US FDA inspection**: All the 6 manufacturing facilities (4 in India and 2 in US) catering to the US market has received an EIR from the US FDA and there is not pending observations in any of them

Q3FY18 – US Sales (Rs mn)



9MFY18 - US sales (Rs mn)

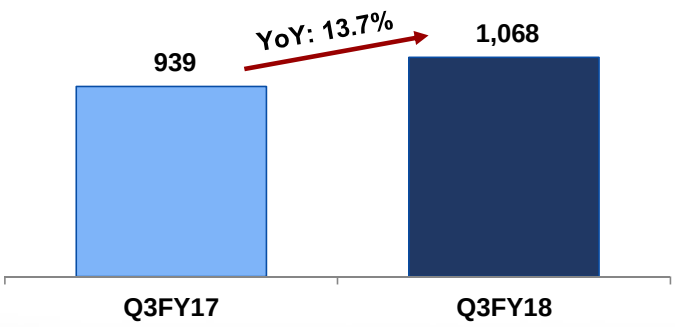


Other International Business

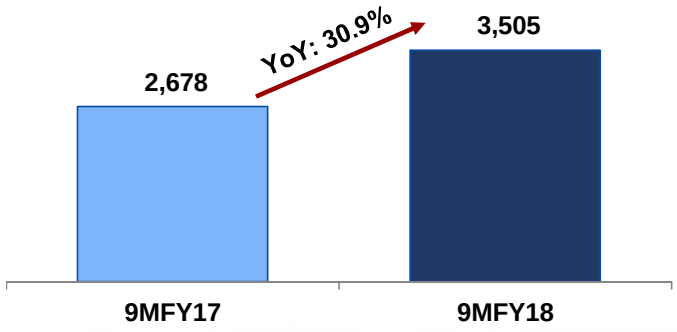
Other International Business: Q3FY18 Sales of Rs.1,068 million (13.7% growth YoY)

- Other International Market sales contributed 6.2% to total sales in Q3FY18
- Company's key markets including Australia, Philippines, Chile and Kazakhstan recorded healthy growth for the quarter and nine months ending 31st December 2017
- YoY growth during the quarter was higher in local currency

Q3FY18 – Other International Sales (Rs mn)



9MFY18 – Other International Sales (Rs mn)



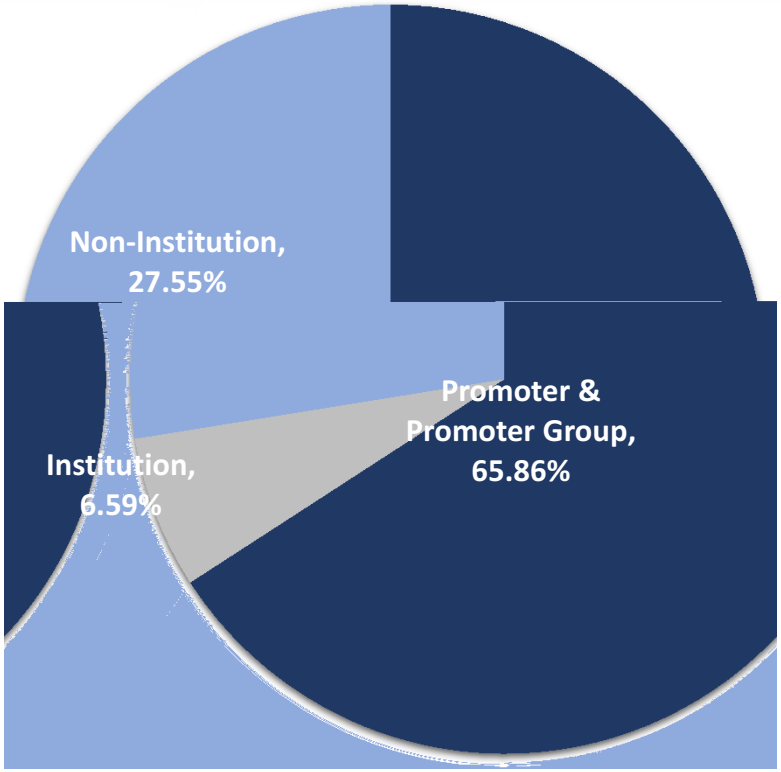
Consistent Strategy, Strong Execution

With a consistent strategy, the greater focus has been on stronger execution

1. *India Sales: Consolidate Company's leadership position in the acute segment by driving growth in its mega brands*
2. *India Sales: Increase Company's market share in the chronic segment through market share acquisition and new product introductions*
3. *Improve field force productivity through SFE (Sales Force Effectiveness) initiatives*
4. *Continued focus on R&D to accelerate ANDA filings for the US market and develop differentiated portfolio*
5. *Strategic partnerships / collaborations to enhance capabilities and product portfolio for focus markets*

Latest Shareholding Pattern

Shareholding pattern as on 31st December 2017



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