Strides

Building the future

EXTRA ORDINARY GENERAL MEETING

MARCH 27th, 2019

AGENDA ITEMS

DIVESTMENT OF STRIDES'S AUSTRALIAN BUSINESS

APPROVAL OF RELATED PARTY TRANSACTION LIMIT WITH SOLARA

Item 1- Exit of Australia Business

Special resolution

BACKGROUND

- Strides re-entered the Australian market in September 2015 as Arrow through the acquisition of generics portfolio from Aspen
- In May 2018, Arrow and Apotex Inc. (Apotex) announced their intention to merge their businesses and **create #1 generics business** in Australia
- Post approval from Australian Competition and Consumer Commission and additional due diligence, Strides **preferred to exit this transaction with Apotex** which is in the **best interest of shareholders**
- Consequently, the Board recommended **selling of Strides's ownership** in Arrow to entities owned and operated by Mr. Dennis Bastas, Executive Chairman and Co-founder of Arrow

STRATEGIC RATIONALE

- Proposed transaction allows Strides to enter into a **10-year preferred supplier contract** with the merged entity *(Arrow will merge with Apotex to create the new entity – **Arrotex)***
- Strides to retain **40-50% of the current EBITDA** at Arrow *(Current Arrow EBITDA estimated at AUD 40m)*
- Strides to retain access to the **IP of 140 products** with fungibility in other global markets including key regulated markets
- Strides will immediately receive an amount of **AUD 300 million** and the balance **AUD 94 Million** would be deferred through a secured instrument.
- Adjusting for the retained EBITDA, transaction is valued in the range of **~18x to ~22x** at the lower and upper end of the retained EBITDA.
- Strides will use the initial proceeds of the transaction to pare term debt to the extent of **USD 150-160 million** and utilize the balance proceeds as **growth capital** for other operating markets of the Company.

APPROVAL SOUGHT

- Approval of the Members is being sought under Section 180 of the Companies Act, 2013 and Regulation 24 of SEBI LODR, for the proposed transaction

Item 2- Approval of RPTs with Solara

Ordinary resolution

BACKGROUND

- In March 2018, Strides demerged its API business to Solara Active Pharma Sciences (Solara) to focus on **front end driven formulations led strategy**
- Post the demerger, Strides agreed with Solara for a long term **"most favoured customer status"**
- Strides subsequently has entered into specific arrangements with Solara to avail **long term API supplies and file DMFs** for several of Strides's products in the US and the other regulated markets.
- Strides's regulated markets business, including US, has ramped up very well in the current year and continues to build on a healthy momentum. Given the scale-up in the business company's API requirements has increased significantly including procurement from Solara

STRATEGIC RATIONALE

- Approval of the Members is being sought under Regulation 23 of SEBI LODR, for the transactions with Solara for an amount of **upto ₹500 Crores** in each financial year, commencing from FY19.
- For the current financial year i.e., FY19, this limit would be excluding the divestment of Strides Chemicals, which was **already approved** by the Members in July 2018

Q&A