NON COMPETING
NEULAND
100% API PROVIDER

NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Investor Presentation | Q4FY16

BSE CODE : 524558 | NSE SYMBOL : NEULANDLAB | BLOOMBERG: NLL:IN | REUTERS: NEUL.NS

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WHERE OPPORTUNITY BECOMES REALITY

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Safe Harbour

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Company Information

Company Overview

32+

Years of excellence

75+

Products developed

85

Mn USD Revenue for FY 16

80+

Countries of business

400+

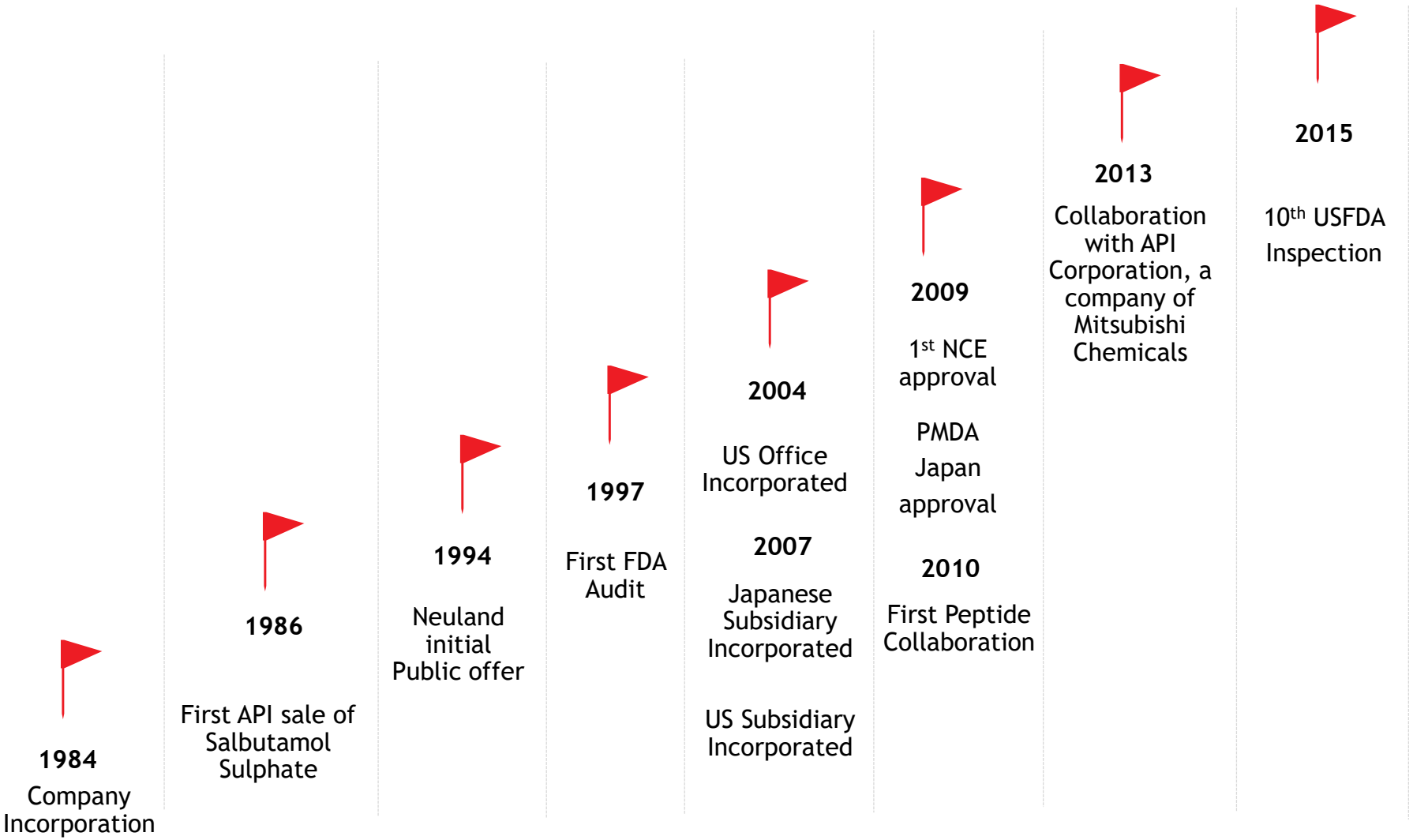
Regulatory Filings

1000+

Experienced professionals including scientists

- Headquartered in Hyderabad, India with two overseas subsidiaries in USA and Japan
- Two Business verticals : APIs and Custom Manufacturing Solutions(CMS)
- Two manufacturing facilities with collective capacity of 480 KL
- One ~3400sqm Research and development center with 180+ scientists and 60 hoods, as part of Neuland Pharma Research Pvt. Limited, an affiliate of Neuland Laboratories Limited
- Presence in 10 diverse therapeutic categories including cardiovascular ,central nervous systems , anti-invectives, anti-asthmatics , anti-fungal , anti-ulcerants and anti-spasmodic
- Over 75% in revenues(FY16) by exports and regulated markets contributing bulk of it

Our Growth Story



Multiple audits passed with no failures

Board and Key Management

Dr. D. R. Rao
Chairman and Managing Director & Promoter

M.Sc. from Andhra University, Post Graduate Diploma in Technology – IIT Kharagpur
Ph.D. in Organic Chemistry -University of Notre Dame, U.S.A.
Has held senior positions in R & D, production and quality assurance at Glaxo India
Member of Royal Society of Chemistry

D Sucheth Rao
Whole Time Director and CEO

Mechanical Engineer
MBA in Corporate Finance - University of Notre Dame, U.S.A.
Earlier Production Group Leader in Cummins Inc. U.S.A.

D Saharsh Rao
Whole Time Director and President

Engineering Graduate
Masters in MIS - Weatherhead School of Management, Cleveland, OH, U.S.A.
MBA - University of North Carolina, U.S.A.

Humayun Dhanrajgir
Independent Director

Managing Director and Executive Vice-Chairman at Glaxo India
Ex-President of Organization of Pharmaceutical Production of India

Board and Key Management

Dr. Christopher M. Cimarusti
Non-Executive Director

Ph.D. in Organic Chemistry - Purdue University, U.S.A.
Post Doctoral Research - Columbia University, U.S.A.
Former Sr. Vice President, Pharmaceutical Development - Bristol-Myers Squibb

Professor of International Management, Fuqua School of Business, Duke University, Durham, NC, USA. On the editorial board of several management journals.

Dr. Will Mitchel
Independent Director

P V Maiya
Independent Director

Helped set up ICICI Bank and retired as its Chairman & CEO
Managing Director at Central Depository Services (India) Limited

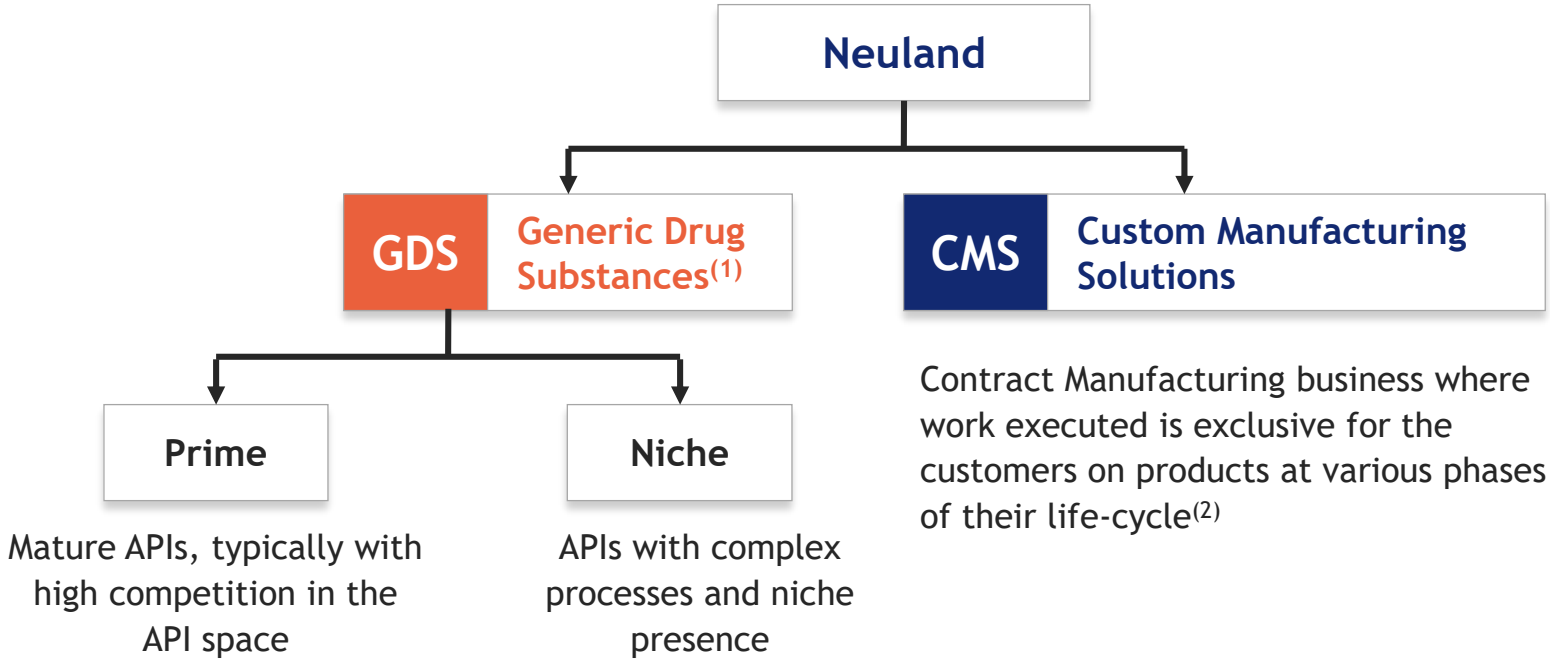
Deputy Managing Director of SBI. Presently on the Boards of various companies, including SBI Capital Markets Ltd., SBI Global Factors Ltd., Tata Teleservices Ltd., Delphi-TVS Diesel Systems Ltd. and Vijaya Bank.

Bharati Rao
Independent Director

Dr. Nirmala Murthy
Independent Director

Masters degree in statistics from Bombay University and a doctorate from the Harvard School of Public Health, Boston, USA
Founder President of the Foundation for Research in Health System, a non-government research organization

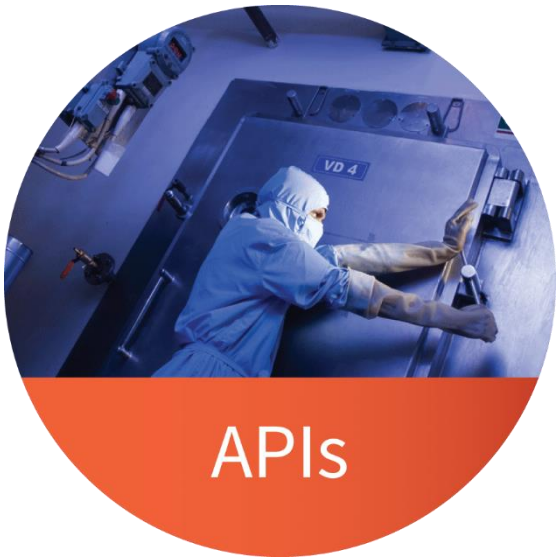
Business Saliency



(1)The classification of products as Less-differentiated/Niche is based on Neuland's understanding of the product and market. The classification of a product is liable to change based on changing market dynamics
(2) CMS Business originates in Neuland Pharma Research Private Limited(NPRPL), however Neuland Laboratories Limited(NLL) is the exclusive manufacturer for NPRPL

Generic Drug Substance(GDS)

- Preferred and reliable source of Active Pharmaceutical Ingredients (APIs) manufacturing, marketing and supply for several leading pharmaceutical companies worldwide
- **Features:**
  - 2 US FDA and EU GMP compliant manufacturing facilities
  - Collective capacity: 480KL
  - 75 APIs across 10 diverse therapeutic areas
  - Worldwide customer base in 80+ Countries
- **Process Investigation Department (PID)** majorly helps our customers to meet their price pressures by way of cutting their total cost of ownership in developing an API thereby achieving excellence in Process development



Custom Manufacturing Solutions(CMS)

Our CMS business derives from its proven expertise in manufacturing at varied scales, a deep understanding of complex chemistry and manufacturing facilities compliant with the guidelines of the leading regulatory authorities and EHS.

Services

- Manufacturing API to customer specifications
- Designing and developing manufacturing processes
- Process optimization for competitiveness
- Filing of DMF/CMC for the API
- Patent protection for processes

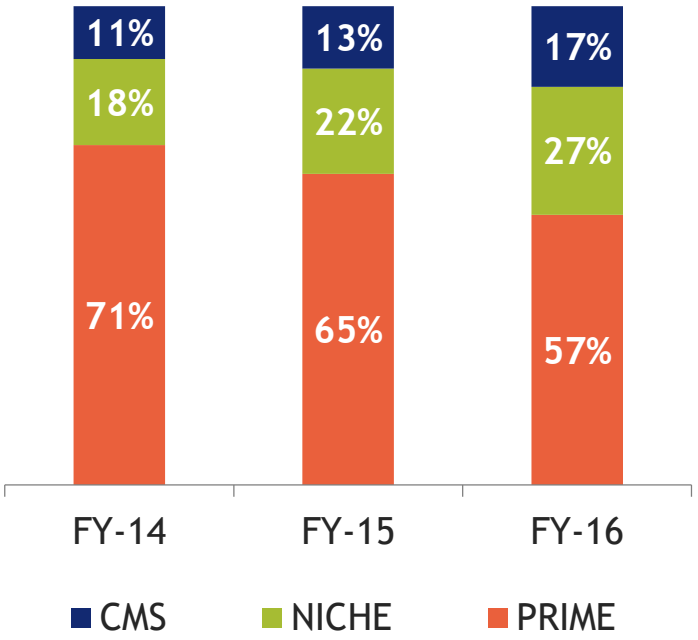
Manufacturing Base

	Bonthapally, Hyderabad	Pashamylaram, Hyderabad
Establishment	• Started operations in 1986	• Started operations in 1994
Size and capacity	• Built up area of 45,325 sq mtr. • Plant capacity : 175.47 KL	• Built up area of 36,800 sq mtr. • Plant capacity : 300.10 KL
Key Products	• Ramipril • Mirtazapine • Enalapril maleate • Sotalol Hcl • Levetiracetam • Levofloxacin • Olanzapine • Salmeterol • Salbutamol • NCE APIs • Peptide APIs • Vitamin D2 analogues	• Ciprofloxacin Hcl • Entacapone • Prostaglandins • NCE APIs • Intermediates & RSMs
Other Operational Details	• Employee strength: 401 • US FDA, EDQM & PMDA approved plant	• Employee strength: 335 • US FDA & PMDA approved plant

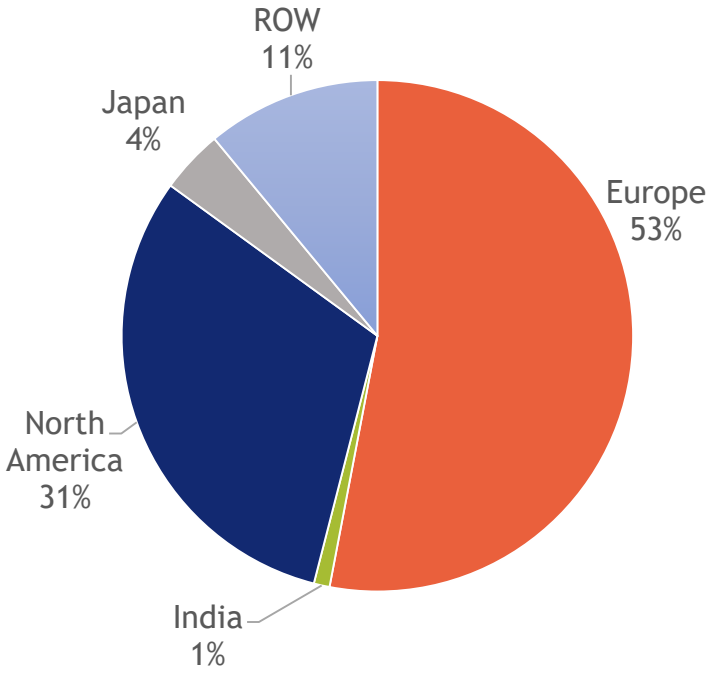
FDA edqm European Directorate for the Quality of Medicines & HealthCare EUROPEAN MEDICINES AGENCY SCIENCE MEDICINES HEALTH Pmda TGA Health Safety Regulation ISO

Business Mix

% Revenue by Verticals



% Revenue by Territory*



*-Rounded off, based on end market reach

R&D Infrastructure

R&D Facility, Hyderabad*

Establishment	• Started operations in 2008
Size and capacity	• Built up area of 3382.5 sq mtr.
Key Products/ Activities	• Process Investigation • New Products Development • Peptides • Contract Research and Manufacturing Services
Other Operational Details	• Employee strength: 202 • 11 Development Labs • 60 Fume hoods

Infrastructure:

- 11 Development Labs
- 60 Fume hoods
- Analytical Lab
- Kilo Lab dedicated for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

Significant R&D Achievements:

- Added several NCE APIs in NDA or commercial stage drugs
- Supported for several APIs each year in Phase 2 and Phase 3 clinical candidates
- 600+ DMFs filed as part of generic API business
- 300+ Processes developed for API
- 50+ Patents filed
- APIs spread across 10 diverse Therapeutic Segments

*Facility belongs to NPRPL, an affiliate of Neuland Laboratories Ltd.

Regulatory Filings and IPR

48
DMFs with USFDA

25
Filings with Health Canada

~400
EUDMF filings across Germany, France, Poland, Italy etc

19
CEPs Received for different products

5
Japanese DMF filed

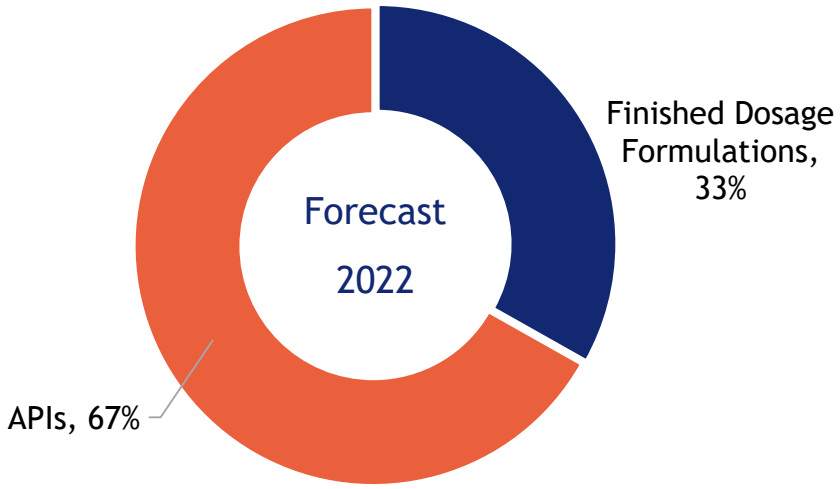
11
filings with KFDA Korea

144
ROW filings including Turkey, Mexico, Brazil etc

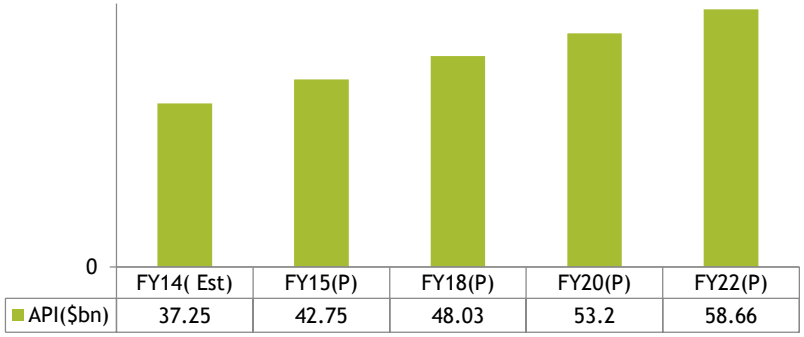
- ~650 filings world over
- Plan to file 10-12 DMFs year on year

Industry structure and key drivers

API Industry's Share in Global Contract Manufacturing Industry



Market Projections through 2022- Global API Industry



	FY14(Est)	FY15(P)	FY18(P)	FY20(P)	FY22(P)
API($bn)	37.25	42.75	48.03	53.2	58.66

Key Drivers

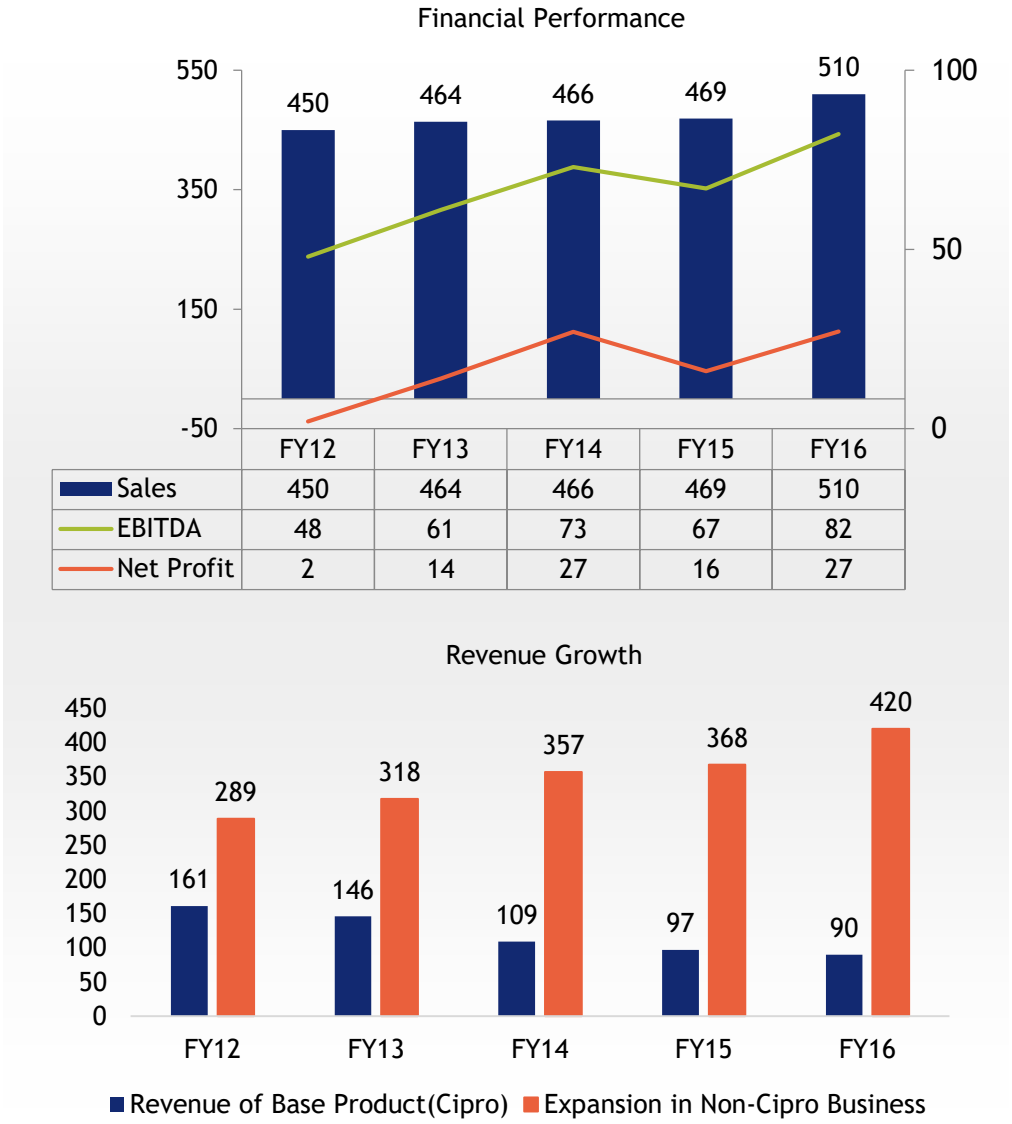
- Increased demand for biopharmaceutical manufacturing services
- Complex and potent drug development will lead to higher demand of High Potency Active Pharmaceutical Ingredients which command a higher price
- Reformulation of drugs nearing patent expiry and for companies looking to differentiate commoditised products
- The pharmaceutical industry is keen to cut spending in many areas, including drug production
- Pharmaceutical companies will look to take advantage of low cost manufacturing opportunities available in India

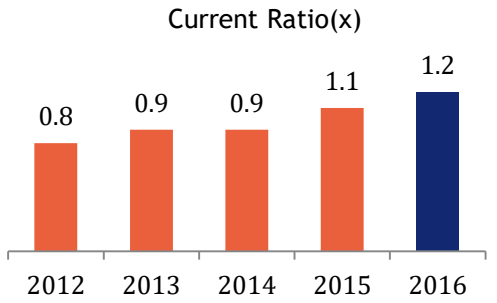
Data Source: Vision Gain.com

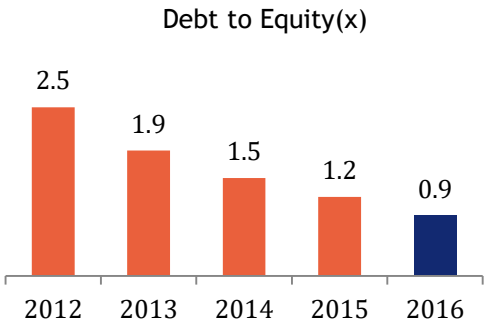
Key Financial Indicators

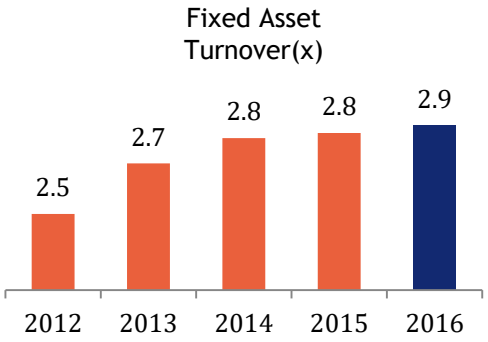
Financials

Figures in INR Cr









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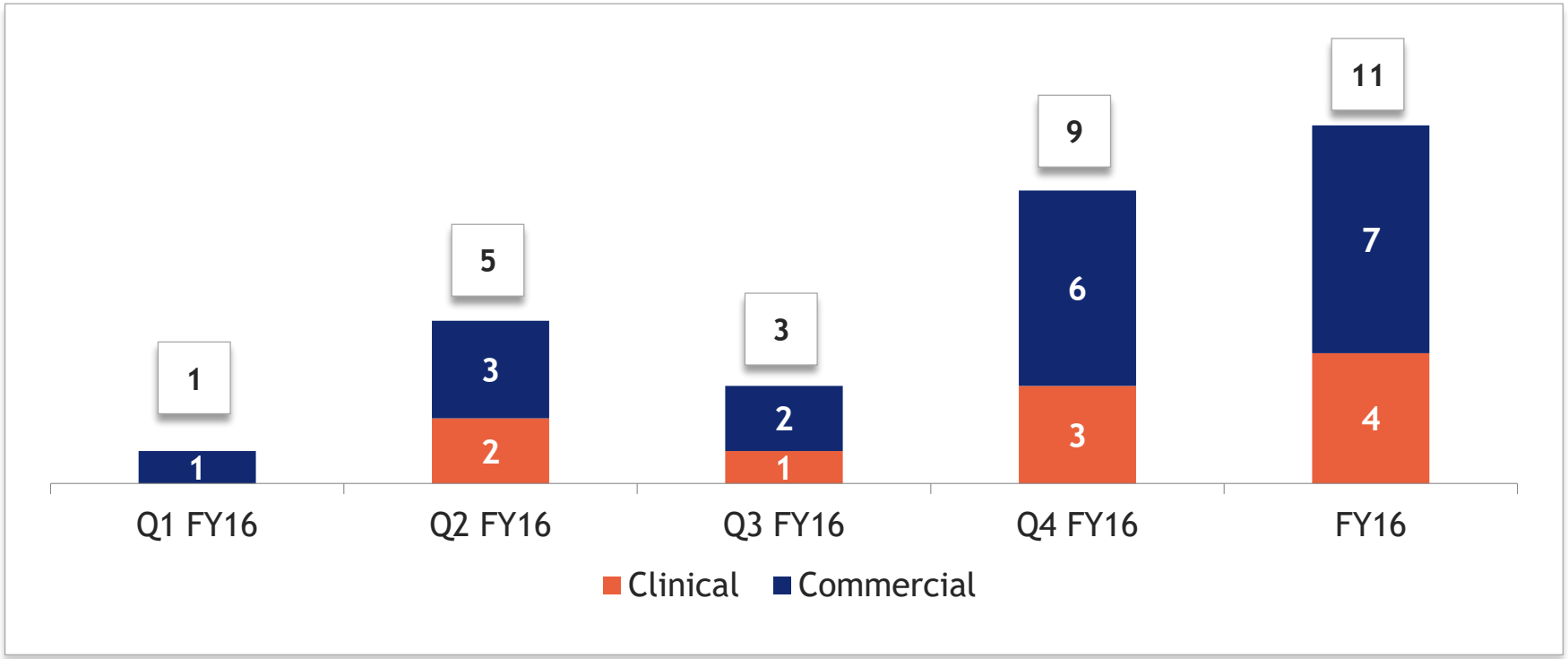
Key Operating Metric

CMS Business Depth

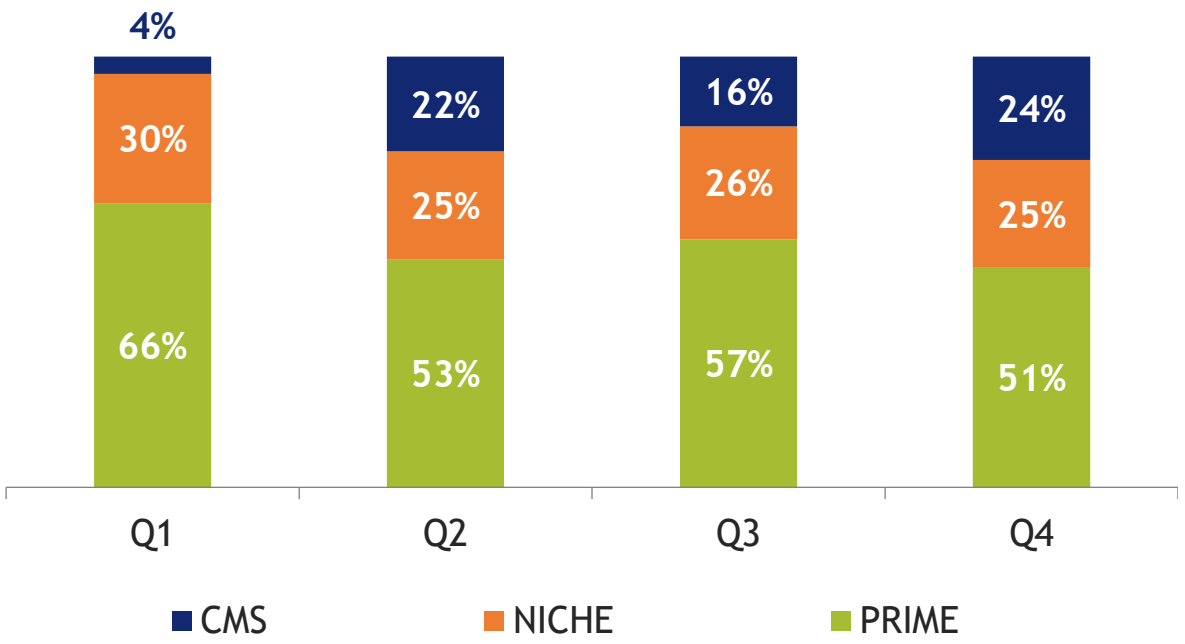
Number of molecules (APIs and Intermediates) contributing to the revenue in the Quarter.



*- Quantities taken for validation and launch are considered as Commercial

Key Operating Metric

Revenue Split(FY 16)



Financial Highlights –FY16

FY16 Performance

- Total Operating income was Rs 5,099.7 mn for FY16 as compared to Rs 4,691.5 mn in the FY15, an increase of 9%
- EBITDA stood at Rs 814.9 mn as compared to Rs 671.5 mn during FY15, an increase of 21%
- EBITDA Margin at 16.0% for FY16 as against 14.3% in FY15, improved 167bps
- Net profit stood at Rs 264.1 mn for FY16 as compared to Rs 157.8 mn in FY15
- Basic EPS stood at Rs 29.73 as against Rs. 18.47 in FY15

Q4 Performance

- Total Operating income was Rs 1,350.4 mn for Q4FY16 as compared to Rs 1,230.3 mn in the Q3FY16, an increase of 10%.
- EBITDA stood at Rs 209.2 mn as compared to Rs 194.4 mn during the Q3FY16, an increase of 8%
- EBITDA Margin at 15.5% for Q4FY16 as against 15.8% in Q3FY16
- Net profit stood at Rs 66.8 mn for Q4FY16 as compared to Rs 62.8 mn in Q3FY16
- Basic EPS stood at Rs 7.46 as against Rs. 7.07 in the Q3FY16

Operational Highlights- FY16

Q4 Highlights

- The increase in the revenues for Q4FY16 reflects our increased contribution from CMS business which grew 8% over the previous quarter. The CMS business contributed 24% of the overall revenue.
- Scaled up 2 molecules in the CMS space.
- The R&D facility has been audited by the USFDA as a test facility for release of materials. The facility has been approved without any observations.

FY16 Highlights

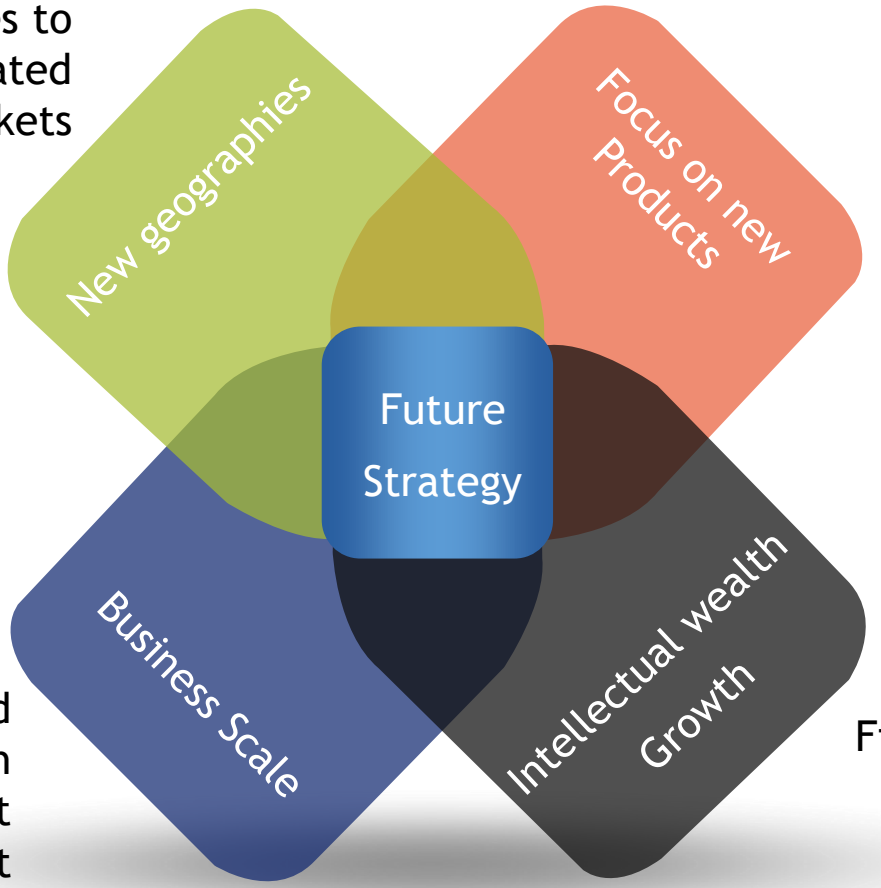
- Scale up of 2 generic APIs - Lurasidone(anti-psychotic) and Rivaroxaban(anti-coagulant).
- Commercial launch of Salmeterol in UK, Germany and some other markets in Europe
- Scaled up over 19 CMS molecules (Intermediates and APIs) at the Laboratory level, across multiple therapies and projects. The Company also made significant progress in one of the CMS products with NDA being filed by the customer in the US market.
- Received large value CMS supply order from an existing customer anticipating NDA filing next fiscal
- 4 process patents granted for three of our key molecules – Sugammadex, Lacosamide, Paliperidone Palmitate
- USFDA inspection in UNIT II of our Company

Future Growth Strategy

Business Strategy

Exports higher volumes to Japan and other regulated markets

Add new therapies and products having high margins

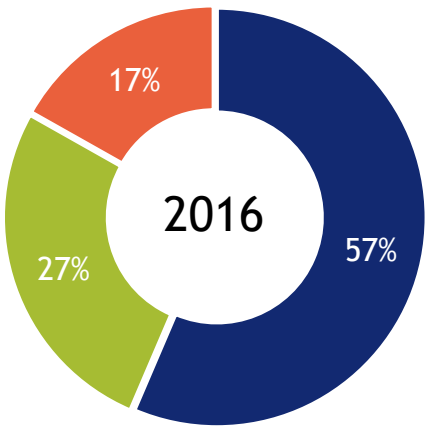


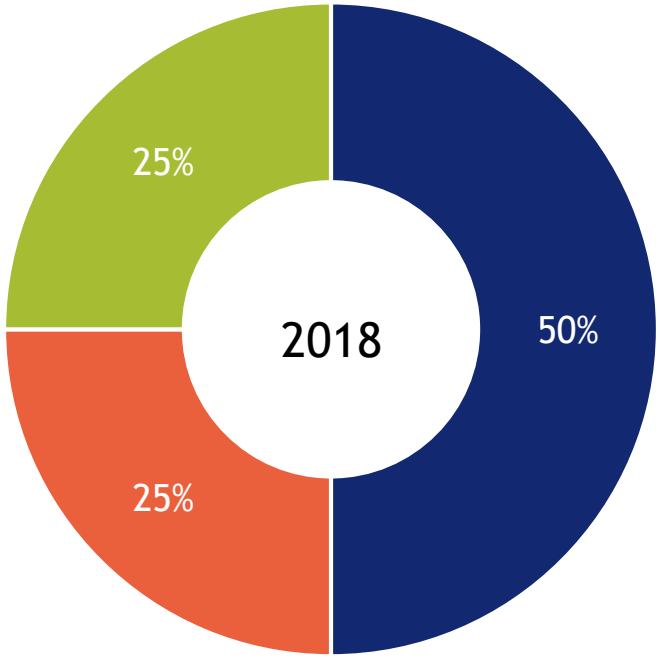
Add more capacity and consolidate existing with a profitable product basket

File DMFs, Patents and grow intangibly.

Create an organization that results in value for all stakeholders.

Focus on new products





Faster Growth with high volume APIs

Higher margins with complex molecules APIs

Increased Penetration in the CMS space

Bring sustainability for future

Growth in CMS

Develop

- 11 development labs
- 60 fume hoods
- mg to gm scale
- Analytical R&D

Scale up

- 2 kilo labs
- cGMP pilot plant with two production areas
- 0.5-50 kg batch size

Manufacture

- 2 manufacturing sites
- 11 diverse production blocks
- Kg to ton scale

Scale the revenue growth in CMS from 15% to 30%

Investment Rationale

Horizontal Growth

- Continued expansion as preferred API source world wide
- Enhance manufacturing capacity to sustain high growth in APIs and CMS
- Increased number of new products with focus on market share on existing products through process improvement and capacity utilization

Expansion of Geography

- Build on platform created in high margin regulated markets such as Japan
- Focus on expanding the product basket and entering newer markets to have a dominant position by FY 18

Revenue Mix

- Focus on high margin, niche and complex APIs belonging to therapies such as anti-psychotic, anti- asthmatic etc.
- Increase contribution of margin accretive Custom Manufacturing Solutions (CMS)

Intellectual Wealth

- Portfolio of around 70 products with 600+ DMFs to meet customer needs across multiple therapeutic areas
- Accelerate to > 125 products and 150+ patents to ensure leadership in the API industry driven by innovation

Thank You

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