Strides Shasun

Press Release

Strides Shasun announces Q3 FY17 results
Q3 FY17 Pharma Revenues* at INR 9,271 Mn, Growth of 21 % YoY,
Pharma EBITDA at INR 2,038 Mn, Growth of 38 % YoY
Pharma EBITDA Margin at 22%, Expansion of 270 bps YoY

Bengaluru, February 3, 2017: Strides Shasun Limited (BSE: 532531, NSE: STAR) today announced its Q3 FY17 results

Consolidated Financial & Performance Highlights (Pharma & Biotech)

INR Mn

Particulars	Q3 FY16	Q3 FY17	YoY	9M FY16	9M FY17	YoY
Revenues*	7,649	9,271	21%	19,337	**25,874**	34%
EBITDA	1,423	2,059	45%	3,392	**5,051**	49%
EBITDA %	*19%*	*22%*	*360 bps*	*18%*	***20%***	*200 bps*
Adj PAT**		746				
Adj EPS**		8.35				

** Excluding Merger & restructuring costs of INR 65 Mn, Fair valuation of derivative Instruments INR 29 Mn, write off of assets INR 66 Mn and Biotech loss INR 101 Mn

- The results have been prepared as per Indian Accounting Standards (Ind-AS)
- Total revenues* for Q3 FY 17 at INR 9,271 Mn against INR 7,649 Mn in Q3 FY16 , up 21 % YoY
- Significant ramp up in R&D spend for the quarter at INR 463 Mn against INR 216 Mn in Q3 FY 16, up 113% YoY and against INR 348 Mn, up 33 % QoQ
- EBITDA at INR 2,059 Mn up 45 % YoY, EBITDA margins at 22 % up 360 bps YoY
- Net Interest cost for the quarter at INR 388 Mn
- Depreciation and amortization for the quarter at INR 494 Mn
- Adjusted PAT for Q3 FY 17 at INR 746 Mn, Adjusted EPS at INR 8.35

Shashank Sinha, Group CEO, stated "Q3 was a solid quarter of revenue growth and margin expansion backed by gains in market share of key products. Growth was led by the formulations business as API operations normalised. Growth particularly in the regulated markets was strong despite delay in new product approvals. We continue to increase our investment in developing a robust new product pipeline"

***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**

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Pharma Performance Highlights – Q3 FY17

Global Pharma Business

INR Mn

Particulars	Q3 FY16	Q3 FY17	YoY	9M FY16	9M FY17	YoY
Revenues	7,649	**9,271**	21%	19,337	**25,874**	34%
EBITDA	1,478	**2,038**	38%	3,542	**5,063**	43%
EBITDA %	19%	**22%**	270bps	18%	**20%**	125bps
Adj Pharma EPS*		9.48				

* Excluding Merger & restructuring costs of INR 65 Mn, Fair valuation of derivative Instruments INR 29 Mn, write off of assets INR 66 Mn and Biotech loss INR 101 Mn

Revenue Composition by Business - Global Pharma

INR Mn

Particulars	Q3 FY16	Q3 FY17	YoY	9M FY16	9M FY17	YoY
Regulated Markets	3,150	**4,475**	42%	7,072	**12,555**	77%
Emerging Markets	1,194	**1,697**	42%	3,259	**4,910**	51%
Institutional Business	1,703	**1,571**	(8%)	3,880	**4,678**	21%
Total Formulations	**6,047**	**7,744**	28%	14,211	**22,143**	56%
API	1,602	**1,527**	(5%)	5,126	**3,731**	(27%)
Total Revenues	**7,649**	**9,271**	21%	19,337	**25,874**	33%

Regulated Markets Business

- Revenues at INR 4,475 Mn in Q3 FY17, representing 48 % of total revenues
- Revenues grew 42% to INR 4,475 Mn against INR 3,150 Mn in Q3 FY16
- North America front end delivers best ever quarterly performance driven by continued market share improvement and a healthy sales traction for base portfolio. Ranitidine, the first integrated product approval from Strides Shasun stable was commercialised during the quarter garnering important market share.
- The company has recently received an FTF approval for Fingolimod Capsules. The product can be launched on generic market formation expected in February 2019, with a potential 180 day exclusivity. According to IMS data, the US market for Fingolimod Capsules is approximately USD 2 Bn and the product has registered a healthy CAGR of 10 % over last 5 years (IMS December 2016 MAT data). The company has now cumulatively received 6 new product approvals in FY 17 including tentative approval for Efavirenz Tablet, two FTF approval of Roflumilast tablets and Fingolimod Capsules and other approvals including Metronidazole Tablet, Ranitidine tablet and Polyethylene Glycol 3350, Powder for Solution (OTC). Due to changes in USFDA guidelines in December 2016, the approval for Gx Lovaza earlier expected in Q3 FY 17, has now been pushed out by 6-9 months.
- Australia business delivered a steady quarterly performance despite PBS impacts. Launched 4 new products during the quarter. Improving pharmacy reach, new product launches in Rx and OTC, better compliance and building supply chain efficiencies continue to be the key priorities in the near term.

- As articulated previously the company is moving away from its legacy B2B businesses and has not entered into new partnerships in future. The company expects to phase out its existing partnership businesses over the next few years.

Emerging Markets Business

- Revenues at INR 1,697 Mn in Q3 FY17, representing 18 % of total revenues
- Revenues grew by 42 % to INR 1,697 Mn against INR 1,194 Mn in Q3 FY16
- In Africa, post the inventory correction exercise the branded generics business registered a strong comeback. However, the generics business in Africa continues to witness macro heads winds including a volatile currency environment. Universal Corporation in East Africa continues to deliver a healthy performance. The WHO approved facility of Universal Corporation to be upgraded to global standards with a special focus on automation to improve efficiency and compliance.
- In the India brands business, primary sales to wholesalers and distributors was impacted by overall slowdown in the Indian Pharmaceutical Market including partial impact of demonetization that led to destocking in the channel. Continue to focus on improving the sales force efficiency targeted towards enhancing the per capita productivity

Institutional Business

- Revenues at INR 1,571 Mn in Q3 FY17, representing 17 % of total revenues
- Revenues at INR 1,571 Mn against INR 1,703 Mn in Q3 FY16
- Institutional business delivered another steady quarterly performance driven by healthy contributions across its business lines. Superior product mix helped business deliver healthy margins during the quarter
- Institutional business has a low visibility for Q4 FY 17 as the beneficiary countries are still in the process of finalizing the grants utilization with the donor funding agencies.
- Focussed on developing next generation products for the institutional portfolio to capture upsides form evolving treatment regimens
- Tech transfer of existing institutional products to WHO approved facility of Universal corporation and backward integration into API expected to provide better visibility with donor agencies

Active Pharmaceutical Ingredients (API)

- Revenues at INR 1,527 Mn in Q3 FY17, representing 16 % of total revenues
- Revenues declined 5% to INR 1,527 Mn against INR 1,602 Mn in Q2 FY16
- The API business returns to normal during Q3 FY 17, delivers a healthy quarterly performance
- Strategy to govern price behaviours through volume discipline and rationalization of product mix helps deliver superior margin performance for the API division

Pharma R&D – Investing in the future product pipeline

- Significant ramp up in the R&D spend during the quarter. R&D spend for the quarter at INR 463 Mn against INR 216 Mn in Q3 FY 16, up 113 % YoY and against INR 348 Mn, up 33% QoQ

- Based on current product development and filing schedule, company is confident of a significant scale up in fillings starting Q4 FY 17 and expects the momentum to continue in FY 18
- On track to meet the H2 FY 2017 guidance of filing 10-12 ANDA's, 1 ANDA filed during Q3 FY 17.
- 25 ANDA filings pending approval from USFDA

Biotech

- Post successful completion of the quality analytical comparison data with innovator, the first lead asset demonstrated robustness in process development at a significantly higher scale
- Completed batches for biocompatibility testing for the second lead asset
- Pilot scale-up facility in R&D on track for completion by end March 2017
- Civil construction on track for the bio-pharmaceutical facility at Doddaballapur, Bangalore. Construction of manufacturing and utility areas completed, fit out and installation work in progress.

Corporate Updates

Brand acquisition of PediaCare from Moberg Pharma

- In November 2016 the company through its wholly owned subsidiary Strides Arcolab International Limited, UK acquired the 'PediaCare' brand from Moberg Pharma, Sweden for a total consideration of US$ 5 Mn
- PediaCare is an established paediatric cough, cold and allergy brand with annual sales of approximately US$ 6 Million. PediaCare will form an important part of Strides expanding consumer health care portfolio and brings with it expertise in the paediatric segment as well as a strong brand name with global potential
- The transaction achieved its closure towards the end of December 2016

Acquisition of Perrigo's US FDA approved API facility in India

- In December 2016, company announced the signing of definitive agreements to acquire the entire shareholding in Perrigo API India Private Limited (Perrigo API India) for INR 1,000 Million
- Perrigo API India's facility brings into the fold a US FDA approved API facility located at Ambernath, Maharashtra. The facility will be used for captive consumption and will augment the Company's resources to handle high velocity of new product development and commercial launches in the formulations portfolio.
- The facility with a potential capacity of 600 tons per year, had zero 483 observations during its last US FDA inspection. The company intends to transfer all the integrated DMFs filed for captive consumption to the acquired facility
- The transaction is subject to customary closing conditions and expected to be close in Q4 FY 17.

Annexure:

EBITDA Computation:

	Q3 FY17
SEBI Results	**Column 1**
Profit from ordinary activities before finance cost & Exceptional Items as per SEBI reporting	**1,746**
Less: Interest, Dividend income, Gain on sale of securities	**181**
Add : Depreciation and Amortization	***494***
Consolidated EBITDA as per press release	**2,059**
Add: Biotech	**21**
Global Pharma EBITDA as per press release	**2,038**

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

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