Strides Shasun

Press Release

Strides Shasun announces Q2 FY17 results
Q2 FY17 Pharma Revenues* at INR 9,461 Mn, Growth of 33 % YoY,
Pharma EBITDA at INR 1,701 Mn, Growth of 38 % YoY
Growth Driven by a Strong Performance in Formulations Portfolio
H2 FY 17 Guidance - EBITDA INR 4,400 Mn - INR 4,750 Mn

Bengaluru, October 28, 2016: Strides Shasun Limited (BSE: 532531, NSE: STAR) today announced its Q2 FY17 results

Consolidated Financial & Performance Highlights (Pharma & Biotech)

INR Mn

Particulars	Q2 FY16	Q1 FY17	Q2 FY17	YoY	QoQ
Revenues*	7,099	8,699	**9,461**	33 %	9 %
EBITDA	1,184	1,437	**1,682**	42 %	17 %
EBITDA %	*17%*	*17%*	***18%***	*110 bps*	*130 bps*
Adj PAT**			**826**		
Adj EPS**			**9.24**		

** Excluding Merger & restructuring costs of INR 54 Mn and Fair valuation of derivative Instruments INR 31 Mn

- The results have been prepared as per Indian Accounting Standards (Ind-AS)
- Total revenues* for Q2 FY 17 at INR 9,461 Mn against INR 7,099 Mn in Q2 FY16 , up 33 % YoY
- Significant ramp up in R&D spend for the quarter at INR 348 Mn against INR 238 Mn in Q2 FY 16, up 46 % YoY and against INR 228 Mn, up 53% QoQ
- EBITDA at INR 1,682 Mn up 42 % YoY, EBITDA margins at 18 % up 110 bps YoY
- Net Interest cost for the quarter at INR 328 Mn
- Depreciation and amortization for the quarter at INR 457 Mn
- Adjusted PAT for Q2 FY 17 at INR 826 Mn, Adjusted EPS at INR 9.24

Arun Kumar, Executive Vice Chairman and Managing Director, stated "It has been a comeback quarter for the emerging markets with the strategic intervention over the last few quarters yielding the desired outcome. The regulated markets and the institutional business continue to deliver healthy growth with an improved sequential performance on a higher revenue base. API performance during the quarter was impacted due to planned /temporary suspension of production at company's facilities in Pondicherry and Cuddalore for a significant upgrade of infrastructure. Both the plants are back in operations at full swing"

***Due to changes under IND AS, SEBI results publish gross revenues versus Net Revenues in the past. However for comparison to historical performance in press release we have taken Revenues as Gross revenues – Excise**

Pharma Performance Highlights – Q2 FY17

Global Pharma Business

INR Mn

Particulars	Q2 FY16	Q1 FY17	Q2 FY17	YoY Growth %	QoQ Growth %
Revenues	7,099	8,699	**9,461**	33 %	9 %
EBITDA	1,233	1,451	**1,701**	38 %	17 %
EBITDA %	*17 %*	*17 %*	***18 %***	*60 bps*	*130 bps*
Adj Pharma EPS*			**9.30**		

** Excluding Merger & restructuring costs of INR 54 Mn, Fair valuation of derivative Instruments INR 31 Mn and Biotech INR 5 Mn

Revenue Composition by Business - Global Pharma

INR Mn

Particulars	Q2 FY16	Q1 FY17	Q2 FY17	YoY Growth %	QoQ Growth %
Regulated Markets	2,245	**3,706**	**4,366**	94 %	18 %
Emerging Markets	1,083	**1,447**	**1,766**	63 %	22 %
Institutional Business	1,192	**1,378**	**1,702**	43 %	24 %
Total Formulations	**4,520**	**6,531**	**7,834**	**73 %**	**20 %**
PSAI	2,580	**2,168**	**1,628**	(37%)	(25%)
Total Revenues	7,099	**8,699**	**9,461**	33 %	9 %

Regulated Markets Business

- Revenues at INR 4,366 Mn in Q2 FY17, representing 46 % of total revenues
- Revenues grew 94 % to INR 4,366 Mn against INR 2,245 Mn in Q2 FY16
- Key front end markets of Australia and North America delivered a steady quarterly performance. With closure of Generic Partner acquisition in Australia, all announced inorganics in regulated markets have now been completed and integrated successfully.
- In North America performance was driven by improved market share for certain legacy molecules and a healthy sales traction for new molecules launched in the recent past. Strong growth outlook for North America business with visibility on 15-20 product approvals over the next 12 months including 5-6 product approvals expected in H2 FY 17
- Received 2 product approvals during the quarter from USFDA - Polyethylene Glycol 3350, Powder for Solution (OTC) (Market value US$ 260 Mn) and Ranitidine tablet (Market value US$ 125 Mn). Ranitidine is the first integrated product approval from Strides Shasun stable post the merger. With these 2 product approvals, the company now has 5 product approvals in H1 FY 2017.
- Australia business delivered a healthy quarterly performance driven by a strong performance in the brands portfolio and 3 new product launches in generics portfolio. PBS regulatory changes to exclude brands from reimbursement price computation implemented in Australia, should boost generic substitution in the market. Improved compliance for Arrow portfolio and backward

integration to help realize supply chain efficiencies and generate positive operating leverage for the business.

Emerging Markets Business

- Revenues at INR 1,766 Mn in Q2 FY17, representing 19 % of total revenues
- Revenues grew by 63 % to INR 1,766 Mn against INR 1,083 Mn in Q2 FY16
- In Africa, inventory correction exercise with a focus on matching the primary and secondary sales reached its conclusive end. Green shoots visible in sequential performance despite continuing macro headwinds and currency challenges in the market. Universal Corporation in East Africa delivered another strong quarterly performance. New plant additions in Sudan, Cameroon and Mozambique on track.
- With all supply chain issues resolved, India brands business delivered a steady performance during the quarter. Focus is on improving productivity of field force through new product launches and leveraging pan India presence by taking existing products into newer geographies
- Entry into new markets of SE Asia and Russia CIS on track. Focus on product registration and establishing a strong marketing presence through addition of local field force

Institutional Business

- Revenues at INR 1,702 Mn in Q2 FY17, representing 18 % of total revenues
- Revenues grew by 43 % to INR 1,702 Mn against INR 1,192 Mn in Q2 FY16
- Institutional business delivered another strong quarterly performance driven by a healthy performance in the anti -malarial portfolio and rebound in the ARV portfolio
- HCV franchise including “Virso” and “Virpas” continues to witness strong interest in emerging markets particularly in Russia CIS and SE Asia
- Plan for local manufacturing of institutional products in Africa at Universal corporation facility and backward integration to API facilities for key products on track

Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues at INR 1,628 Mn in Q2 FY17, representing 17 % of total revenues
- Revenues declined 37 % to INR 1,628 Mn against INR 2,580 Mn in Q2 FY16
- Invested in a significant infrastructure upgrade at our legacy API facilities in Pondicherry and Cuddalore. This required planned/temporary suspension of production leading to API facilities running at less than 50% capacity during the quarter. Both plants are back in operation at full swing.
- During Q2 significant steps have been taken to improve the quality of API business including revamping of facilities, rationalization of product mix and focusing on improving the customer base
- The API business has returned to normal and is expected to deliver a healthy performance in H2 FY17 with a sequential ramp up in line with historical trends.
- To start commercial supplies of one of the key products Sevelamer Carbonate to our Gx launch partner in H2 FY 17.

- CRAMS API revenue at INR 793 Mn for the quarter at a low single digit EBITDA margin. CRAMS API business divested effective 1st October 2016.
- Going forward, division to be reported as Active Pharmaceutical Ingredients (API)

Pharma R&D – Investing in the future product pipeline

- Significant ramp up in R&D spend for the quarter at INR 348 Mn against INR 238 Mn in Q2 FY 16, up 46 % YoY and against INR 228 Mn, up 53% QoQ
- All three R&D centres running full steam focusing on a strong pipeline execution for formulations and API. Results of higher spend and focused R&D execution to be visible in higher filing run rate during H2 FY 17
- 25 ANDA filings pending approval from USFDA

Biotech

- R&D spend during the quarter at INR 19 Mn, against INR 49 Mn in Q2 FY16
- Successfully completed quality analytical comparison data with innovator for the first biosimilar as per the requirement of European Medicines Agency
- Ready to initiate the biocompatibility studies for the second biosimilar, a prerequisite for initiating the global clinical trial
- Setting up a process scale up capability in our R&D facility in Bangalore to ensure smooth technology transfer from R&D scale to commercial scale
- Civil construction on track for the bio-pharmaceutical facility at Doddaballapur, Bangalore. Civil construction of drug product facility completed and the same is now ready for fit-out

Outlook for H2 FY 2017 – Global Pharma Division

With all the announced inorganics transactions having achieved their closure and the businesses successfully integrated, the company has decided to give a guidance for the H2 FY 2017 to provide an overview on the scale of operations. The guidance is for the Pharmaceutical business (excludes Biotech) and is based on the current operating environment, expected FDF product approvals and launch of API supplies to Gx Renvela partner

- **EBITDA** between INR 4,400 Mn to INR 4,750 Mn for H2 FY17
- **ANDA** filings between 10 to 12 in H2 FY 2017

Annexure:

EBITDA Computation:

	Q2 FY17	H1 FY17
SEBI Results	**Column 1**	**Column 4**
Profit from ordinary activities before finance cost & Exceptional Items as per SEBI reporting	**1,501**	**2,670**
Less: Interest, Dividend income, Gain on sale of securities	**286**	**501**
Add : Depreciation and Amortization	***467***	***951***
Consolidated EBITDA as per press release	**1,682**	**3,120**
Add: Biotech R&D Spend	**19**	**32**
Global Pharma EBITDA as per press release	**1,701**	**3,152**

About Strides Shasun

Strides Shasun, listed on the Bombay Stock Exchange Limited (532531) and National Stock Exchange of India Limited (STAR), is a vertically integrated global pharmaceutical Company headquartered in Bangalore. The Company has four business verticals, viz., Regulated Markets, Emerging Markets, Institutional Business and Active Pharmaceutical Ingredients (API).

The Company has global manufacturing foot print with 13 manufacturing facilities spread across three continents including 5 US FDA approved facilities and 8 facilities for the emerging markets. The Company has three dedicated R&D facilities in India with global filing capabilities and a strong commercial footprint across 85 countries Additional information is available at the Company's website at www.stridesarco.com

For further information, please contact:

Strides	**PR Consultancy**
Badree Komandur, CFO +91 80 6784 0747 Investors: Kannan. N: +91 98450 54745 Vikesh Kumar: +91 80 6784 0827 Sandeep Baid : +91 80 6784 0791	**Fortuna PR** K Srinivas Reddy: +91 9000527213 srinivas@fortunapr.in K Priya: +91 9535425418 priya@fortunapr.in