



ALKEM LABORATORIES LTD.

Regd. Office : " ALKEM HOUSE", Senapati Bapat Marg,
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CIN :- L00305MH1973PLC174201



Press Release

Alkem reports Q1FY18 Results

Mumbai, August 11, 2017: Alkem Laboratories Ltd (Alkem) today announced its consolidated financial results for the first quarter of financial year 2018. These results were taken on record by the Board of Directors at a meeting held in Mumbai today.

Key highlights of Q1FY18 financial performance

- Total Income from Operations was Rs.12,952 million, year-on-year decline of 12.5%
 - India sales were Rs.8,675 million, year-on-year decline of 21.4%
 - International sales were Rs.4,057 million, year-on-year growth of 13.0%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.944 million, resulting in EBITDA margin of 7.3% vs. 18.3% in Q1FY17. EBITDA declined by 65.2% YoY
- R&D expenses for the quarter was Rs.701 million, or 5.4% of total income from operation compared to Rs.788 million in Q1FY17 at 5.3% of total income from operation
- Profit before tax (PBT) was Rs.807 million, a decline of 69.7% compared to Q1FY17
- Net Profit (after Minority Interest) was Rs.716 million, year-on-year decline of 70.0%

Commenting on the results, Prabhat Agrawal, CEO, Alkem said, "Q1FY18 has been a below par quarter, not only for the Company but for the entire Indian Pharmaceutical Market as the stockist and other trade partners operated at a significantly lower inventory levels in the run-up to the GST roll-out on 1st July 2017. However, we expect the inventory levels to gradually normalise over the remaining part of the financial year, leading to a pick-up in growth rates in the domestic business. Our International business delivered a steady growth rate during the quarter driven by market share gains in existing products as well as contributions from new product launches. Also our Bioequivalence facility at Taloja underwent successful inspection by the USFDA with zero 483 observations, thereby extending our good compliance track record. We look forward to adapt well to the evolving regulatory landscape in our key markets and deliver sustainable and profitable growth."

Operational Highlights

Domestic Business

Our Domestic business recorded a sales of Rs.8,675 million in Q1FY18, compared to Rs.11,033 million in Q1FY17. The year-on-year decline in our domestic sales was mainly on account of GST led destocking by the stockist and trade partners.

As per IMS TSA MAT June 2017, during the quarter we registered a year-on-year growth of 1.7%, compared to the Indian Pharmaceutical Market (IPM) which grew by 4.8% YoY. While the Emerging therapy segments of the Company; neuro / CNS, derma, cardiac and anti-diabetes; continued to



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deliver robust year-on-year growth during the quarter, a subdued growth in the Company's key therapy segments of anti-infectives and gastro intestinal mainly led by price cuts taken during the financial year 2017, pulled back the overall year-on-year growth rate of the Company.

Our continued focus on developing our presence in the chronic segment is showing encouraging results with the Company now featuring amongst the top 10 companies in India in the therapy segment of neuro / CNS as per IMS TSA data for the quarter ended June 2017. We also improved our market rankings in other chronic therapy areas like derma, cardiac and anti-diabetes.

Our performance in the key therapeutic segments during Q1FY18 is as shown in the table below:

Key Therapy segment	Q1FY18 [#]			
	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)
Anti-infectives	1	Unchanged	-7.4%	-2.1%
Gastro Intestinal	3	Unchanged	3.4%	4.5%
Pain / Analgesics	3	Unchanged	11.5%	2.8%
Vitamins / Minerals / Nutrients	5	Unchanged	6.3%	3.8%
Neuro / CNS	10	+1	11.8%	4.4%
Derma	17	+1	23.4%	13.0%
Cardiac	29	+1	19.3%	4.8%
Anti-Diabetic	25	+2	16.6%	15.9%
Total	6	-1	1.7%	4.8%

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

[#]Source: IMS TSA MAT June 2017

International Business

Our International sales for Q1FY18 grew by 13.0% YoY, recording sales of Rs.4,057 million as compared to Rs.3,590 million for Q1FY17.

- **US sales** for the quarter was Rs.2,962 million, recording a year-on-year growth of 8.9%.
- **Other International Markets sales** for the quarter was Rs.1,095 million, recording a year-on-year growth of 25.8%.

R&D Investments

Our Revenue R&D expenses for the quarter were Rs.701 million, or 5.4% of total income from operation.

During the quarter, we filed 2 abbreviated new drug applications (ANDAs) with the US FDA and received 2 final approvals. As on 30th June 2017, we have filed a total of 92 ANDAs and 1 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 6 tentative approvals) and 1 NDA.



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Invite for Q1FY18 Conference Call at 5:00pm IST, August 11th, 2017

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, August 11th, 2017 at 5:00pm IST to discuss its Q1FY18 financial results. The conference call follows the announcement of the Company's Q1FY18 financial results on Friday, August 11th, 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: 5:00 pm IST (GMT + 5:30) on Friday, August 11th, 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

For further information or queries please contact

Gagan Borana

Investor Relations – Alkem Laboratories Ltd.

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Alkem Laboratories Ltd.

Investor Presentation Q1FY18

11th 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

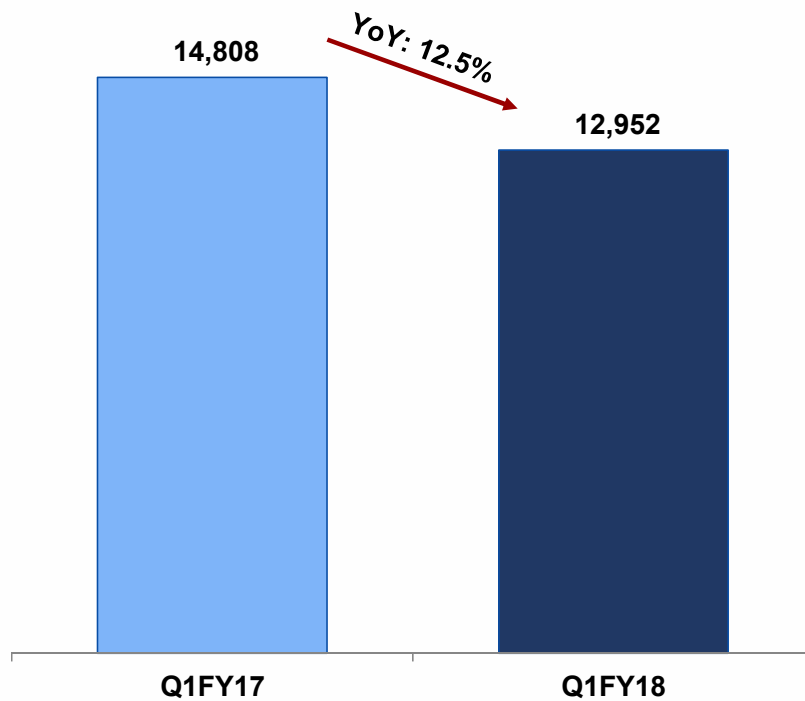
Below par quarter mainly due to GST led destocking in the domestic business

- **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

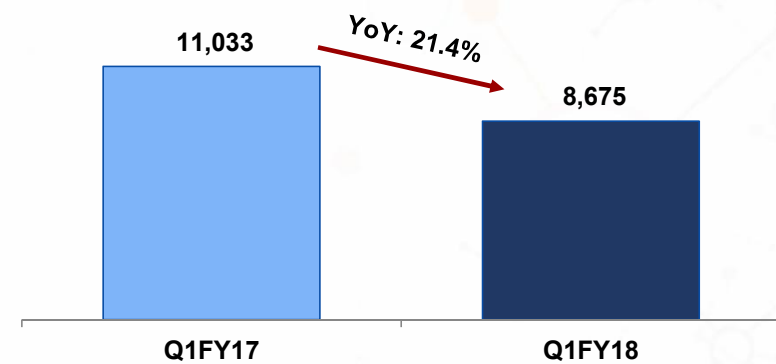
Key Financial Highlights of Q1FY18 (Consolidated)

All figures in INR mn

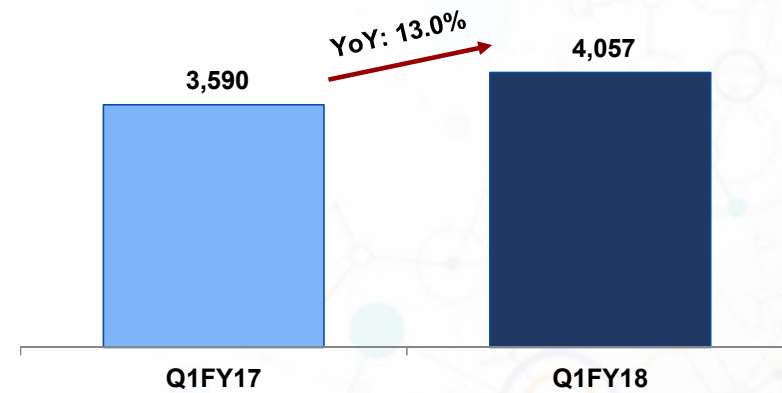
Total Revenue from Operations



India sales



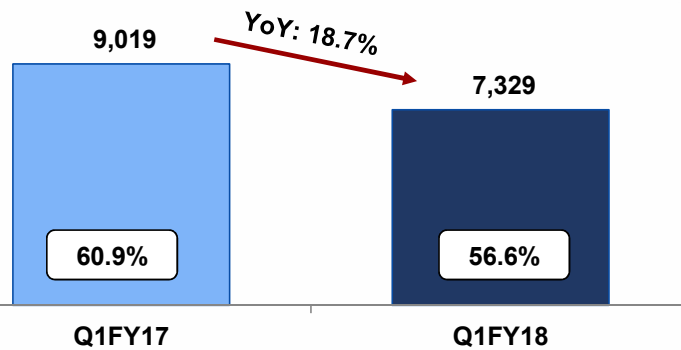
International sales



Key Financial Highlights of Q1FY18 (Consolidated)

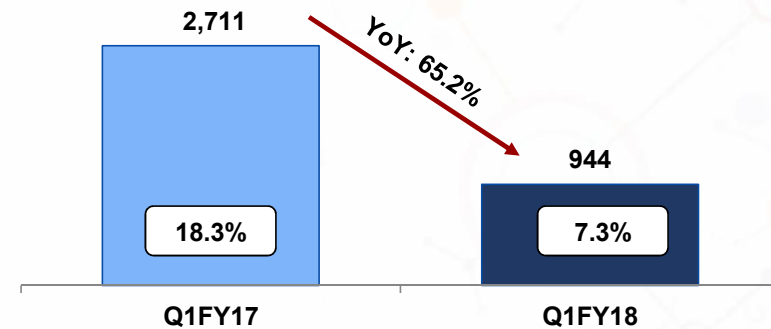
All figures in INR mn

Gross Profit and Gross Margin

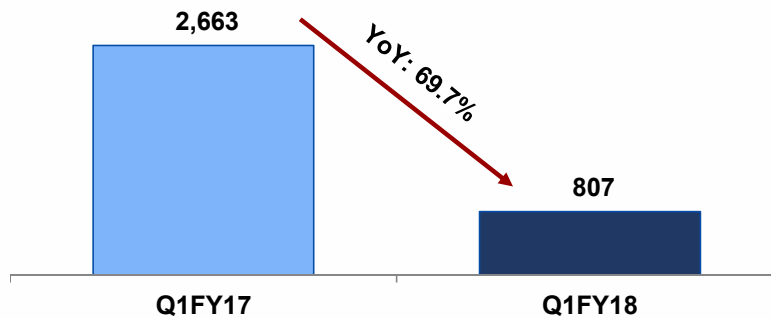


YoY Gross Profit not comparable due to regrouping of excise duty worth Rs519.3mn as part of cost of inventory. Refer note below

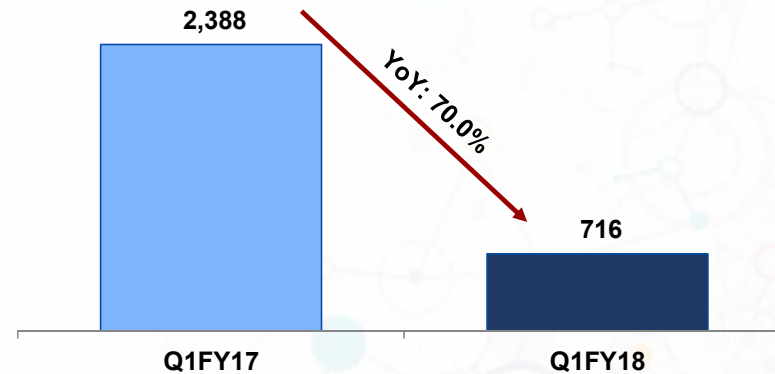
EBITDA and EBITDA Margin



PBT (before Minority Interest)



PAT (after Minority Interest)



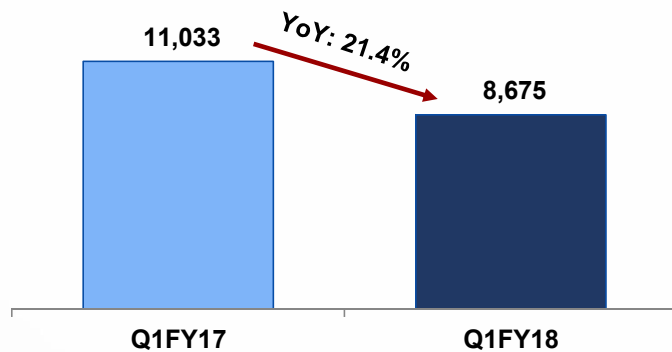
Note: The Company has for Q1FY18 regrouped excise duty of **Rs.519.3 million**, forming part of cost of inventory lying at various sales depots and warehouses, on which set-off is available under Goods and Service Tax ("GST"). Consequently Changes in inventories of finished goods, work-in-progress and 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%
Grand Total	6	↓1		3.3%	1.7%	4.8%

Source: IMS TSA MAT June 2017

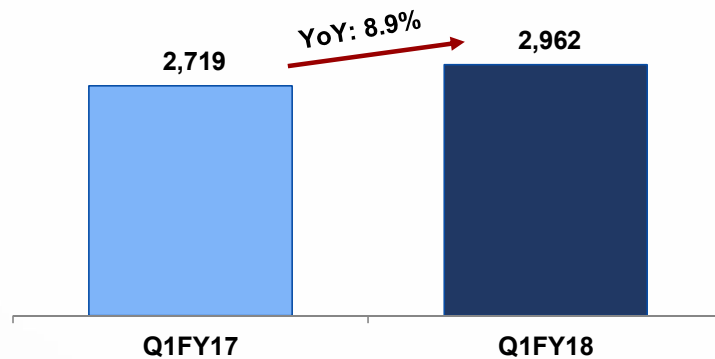
International Business

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 30th 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)

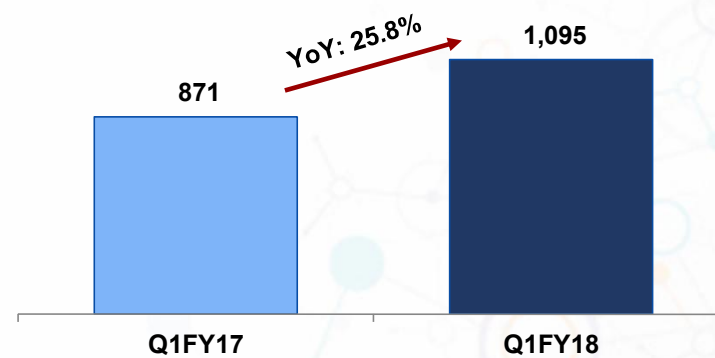
US sales (INR mn)



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

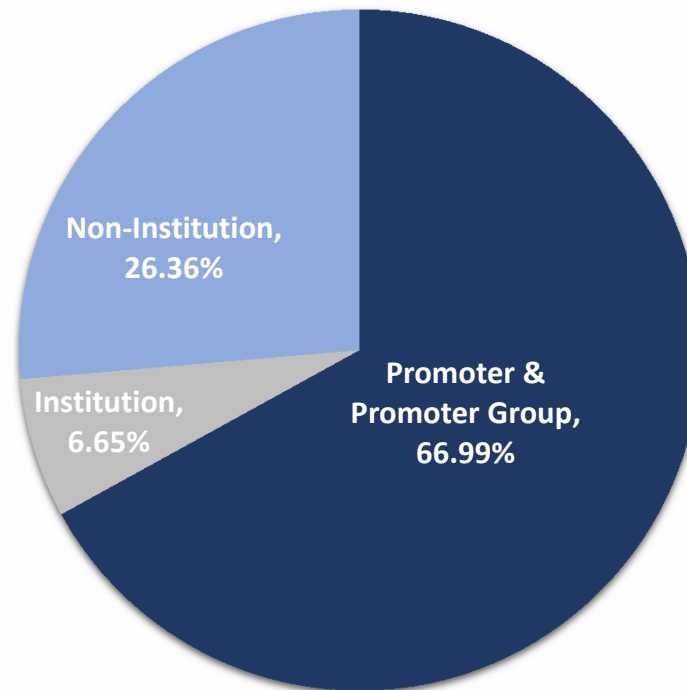
Continued focus on R&D to accelerate ANDA filings for the US markets and develop differentiated portfolio

5

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

Latest Shareholding Pattern

Shareholding pattern as on 30th 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

The background features a light blue header bar at the top. Below it, the page is filled with a pattern of faint, stylized molecular diagrams. These diagrams consist of interconnected nodes (represented by small circles in various colors like blue, orange, and red) and lines representing bonds. Some nodes are highlighted with larger, semi-transparent circles in the same color palette. The overall aesthetic is clean and scientific.

Thank You