



ALKEM LABORATORIES LTD.

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



Press Release

Alkem reports Q3FY17 and 9MFY17 Results

Mumbai, February 10, 2017: Alkem Laboratories Ltd. (Alkem) today announced its consolidated financial results for the third quarter & nine months ending December 31st, 2016. These results were taken on record by the Board of Directors at a Meeting held in Mumbai today.

Key highlights of Q3FY17 financial performance

- Total Income from Operations was Rs.14,819 million, year-on-year growth of 15.1%
 - India sales were Rs.10,298 million, year-on-year growth of 13.5%
 - International sales were Rs.4,324 million, year-on-year growth of 18.7%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.2,681 million, resulting in EBITDA margin of 18.1% vs. 18.3% in Q3FY16. EBITDA grew by 13.7% YoY
- R&D expenses for the quarter was Rs.851 million, or 5.7% of net operating income
- Profit before tax (PBT) was Rs.2,554 million, a growth of 20.0% compared to Q3FY16
- Net Profit (after Minority Interest) was Rs.2,334 million, year-on-year growth of 24.9%

Key highlights of 9MFY17 financial performance

- Total Income from Operations was Rs.46,011 million, year-on-year growth of 18.0%
 - India sales were Rs.33,590 million, year-on-year growth of 18.0%
 - International sales were Rs.11,806 million, year-on-year growth of 17.5%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.8,497 million, resulting in EBITDA margin of 18.5% vs. 17.9% in 9MFY16. EBITDA grew by 21.8% YoY
- R&D expenses for 9MFY17 was Rs.2,289 million, or 5.0% of net operating income compared
- Profit before tax (PBT) was Rs.8,286 million, a growth of 17.8% compared to 9MFY16
- Net Profit (after Minority Interest) was Rs.7,550 million, year-on-year growth of 15.3%

Commenting on the results, Prabhat Agrawal, CEO, Alkem said, "Q3FY17 has been a challenging quarter in terms of business environment, especially for the acute segment which was impacted by demonetization, coupled with a weak anti-infective season. Amidst this tough business environment, we are pleased to report a healthy and consistent growth without compromising on our margins. Our US business also contributed with strong revenue growth during the quarter driven mainly by market share gains. Further we successfully closed the USFDA inspection at our Daman facility in a record time which takes out the regulatory uncertainty. We look forward to carry this momentum ahead for the rest of the financial year."



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Operational Highlights

Domestic Business

Our Domestic sales for Q3FY17 grew by 13.5% YoY, recording a sales of Rs.10,298 million as compared to Rs.9,074 million for Q3FY16. For 9MFY17, our Domestic sales grew by 18.0% YoY to Rs.33,590 million compared to Rs.28,471 million in 9MFY16.

As per IMS December 2016, during the quarter we registered value growth of 6.2% YoY, outperforming the Indian Pharmaceutical Market (IPM) which grew by 5.7% YoY. YoY growth during the quarter was impacted due to demonetization, de-growth in the anti-infective market, expansion in NLEM list and WPI led price cuts. For nine months ending December 2016, we continued to grow ahead of IPM with YoY growth of 13.5% compared to IPM growth of 9.9%, thereby maintaining our rank as the fifth largest pharmaceutical company in India in terms of domestic sales.

The outperformance during the quarter and nine months ending December 2016 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, Cardiac and Anti-Diabetes. During the quarter, while we maintained our market leading rankings in our established therapy segments, we also improved our rankings in our emerging therapy areas like Neuro / CNS, Cardiac and Anti-Diabetes.

The performance highlights of the key therapeutic segments in Q3FY17 and 9MFY17 are as shown in the table below:

| Key Therapy segment | Q3FY17 | | | | 9MFY17 | | | |
|---------------------------------|------------|---------------------|--------------------|------------------|------------|---------------------|--------------------|------------------|
| | 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 | -1.2% | -4.7% | 1 | Unchanged | 13.4% | 7.6% |
| Gastro Intestinal | 3 | Unchanged | 15.1% | 5.8% | 3 | Unchanged | 15.2% | 8.4% |
| Pain / Analgesics | 3 | Unchanged | 15.1% | 5.3% | 3 | Unchanged | 14.1% | 8.5% |
| Vitamins / Minerals / Nutrients | 5 | Unchanged | 8.5% | 7.4% | 6 | -1 | 10.8% | 9.3% |
| Respiratory | 21 | -2 | -5.4% | 4.3% | 19 | -1 | 9.4% | 12.0% |
| Neuro / CNS | 10 | +1 | 18.4% | 8.6% | 11 | Unchanged | 20.1% | 11.0% |
| Derma | 18 | Unchanged | 18.9% | 15.9% | 18 | -2 | 11.6% | 15.4% |
| Cardiac | 29 | +2 | 15.9% | 8.1% | 30 | +1 | 13.6% | 9.0% |
| Anti-Diabetic | 27 | +2 | 23.6% | 17.2% | 26 | +2 | 26.3% | 17.4% |
| Total | 5 | +1 | 6.2% | 5.7% | 5 | Unchanged | 13.5% | 9.9% |

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

Source: IMS SSA MAT December 2016



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Alliance with Haw Par to exclusively market, sell and distribute Tiger Balm range of products in India

The Company entered into an alliance with Haw Par India Pvt Ltd., a wholly owned subsidiary of Haw Par Healthcare Ltd., Singapore to exclusively market, sell and distribute Tiger Balm range of products in India. Tiger Balm range of products is an internationally known remedy for headaches, upper respiratory congestions, rheumatic or arthritic pains and muscular sprains. Tiger Balm products will be promoted by Alkem Healthcare, an Over the Counter (OTC) division of Alkem.

As per Euromonitor 2015, the size of OTC Analgesic market in India is about Rs.20bn and has grown at a CAGR of 9.9% through 2010 to 2015. Of this, topical OTC analgesic which includes ointments, creams, gels, sprays and patches accounts for more than 70% of the market with brands like Zandu Balm, Volini, Moov, Amrutanjan, Iodex, Emami, Tiger Balm, etc. Also, 90% of total OTC Analgesic sales happens through chemist channel where Alkem has a strong reach. Tiger Balm features amongst the top ten brands in the topical OTC analgesic market in India.

We believe this alliance will lend significant thrust to our domestic OTC business.

International Business

Our International sales for Q3FY17 grew by 18.7% YoY, recording sales of Rs.4,324 million as compared to Rs.3,644 million for Q3FY16. For 9MFY17, our International sales grew by 17.5% to Rs.11,806 million compared to Rs.10,046 million in 9MFY16.

- **US sales** for the quarter was Rs.3,385 million, recording a year-on-year growth of 30.1%. For 9MFY17, US sales was Rs.9,127 million, up 22.1% compared to 9MFY16.
- **Other International Markets sales** for the quarter were Rs.939 million, compared to Rs.1,041 million in Q3FY16. For 9MFY17, Other International Markets sales were Rs.2,678 million, up 4.1% compared to 9MFY16.

R&D Investments

Our Revenue R&D expenses for the quarter were Rs.851 million, or 5.7% of total operating income. Similarly for 9MFY17, our Revenue R&D expenses were Rs.2,289 million, or 5.0% of total operating income.

During the quarter, we filed 1 abbreviated new drug applications (ANDAs) with the US FDA and received 1 tentative approval. For 9MFY17, we filed 1 ANDA with the US FDA and received 5 approvals (including 4 tentative approvals).

As on 31st December 2016, we have filed a total of 77 ANDAs and 1 new drug application (NDA) with the US FDA of which 33 are Para IV filings including first-to-files (FTFs). Of these, we have received approvals for 35 ANDAs (including 08 tentative approvals) and 1 NDA.



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Q3FY17 Conference Call at 5:30pm IST, February 10th, 2017

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, February 10th, 2017 at 5:30 pm IST to discuss its Q3FY17 & 9MFY17 financial results.

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

Motilal Oswal Securities will host the call.

Details of the conference call are as under:

Time: 5:30 pm IST (GMT + 5:30) on Friday, February 10th, 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 SSA MAT March 2016). 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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