



ALKEM

ALKEM LABORATORIES LTD.

Regd. Office : " ALKEM HOUSE", Senapati Bapat Marg,
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Email : contact@alkem.com Website : www.alkemlabs.com
CIN :- L00305MH1973PLC174201



Press Release

Alkem reports Q4FY17 and FY17 Results

Mumbai, May 26, 2017: Alkem Labs Ltd (Alkem) today announced its consolidated financial results for fourth quarter & twelve months ending March 31st, 2017. These results were taken on record by the Board of Directors at a Meeting held in Mumbai today.

Key highlights of Q4FY17 financial performance

- Total Income from Operations was Rs.12,514 million, year-on-year growth of 9.0%
 - India sales were Rs.8,563 million, year-on-year growth of 7.0%
 - International sales were Rs.3,853 million, year-on-year growth of 14.5%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.1,493 million, resulting in EBITDA margin of 11.9% vs. 13.6% in Q4FY16.
- R&D expenses for the quarter was Rs.915 million, or 7.3% of net operating income
- Profit before tax (PBT) was Rs.1,361 million, compared to Rs.2,252 million in Q4FY16. In FY16, the Company had higher Other Income on account of IND AS adjustment of real estate investments
- Net Profit (after Minority Interest) was Rs.1,370 million, year-on-year growth of 58.1%

Key highlights of FY17 financial performance

- Total Income from Operations was Rs.58,525 million, year-on-year growth of 15.9%
 - India sales were Rs.42,153 million, year-on-year growth of 15.6%
 - International sales were Rs.15,659 million, year-on-year growth of 16.8%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.9,990 million, resulting in EBITDA margin of 17.1% vs. 16.9% in FY16. EBITDA grew by 17.1% YoY
- R&D expenses for FY17 was Rs.3,204 million, or 5.5% of net operating income compared to Rs.2,166 million in FY16 at 4.3% of net operating income
- Profit before tax (PBT) was Rs.9,646 million, a growth of 3.9% YoY compared to FY16. In FY16, the Company had higher Other Income on account of IND AS adjustment of real estate investments and consideration received from sale of some brands and trademarks
- Net Profit (after Minority Interest) was Rs.8,920 million, year-on-year growth of 20.3%

Commenting on the results, Prabhat Agrawal, CEO, Alkem said, "Financial year 2017 has been a challenging year for the entire Indian Pharmaceutical Industry given the regulatory price cuts, impact of demonetization and the uncertainty around GST rates and timelines. However I am pleased that amidst this challenging backdrop we have done well with mid-teen growth in our domestic business driven by strong execution of our business strategies. The US business too registered healthy growth with market share gains in existing products and contribution from new product launches. Three of our facilities underwent US FDA inspection and we successfully closed the inspection emphasising our commitment and focus towards quality and compliance."





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Operational Highlights

Domestic Business

Our Domestic sales for Q4FY17 grew by 7.0% YoY, recording a sales of Rs.8,563 million as compared to Rs.8,004 million for Q4FY16. For FY17, our Domestic sales grew by 15.6% YoY to Rs.42,153 million compared to Rs.36,475 million in FY16.

As per IMS TSA MAT March 2017, during the financial year 2017 we registered value growth of 11.4% YoY, outperforming the Indian Pharmaceutical Market (IPM) which grew by 9.1% YoY. As a result, we gained one ranked during the year and are now ranked the fifth largest pharmaceutical company in India in terms of domestic sales. The outperformance during the year was driven by continued market share gain in our established therapy segments of Anti-Infectives, Gastro Intestinal, Pain / Analgesic and Vitamins / Minerals / Nutrients, as well as robust growth in our emerging therapy segments of Neuro / CNS, Derma, Cardiac and Anti-Diabetes. Despite the regulatory price cuts and challenging business environment, our focused brands continued to register healthy volume growth, while our new product launches also contributed to our overall growth during the year.

For the quarter we registered value growth of 4.7% YoY, lower than the Indian Pharmaceutical Market (IPM) which grew by 6.6% YoY. As shown in the table below, while we continued to outperform the Industry growth rates in all the major therapy areas during the quarter, significant slowdown in the anti-infective segment, our largest therapy segment in India, brought down our overall growth rate during Q4FY17.

The performance highlights of the key therapeutic segments in Q4FY17 and FY17 are as shown in the table below:

Key Therapy segment	Q4FY17				FY17			
	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)
Anti-infectives	1	Unchanged	-3.9%	-4.5%	1	Unchanged	9.4%	4.8%
Gastro Intestinal	3	Unchanged	11.1%	8.6%	3	Unchanged	14.2%	8.5%
Pain / Analgesics	3	Unchanged	8.4%	5.4%	3	Unchanged	12.8%	7.8%
Vitamins / Minerals / Nutrients	5	Unchanged	8.0%	7.8%	6	-1	10.2%	9.0%
Respiratory	20	Unchanged	-3.1%	3.4%	20	-1	6.2%	9.8%
Neuro / CNS	11	Unchanged	16.9%	8.0%	11	Unchanged	19.3%	10.2%
Derma	17	+1	26.7%	18.7%	18	-1	15.1%	16.3%
Cardiac	29	+2	16.2%	6.7%	30	+1	14.6%	8.4%
Anti-Diabetic	25	+4	31.0%	18.4%	26	+2	27.5%	17.6%
Total	8	-1	4.7%	6.6%	5	+1	11.4%	9.1%

*Positive change in rank reflects improvement over same period previous year

Source: IMS TSA MAT March 2017





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Investments in the Indian OTC market

During the quarter and the financial year, we also made investments in the Rs.145 billion Indian OTC (Over-the-Counter) market. The Company is a pan-India player with vast distribution network and proven ability to build market leading brands. We look forward to leverage these strengths to emerge as a formidable OTC player over the medium to long term.

International Business

Our International sales for Q4FY17 grew by 14.5% YoY, recording sales of Rs.3,853 million as compared to Rs.3,364 million for Q4FY16. For FY17, our International sales grew by 16.8% to Rs.15,659 million compared to Rs.13,411 million in FY16.

- **US sales** for the quarter was Rs.2,907 million, recording a year-on-year growth of 19.4%. For FY17, US sales was Rs.12,035 million, up 21.5% compared to FY16.
- **Other International Markets sales** for the quarter were Rs.946 million, recording a year-on-year growth of 1.6%. For FY17, Other International Markets sales were Rs.3,624 million, up 3.4% compared to FY16.

R&D Investments

Our Revenue R&D expenses for the quarter were Rs.915 million, or 7.3% of net operating income. Similarly for FY17, our Revenue R&D expenses were Rs.3,204 million, or 5.5% of net operating income.

During the quarter, we filed 13 abbreviated new drug applications (ANDAs) with the US FDA and received 5 approvals (including 1 tentative approval). For FY17, we filed 14 ANDAs with the US FDA and received 9 approvals (including 4 tentative approvals).

As on 31st March 2017, we have filed a total of 91 ANDAs including one new drug application (NDA) with the US FDA of which 37 are Para IV filings including first-to-files (FTFs). Of these, we have received approvals for 39 ANDAs (including 7 tentative approvals) including one NDA.

Update on our recent US FDA inspections

Facility	Scope	Inspection Date	Update
Daman (India)	Formulation	September 2016 – received 13 observations	EIR* Report received in December 2016
Ankleshwar (India)	API	December 2016 - received 3 observations	EIR* Report received in March 2017
Baddi (India)	Formulation	March 2017 - received 3 observations	EIR* Report received in May 2017

***Note:** EIR – Establishment Investigation Report





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Q4FY17 Conference Call at 5:30pm IST, May 26th, 2017

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, May 26th, 2017 at 5:30pm IST to discuss its Q4FY17 & FY17 financial results. The conference call follows the announcement of the Company's Q4FY17 & FY17 financial results on Friday, May 26th, 2017.

Alkem Laboratories Ltd. will be represented on the call by Mr. Prabhat Agrawal, Chief Executive Officer and the senior management team.

Motilal Oswal Securities Ltd. will host the call.

Details of the conference call are as under:

Time: 5:30 pm IST (GMT + 5:30) on Friday, May 26th, 2017.

Dial in Details:

India : +91 22 3938 1079

International Toll Free

USA : 1 866 746 2133

UK : 0 808 101 1573

Singapore : 800 101 2045

Hong Kong : 800 964 448

You are requested to dial in 10 mins ahead of the scheduled start time. A transcript of this conference call will also be available on our website www.alkemlabs.com

About Alkem Laboratories Ltd.

Established in 1973 and headquartered in Mumbai, Alkem (NSE: ALKEM, BSE: 539523, Bloomberg: ALKEM.IN, Reuters: ALKE.NS) is a leading Indian pharmaceutical company with global operations, engaged in the development, manufacture and sale of pharmaceutical and nutraceutical products. The Company produces branded generics, generic drugs, active pharmaceutical ingredients (APIs) and nutraceuticals, which it markets in India and International markets. With a portfolio of more than 700 brands in India, Alkem is ranked the fifth largest pharmaceutical company in India in terms of domestic sales (Source: IMS TSA MAT March 2017). The Company also has presence in more than 50 international markets, with the United States being its key focus market.

For more information on Alkem Laboratories Ltd., please visit www.alkemlabs.com

For further information or queries please contact

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