NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Investor Presentation Q4FY18

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Safe Harbour

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Business Overview

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Company Overview

Legacy

34+ years in pharma with robust quality systems, regulatory and compliance framework

Generic Drugs Substance(GDS) & Custom Manufacturing Solutions(CMS)

Scale

3 regulatory approved manufacturing facilities with 731 KL capacity

US FDA approved R&D center with best in class infrastructure

Capability

Portfolio of 75+ products across 10 therapeutic categories

650+ filings with regulators

1000+ employees including ~200 scientists

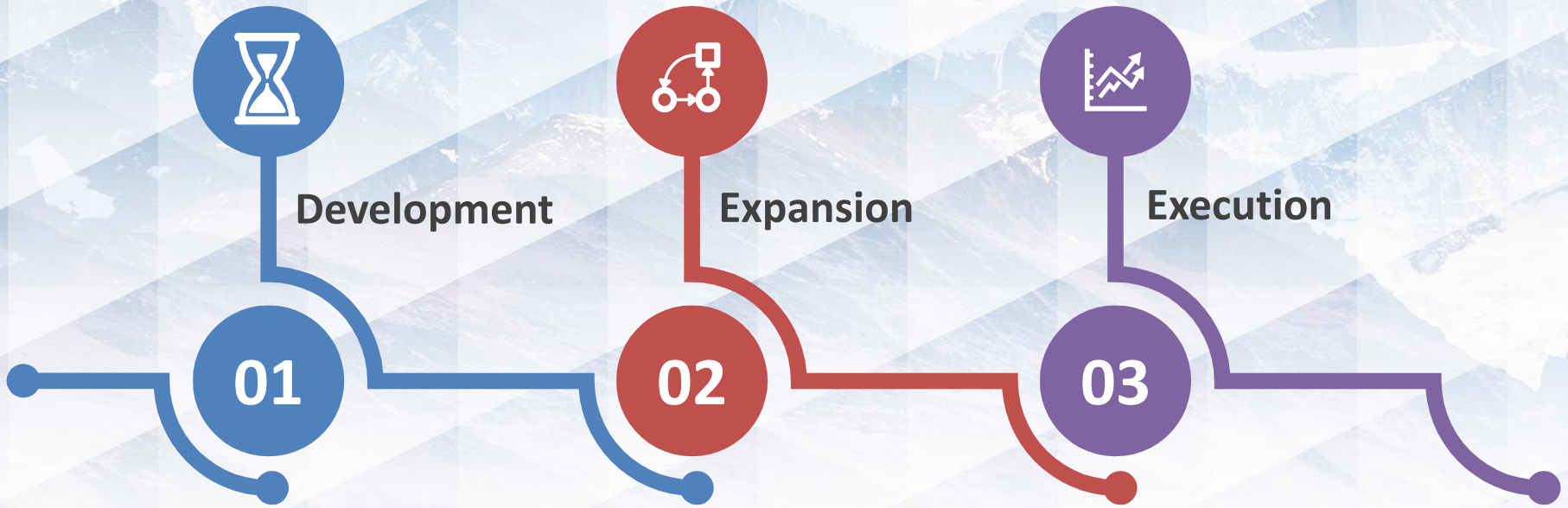
Reach

80+ countries of presence

75% of revenues through exports

93% of revenues through regulated markets

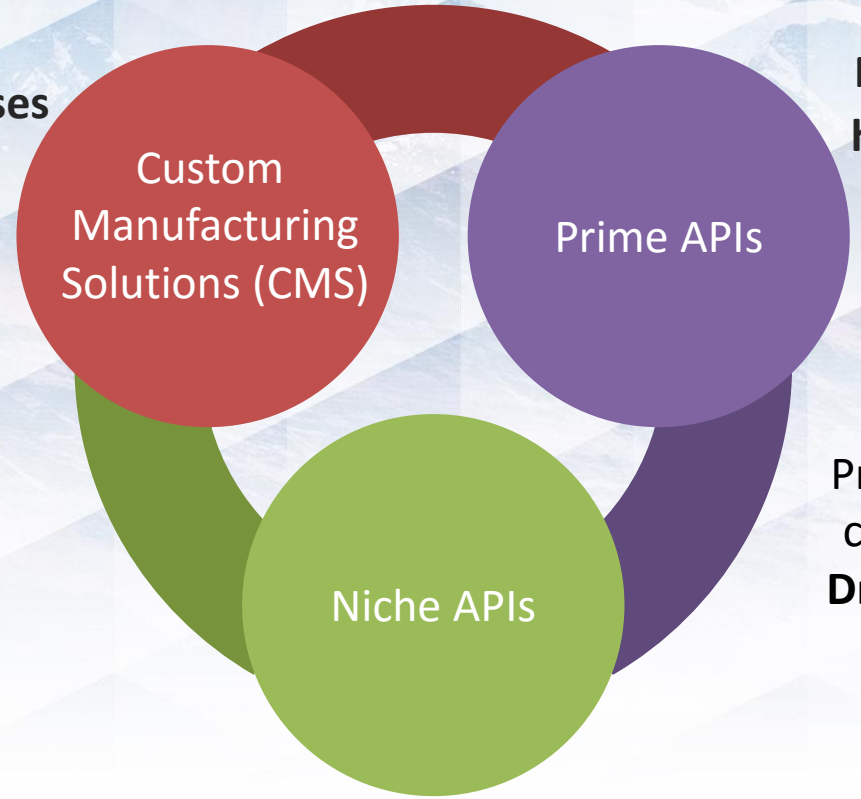
Our Journey



1984-2003	2004-2012	2013-Today
▪ Incorporation in 1984 and IPO in 1994 ▪ Sale of first API in 1986 ▪ First USFDA audit in 1997- one of the few Indian companies of our size to get audited by FDA ▪ Long term customer relationships	▪ Investments in capacity expansion ▪ Initiation of R&D activity at group level ▪ Foray into Japan and US by way of local presence through subsidiaries ▪ Entry into peptides business	▪ **Strategic alignment of business towards niche APIs and Custom manufacturing solutions** ▪ **Cleared 10th USFDA audit without failure** ▪ **Focus on profitable growth with 100% API commitment and robust compliance framework**

Business Verticals

Work executed exclusively for the customers on products at various phases of their life-cycle



Mature APIs, typically with high competition in the API space

Prime APIs and Niche APIs collectively form **Generic Drugs Substance (GDS)** for Neuland

APIs with complex processes and niche presence

(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

Generic Drug Substance(GDS)

Prime APIs

Capability	Business Approach	Strategy Forward
▪ 3 US FDA and EU GMP compliant manufacturing facilities ▪ Collective capacity: ~731KL	▪ Work on molecules either with a business leadership approach or partnership with client on COGS ▪ Ensure uninterrupted supply with quality commitment	▪ Maintain leadership position in key molecule ▪ Work on process optimization to improve yields, productivity and thus margins

Niche APIs

Capability	Business Approach	Strategy Forward
▪ High end complex chemistry capabilities ▪ Backend support by research and development department ▪ Experience of hurdle free scale up	▪ Work with leading companies and help them to meet their technical requirements while being competitive	▪ Focus on niche APIs with complex chemistry ▪ Scale up 2-4 products each year ▪ File IP for non infringing processes

Robust manufacturing base placed on the foundation of quality and pureplay API commitment

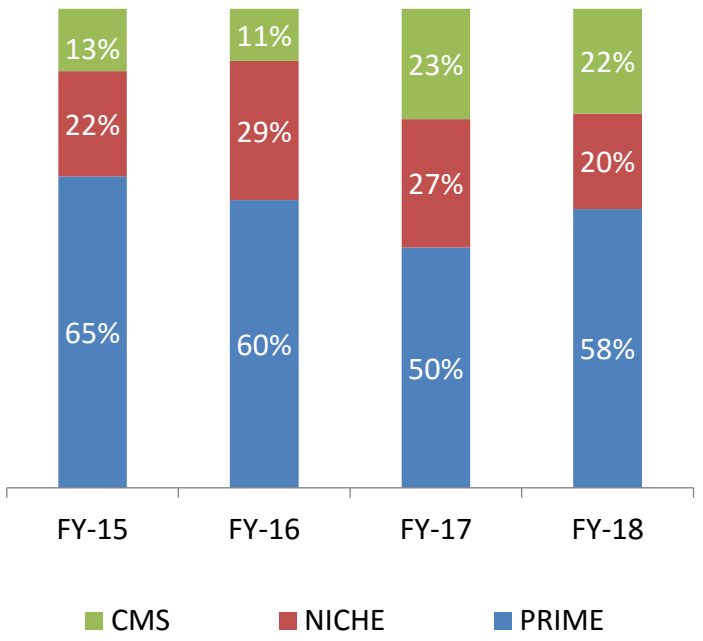
Custom Manufacturing Solutions(CMS)

Services	Business Approach	Strategy Forward
▪ 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	▪ Local presence in US and Japan with technical as well as commercial employees ▪ Consultative approach on customer relationships ▪ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction	▪ Add depth in technical capabilities using enzymatic technology ▪ Investment in QBD labs, process engineering and foray into new areas of customer solutions ▪ Work effectively on customer relationships and leverage on portfolio expansion

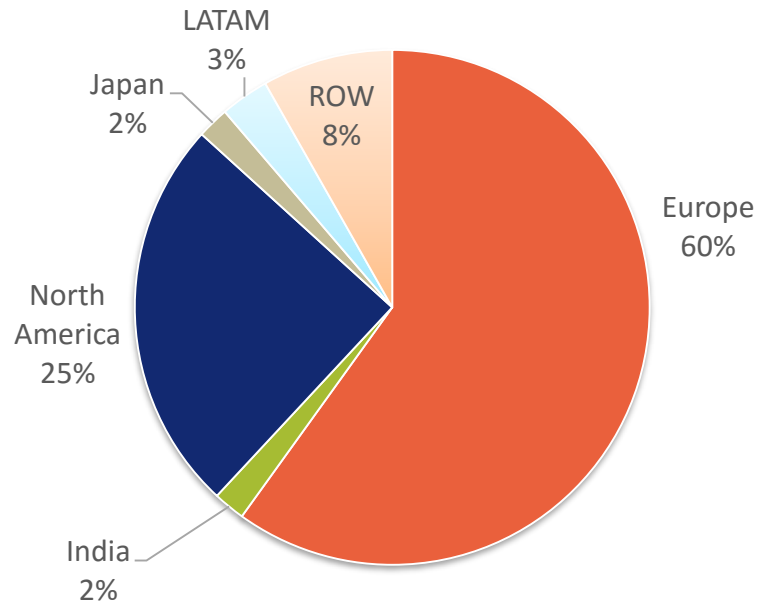
Create a sustainable CMS business that is driven by technology and strong customer relationships

Business Mix

Revenue by Verticals



Revenue by end territory FY 18



Capabilities

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Neuland Manufacturing Facilities

Adding capacities for backward integration and new business

Unit	U1, Bonthapally, Hyderabad 222.5 KL	U2, Pashamylaram, Hyderabad 310.2 KL	U3, Gaddapotharam, Hyderabad 197 KL
Year of establishment	1986	1994	2017
Employee strength	399	321	140
Key products	Mirtazapine, Sotalol Hcl, Levetiracetam, Levofloxacin, Salmeterol, Salbutamol, NCE APIs, Peptide APIs, Vitamin D2 analogues	Ciprofloxacin Hcl, Entacapone, NCE APIs, Intermediates & RSMs	*Key Intermediates*, *NCE APIs*, *Large Volume Generics* (Under Development)
Regulatory	USFDA, EDQM, CFDA, PMDA, et. al	USFDA, EDQM, PMDA, ANVISA, et. al	Inspected by USFDA in 2015

One state of art R&D centre

R&D Facility, Hyderabad

Location	Bonthapally
Area	3382.5 sq mts
Year of Establishment	2008
Expertise	~200 experienced, qualified scientists (>30 PhDs and multiple Post-graduates) 4 PhDs and 11 M.Scs for the Peptides Lab

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:

- Several NCE APIs added in NDA or commercial stage drugs
- Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates
- Generic API business:
  - 600+ DMFs filed
  - 300+ API processes developed
  - 50+ patents filed. Recently received USPTO patent for improved process synthesis of Paliperidone Palmitate

Leveraging on Manufacturing and R&D base to create a synergistic business

Compliance Framework

Quality Control

- Quality Control facilitated with Wet Chemistry, Instrumentation & Microbiology Laboratories
- Equipped with sophisticated instruments like HPLCs, GCs, FTIR, UV & Particle Size Analyzer
- About 50+ chemists perform activities around the clock in 3 shift operations
- Stability studies as per ICH guidelines

EHS

- Hazard and EHS Impact studies regularly conducted
- 24X7 occupational health center with ambulance facility
- Effluent treatment plant with RO system and solids waste

Impeccable track record with robust quality and EHS framework

Regulatory Filings

56

DMFs with USFDA

29

Filings with Health Canada

5

Japanese DMF filed

146

ROW filings including Turkey, Mexico, Brazil etc

14

filings with KFDA Korea

5

IDLs filed

~403

EUDMF filings across Germany, France, Poland, Italy etc

20

CEPs Received for different products

673+

Filings till date

Financials

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Standalone Financial Performance

Q4FY18

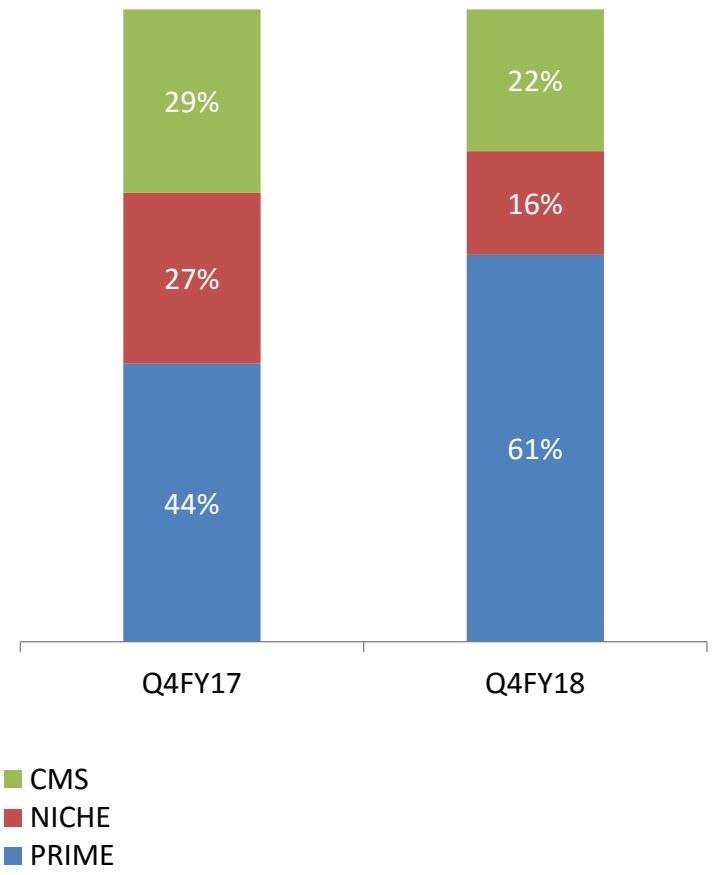
- Total Revenue was Rs. 1,605.2 mn for Q4FY18 as compared to Rs. 1,416.9 mn in the corresponding period of the previous year reflecting an increase of 13.3 %
- EBITDA stood at Rs. 190.7 mn as compared to Rs. 286.0 mn during the same period of previous year
- EBITDA Margin at 11.9 % for Q4FY18 as against 20.2% in Q4FY17
- Net profit stood at Rs. 80.5 mn for Q4FY18 as compared to Rs. 146.9 mn in the corresponding period of the previous year
- Basic EPS stood at Rs. 7.22 as against Rs. 13.17 in the corresponding quarter of last fiscal

FY18

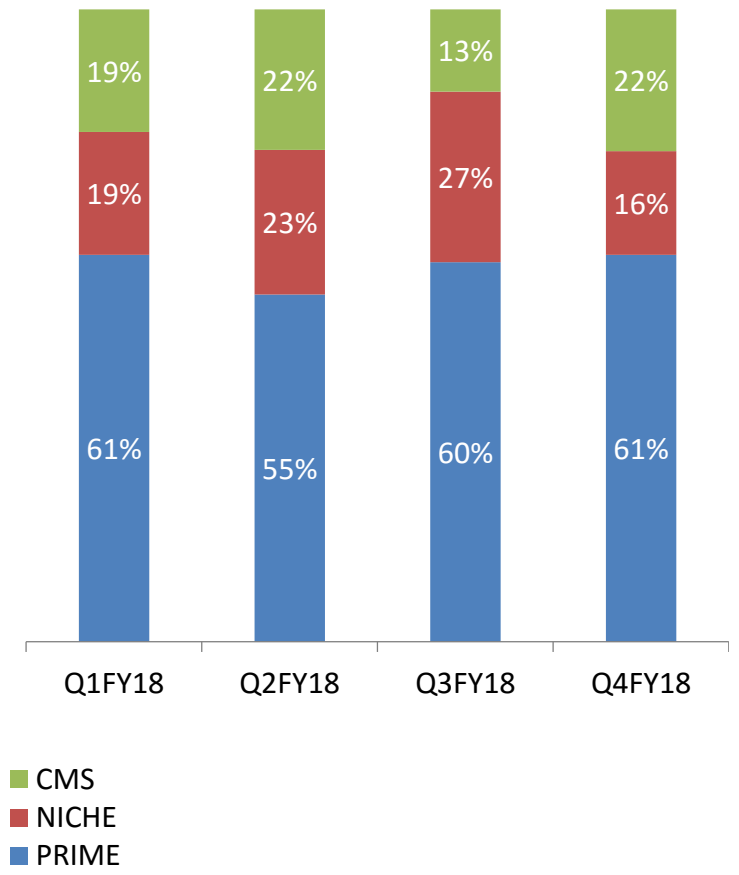
- Total Revenue was Rs. 5,336.9 mn for FY18 as compared to Rs. 5,888.9 mn in FY17, a decline of 9.4%
- EBITDA stood at Rs. 546 mn as compared to Rs. 1,067 mn during the previous financial year
- EBITDA Margin at 10.2% for FY18 as against 18.1% in FY17
- Net profit stood at Rs. 118.1mn for FY18 as compared to Rs. 463.8 mn in FY17
- Basic EPS stood at Rs. Rs. 10.6 as against Rs. 41.6 in FY17

Key Operating Metric

YoY Analysis

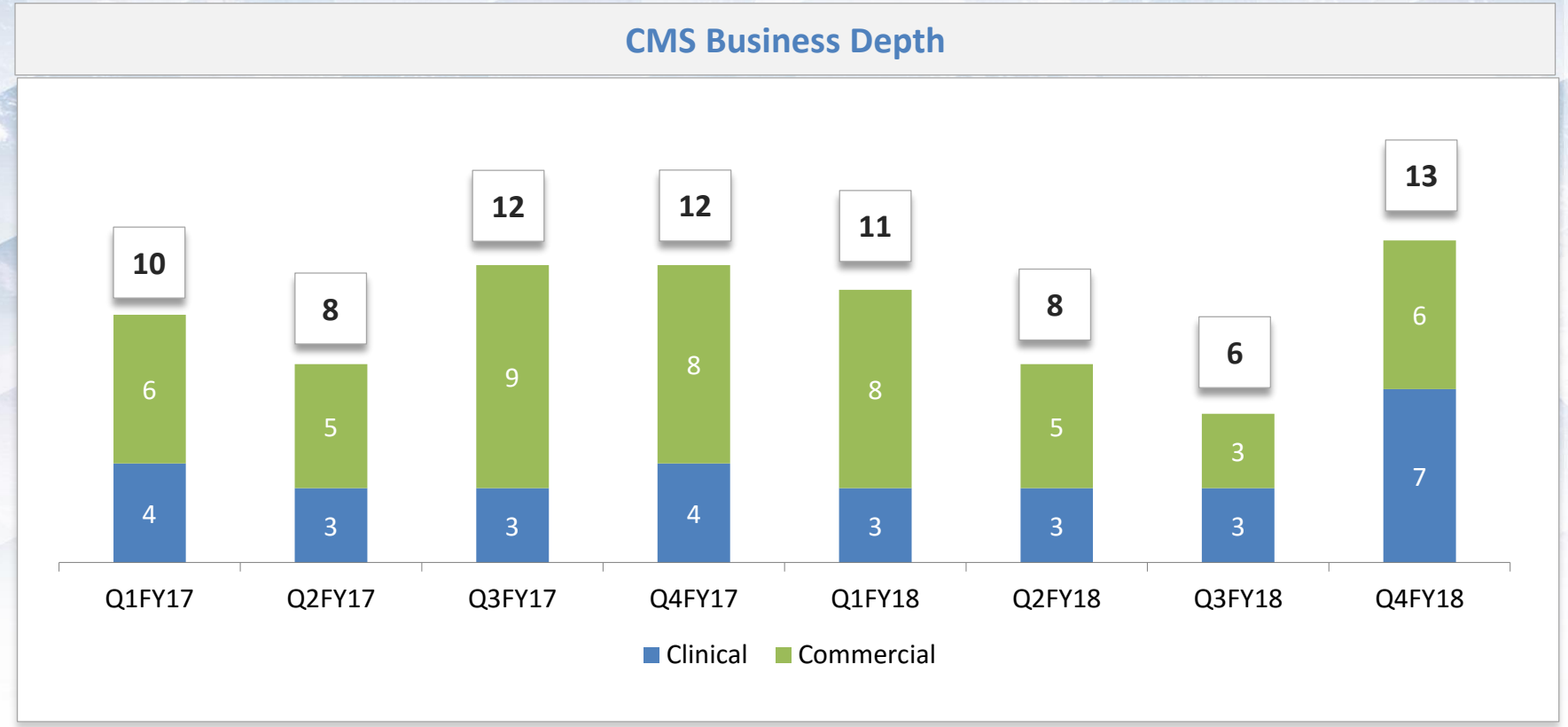


Quarter on Quarter Movement



Key Operating Metric

CMS Business Depth



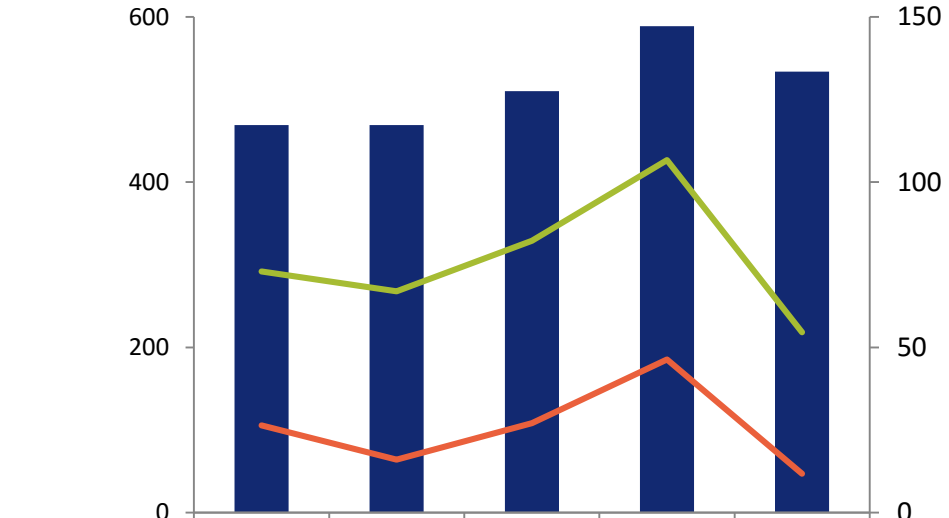
*- Quantities taken for validation and launch are considered as Commercial

No of CMS projects increasing

	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Total
Q4 FY 16	1	1	3	4	2	10	**21**
Q4 FY 17	2	2	3	9	4	10	**30**
Q4 FY 18	8	3	3	11	5	10	**40**

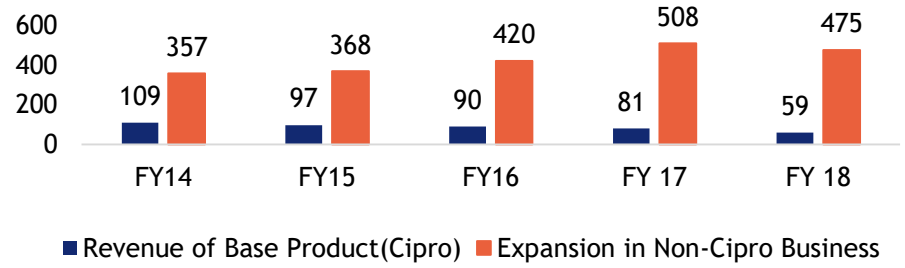
Historical Financials

Financial Performance (INR Cr)

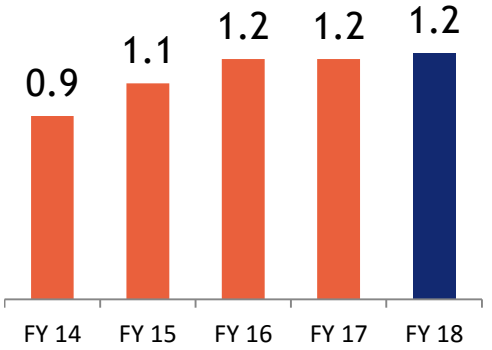


	FY14	FY15	FY16	FY17	FY18
Sales	469	469	510	589	534
EBITDA	73	67	82	107	55
Net Profit	26	16	27	46	12

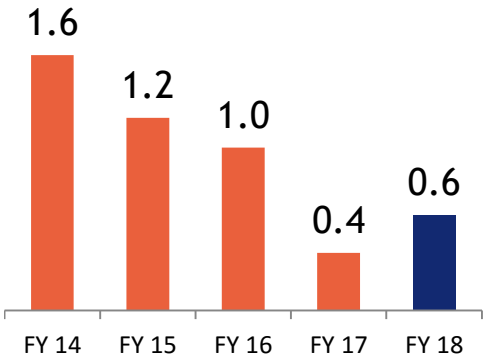
Revenue Growth



Current Ratio (x)



Debt to Equity (x)



Future Strategy

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Growth Strategy for Business

Business

Extend capabilities to organically build a sustainable GDS and CMS business

Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio

Quality

Develop techniques like QBD to stay ahead of the curve & set precedents for “no quality compromise”

Scale

Invest into capacity to augment sales and accelerate business growth

Relationships

Leverage on Long – standing relationships with leading generic and innovator companies

Financials

Re-aligning revenue portfolio for a profitable growth

Create an organization that results in value for all stakeholders

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Thank you for viewing this presentation.

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