



**Alkem Laboratories Ltd.**

**Investor Presentation Q1FY18**

**11<sup>th</sup> August 2017**

# 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

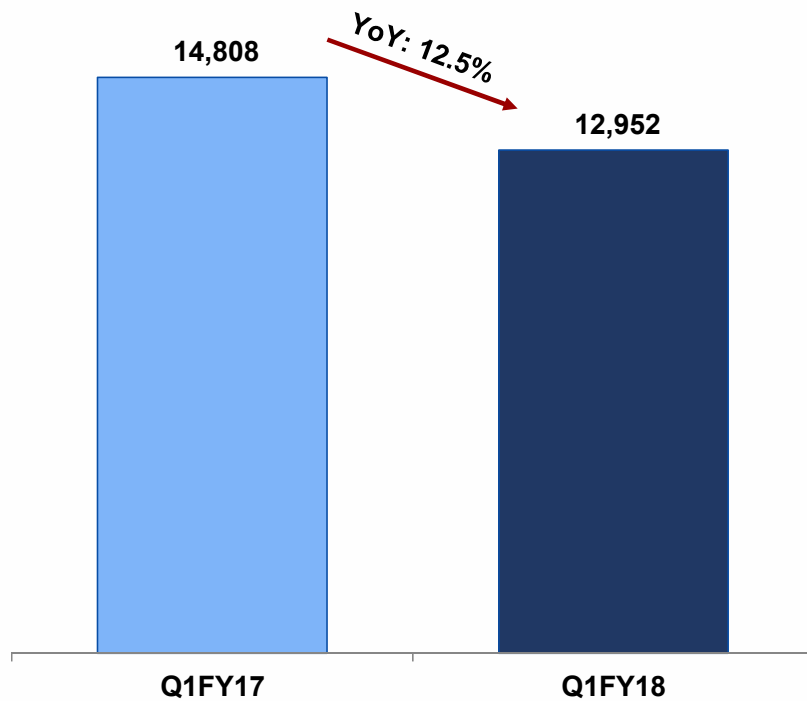
## Below par quarter mainly due to GST led destocking in the domestic business

- **India Business:** YoY growth during the quarter was impacted by sharp drop in inventory levels as stockist and other trade partners prepared themselves for the GST roll-out
  - As per AIOCD AWACs, IPM inventory days declined from 40 days in May end to 17 days towards end of June
- **Revenue decline impacting overall profitability:** A decline in revenues adversely impacted the operating leverage, resulting in lower EBITDA margin
- **Steady growth in the International Business:** Company's key select international markets registered healthy growth. Growth was even better in local currency terms
- **R&D investments** during the quarter was 5.4% of total revenue from operations. The Company filed 2 ANDAs during the quarter and received two final approvals from the US FDA
- **US FDA inspection:** The Company successfully closed the US FDA inspection at its Bioequivalence Facility at Talaja without any Form 483 observations

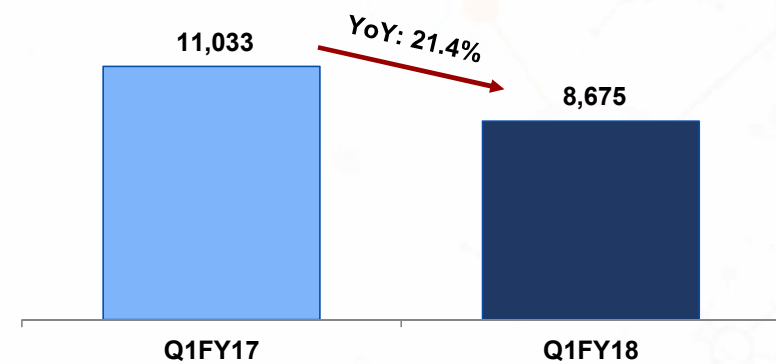
# Key Financial Highlights of Q1FY18 (Consolidated)

All figures in INR mn

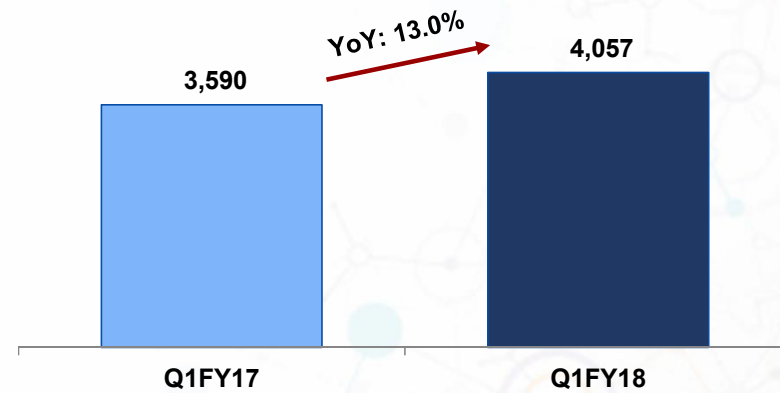
### Total Revenue from Operations



### India sales



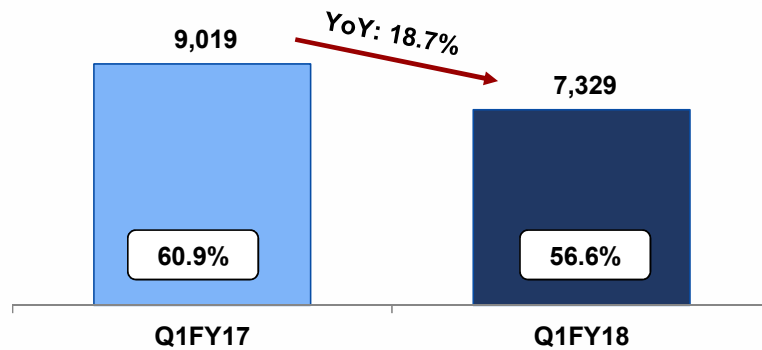
### International sales



# Key Financial Highlights of Q1FY18 (Consolidated)

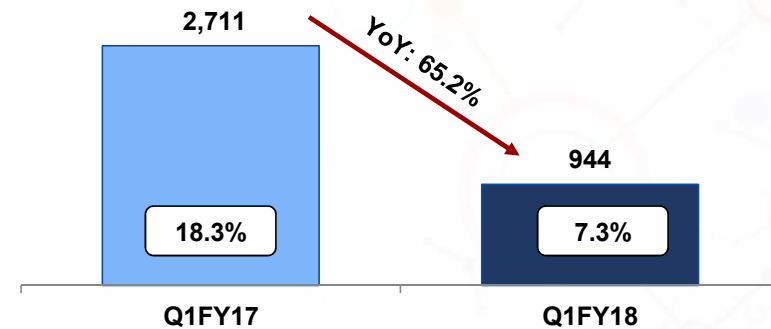
All figures in INR mn

### Gross Profit and Gross Margin

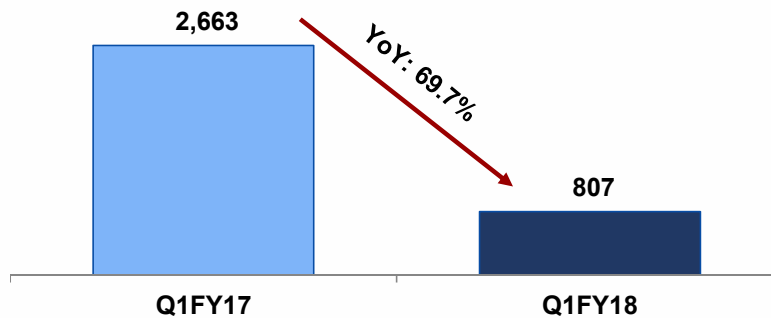


YoY Gross Profit not comparable due to regrouping of excise duty worth Rs519.3mn as part of cost of inventory. Refer note below

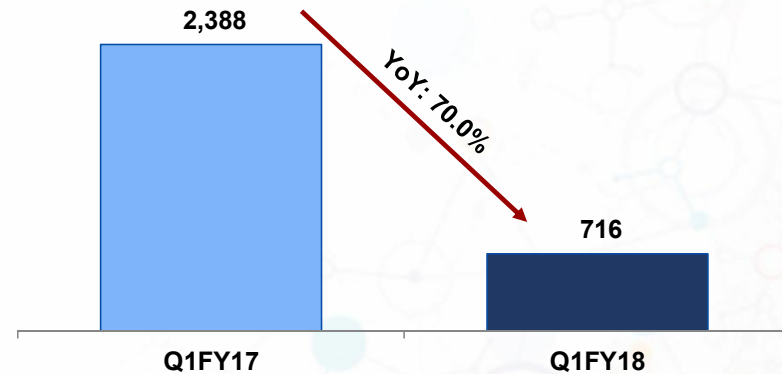
### EBITDA and EBITDA Margin



### PBT (before Minority Interest)



### PAT (after Minority Interest)



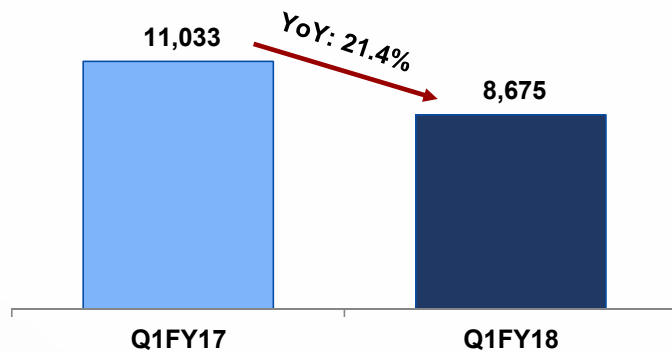
**Note:** The Company has for Q1FY18 regrouped excise duty of **Rs.519.3 million**, forming part of cost of inventory lying at various sales depots and warehouses, on which set-off is available under Goods and Service Tax ("GST"). Consequently Changes in inventories of finished goods, work-in-progress and stock-in-trade has been increased by Rs.519.3 million and Other Expense has been decreased by Rs.519.3 million

# India Business – Impacted by GST led destocking

## India Business: Q1FY18 Sales of Rs.8,675 million (21.4% decline YoY)

- India sales contributed 68.1% to total sales for Q1FY18
- GST led sharp decline in inventory levels at the stockist and other trade partners impacted the growth of the domestic business
- Company’s Emerging Therapy areas of neuro/CNS, cardiac, anti-diabetes and derma registered healthy growth rates, outperforming the market growth rates in their respective segments (Source: IMS TSA MAT June 2017)
- Company’s Established Therapy areas of anti-infectives, gastro intestinal and vitamins / minerals / nutrients reported muted growth largely on account of regulatory price cuts taken during financial year 2017, which pulled down the overall year-on-year growth of the Company (Source: IMS TSA MAT June 2017)

India sales (INR mn)



GST led decline in inventory days (Source: AIOCD AWACs)

	May'17 end	7th Jun	14th Jun	21st Jun	28th Jun	7th Jul	21st Jul
IPM	40	27	24	22	17	19	22
Alkem	37	25	25	21	13	15	19



## India secondary sales performance in Q1FY18

Therapy Area	Our Rank	Change in Rank	Therapy Contribution	Market Share	Our Growth	Industry Growth
Anti-infectives	1	↔	37%	11.0%	-7.4%	-2.1%
Gastro Intestinal	3	↔	19%	5.6%	3.4%	4.5%
Pain / Analgesics	3	↔	13%	5.4%	11.5%	2.8%
Vitamins / Minerals / Nutrients	5	↔	9%	3.7%	6.3%	3.8%
Neuro / CNS	10	↑1	4%	2.4%	11.8%	4.4%
Derma	17	↑1	4%	1.6%	23.4%	13.0%
Cardiac	29	↑1	2%	0.7%	19.3%	4.8%
Anti Diabetic	25	↑2	2%	0.8%	16.6%	15.9%
<b>Grand Total</b>	<b>6</b>	<b>↓1</b>		<b>3.3%</b>	<b>1.7%</b>	<b>4.8%</b>

Source: IMS TSA MAT June 2017

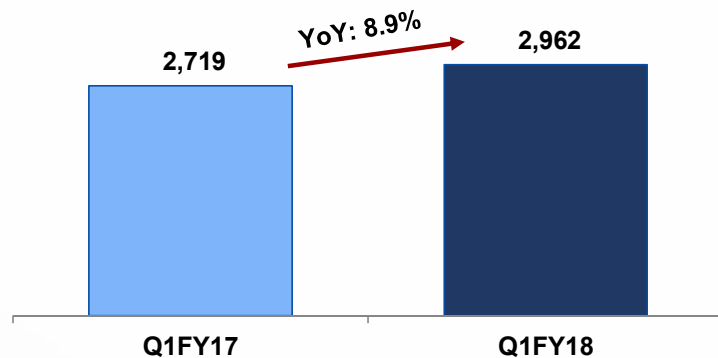
# International Business

## International Business: Q1FY18 Sales of Rs.4,057 million (13.0% growth YoY)

### US Business

- US sales contributed 23.3% to total sales for Q1FY18
- In Q1FY18, the Company filed 2 ANDAs with the US FDA and received 2 final approvals
- As on 30<sup>th</sup> June 2017, Company has filed a total of 93 ANDAs (including 1 NDA) with the US FDA and has received 40 approvals (including 6 tentative approvals)

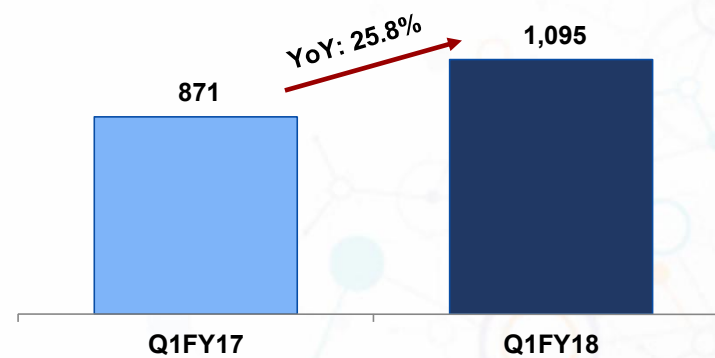
US sales (INR mn)



### Other International Markets Business

- Other International Market sales contributed 8.6% to total sales for Q1FY18
- Company's key markets including Australia, Philippines and Kazakhstan recorded healthy growth
- Growth was even better in local currency term

Other International Markets sales (INR mn)





# Consistent Strategy, Strong Execution

1

*India Sales: Consolidate our leadership position in the acute segment by driving growth in our mega brands*

2

*India Sales: Increase our market share in the chronic segment through market share acquisition and new product introductions*

3

*Improve our field force productivity through SFE (Sales Force Effectiveness) initiatives*

4

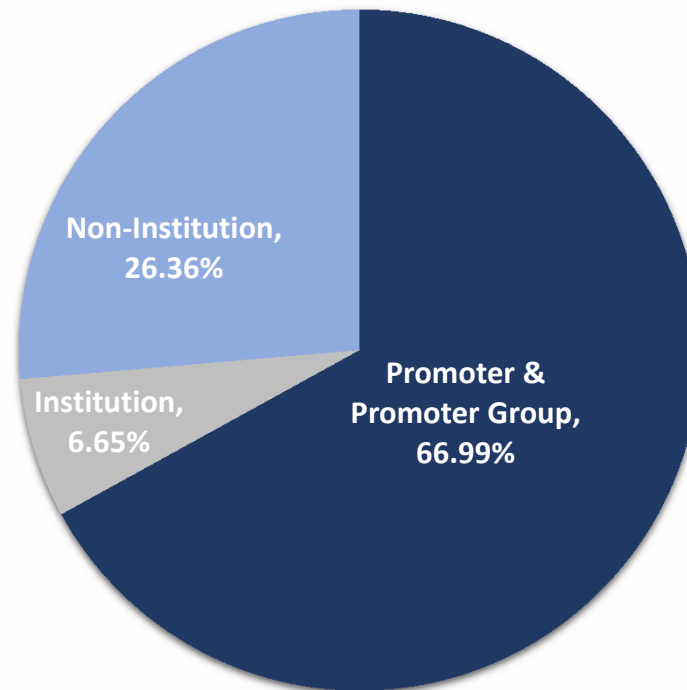
*Continued focus on R&D to accelerate ANDA filings for the US markets and develop differentiated portfolio*

5

*Strategic partnerships / collaborations to enhance capabilities and product portfolio for focus markets*

# Latest Shareholding Pattern

Shareholding pattern as on 30<sup>th</sup> June 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**