Press Release
December 10, 2013

Strides Arcolab Limited,
Strides House,
Bannerghatta Road,
Bangalore – 560076, India

BSE: 532531
NSE: STAR

Update on Agila Transaction

Walk through of Consideration, Distribution & Transaction related Payouts

- **Board approves Rs. 500/- per equity share as Special Dividend**
- **Company to return 88% of free cash at closing to Shareholders**

Bangalore, India, December 10, 2013: Strides Arcolab Limited (BSE: 532531, NSE: STAR) announced that the Board of Directors at their meeting held today, inter alia, have approved the following:

- A ***Special Dividend*** of ***Rs. 500/- (Rupees Five Hundred Only)*** per equity share of Rs. 10/- each to the shareholders of the Company.

  Record Date for determining the eligibility of shareholders for payment of special dividend will be December 20, 2013. The said Special Dividend will be paid on or after December 27, 2013.

- ***Change of financial year of the Company*** from January-December to April-March effective April 01, 2014. In view of this, the current financial year will be for a period of 15 months i.e. January, 2013 to March, 2014

Commenting on the event, Arun Kumar, Founder and Group CEO stated that "We are delighted that we could create value for the shareholders by returning 88% of the free cash available with the Company by way of a special dividend"

A detailed note on Walk-though of Consideration, Distribution & Transaction related payouts as follows

SALE OF AGILA SPECIALTIES DIVISION TO MYLAN

Walk through of Consideration, Distribution & Transaction related Payouts

A. Consideration :

Since the initial announcement of the transaction on Feb 28, 2013, there have been certain revisions in the transaction that were disclosed by the company on Dec 5, 2013.

i. The aggregate base consideration payable at closing of the transaction was USD 1,600 Mn, subject to customary closing adjustments. In addition a sum of upto USD 250 Mn was payable at or following the closing of the transaction based on satisfaction of certain conditions.

ii. On closing USD 150 Mn of the USD 250 Mn in initial potential payments was received based on the satisfactory resolution of certain third party agreements.

B. Warning Letter and its impacts :

During Sep '13, the Company received a Warning Letter for one of its injectable manufacturing sites in Bangalore. As a consequence, while the total transaction value did not get impacted, additional contingencies were introduced in the terms of the transaction:

i. An amount of USD 250 Mn is held back from the consideration, to be paid in whole or part to Strides, upon satisfaction of certain regulatory conditions related to its injectable facilities in India.

   a. The Company had engaged with the USFDA prior to the closure of the transaction and expects satisfactory resolution of the regulatory conditions and those contingent conditions will be satisfied sometime in 2014.

ii. Further, the company in collaboration with Mylan had agreed to bring in third party consultants to oversee remediation actions and the company has set aside funding for these costs.

iii. Also, an additional cost has been incurred by the company to acquire certain assets related to a B2B partnership in the USA to mitigate loss of certain revenues consequent to the Warning Letter.

The company expects to incur an additional amount of approx. USD 150 Mn towards (ii & iii) above

C.

i. **Reductions from Previously Estimated Costs :**

The total reduction is expected at approx. USD 91 Mn (approx. USD 66 Mn through a combination of lower expenses and renegotiations with minority partners and an additional USD 25 Mn received as part of potential payments) as compared to the initial forecast as indicated post the AGM release of June 10, 2013.

ii. **Global Tax Estimates :**

The Company earlier estimated global taxes of approx. USD 280 Mn. Based on the current tax laws and completion of financials for the purpose of the transaction, the company now expects global taxes to be at approx. USD 230 Mn, out of which approx. USD 180 Mn is estimated to be paid on the consideration already received and the balance at the time of receipt of holdbacks.

iii. **Impacts :**

With the estimated reductions / savings (C i & C ii) above, the company expects to largely mitigate the additional costs of USD 150 Mn.

D. Distribution :

i. The Company originally proposed a distribution of USD 700 Mn - USD 800 Mn pre-tax to shareholders. The Board of Directors has today approved a special dividend of Rs. 500 per share, resulting in a pre-tax distribution of approx. USD 525 Mn.

ii. 88% of free cash available at closing is being returned to Shareholders.

iii. Upon release of contingent holdbacks and regulatory escrows, the company expects an additional amount of approx. USD 250 Mn to approx. USD 290 Mn (before taxes), available for further distribution / buyback / growth. The Company will make appropriate announcements on meeting the holdback conditions, which is expected to be achieved sometime in 2014.

E. Foreign Exchange Impact:

The transaction closed at an average INR/USD rate of approx. 62. Exchange benefit in Rupee terms is been passed on to the shareholders.

F. Debt and Cash Position:

The company has approx. USD 50 Mn of long term debt in its retained pharmaceutical business and has approx. USD 75 Mn of Cash post initial closure of the transaction for Growth.

About Strides Arcolab

Strides Arcolab, listed on the Bombay Stock Exchange Limited (532531) and National Stock Exchange of India Limited (STAR), is a global pharmaceutical Company headquartered in Bangalore, India that develops and manufactures a wide range of IP-led niche pharmaceutical products.

The Company has 5 manufacturing facilities presence in more than 75 countries in developed and emerging markets.

Additional information is available at the Company's website at www.stridesarco.com.

For further information, please contact:

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