Strides Shasun

Press Release

Strides Shasun announces Q4 FY17 results
Q4 FY17 Pharma Revenues at INR 9,231 Mn, EBITDA at INR 2,162 Mn
FY 17 Pharma Revenues at INR 35,106 Mn up 23%, EBITDA at INR 7,230 Mn up 33%
Achieves 95% of H2 FY 17 guidance despite delays in product approvals
Board Recommends Dividend of INR 4.50 per share (45%)

Bengaluru, May 18, 2017: Strides Shasun Limited (BSE: 532531, NSE: STAR) today announced its Q4 FY17 and FY 17 results

Performance versus guidance for H2 FY 17

- The Company guided for an EBITDA of INR 4,400 – 4,750 Mn for H2 FY 17.
- Guidance was based on 5-6 new product approvals for the North America market. These approvals have been delayed and are now expected in H2 FY 18. Majority of the filings were from the Puducherry facility which recently completed USFDA inspection with Zero 483 observations
- Sevelamer carbonate API sales were lower than planned due to delay in approvals of Gx Renvela for partners.
- Institutional sales during Q4 FY 17 tracked lower on account of timing of new tender awards
- The Company has achieved 95% of the guidance with H2 FY 17 EBITDA at INR 4,200 Mn despite a challenging operating environment.

Consolidated Financial & Performance Highlights (Pharma & Biotech)

INR Mn

Particulars	Q4 FY16*	Q4 FY 17*	YoY	FY 16	FY 17*	YoY
Revenues	9,163	**9,231**	1%	28,499	**35,106**	23%
EBITDA	1,857	**2,133**	15%	5,220	**7,191**	38%
EBITDA %	*20%*	***23%***	*280 bps*	*18%*	***20%***	*220 bps*

*The CRAMS business was sold during Q2 FY 17. Q4 FY 16, FY 16 and FY 17 numbers does not include contribution from CRAM's

- The results have been prepared as per Indian Accounting Standards (Ind-AS).
- Total revenues for Q4 FY 17 at INR 9,231 Mn against INR 9,163 Mn in Q4 FY16, up 1% YoY.
- Total revenues for FY 17 at INR 35,106 Mn against INR 28,499 Mn in FY16, up 23 % YoY.
- EBITDA for Q4 FY 17 at INR 2,133 Mn up 15 % YoY, EBITDA margins at 23 % up 280 bps YoY.
- EBITDA for FY 17 at INR 7,191 Mn up 38 % YoY, EBITDA margins at 20 % up 220 bps YoY.

Shashank Sinha, Group CEO, stated "We delivered a solid quarter. Key products continue to gain market share driving growth in the base business. New product filing momentum picked up as we nearly doubled R&D investments. Our last four consecutive USFDA audits have been successful with zero 483's. A strong pipeline, compliant manufacturing base and growing market presence are the pillars of our future growth"

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Pharma Performance Highlights – Q4 FY 17 and FY 17

Global Pharma Business

INR Mn

Particulars	Q4 FY 16	Q4 FY 17	YoY	FY 16	FY 17	YoY
Revenues	9,163	**9,231**	1%	28,499	**35,106**	23%
EBITDA	1,905	**2,162**	14%	5,417	**7,230**	33%
EBITDA %	21%	**23%**	260 bps	19%	**21%**	160 bps
Adj Pharma EPS*					50.76*	

*Excluding Merger & restructuring costs of INR 234 Mn, Fair valuation of derivative Instruments INR 182 Mn and Biotech INR 125 Mn

Revenue Composition by Business - Global Pharma

INR Mn

Particulars	Q4 FY 16	Q4 FY 17	YoY	FY 16	FY 17	YoY
Regulated Markets	3,857	**5,267**	37%	11,395	**17,762**	56%
Emerging Markets	1,038	**1,420**	37%	3,839	**6,330**	65%
Institutional Business	2,072	**1,026**	(50%)	5,951	**5,677**	(5%)
Total Formulations	**6,967**	**7,714**	11%	21,185	**29,769**	40%
API	2,196	**1,517**	(31%)	7,314	**5,336**	(27%)
Total Revenues	**9,163**	**9,231**	1%	28,499	**35,106**	23%

Regulated Markets Business

- Revenues at INR 5,267 Mn in Q4 FY 17, up 37 % YoY.
- Revenues up 56% YoY in FY 17 to INR 17,762 Mn, representing 51% of total revenues.
- In North America, grew market share with marginal price erosion. While the front end delivered a steady quarterly performance, the partnered portfolio witnessed certain pricing challenges. Frontend performance was driven by sequential improvement in market share for key products including Dutasteride, Ergocalciferol, Methoxsalen. Ranitidine, the first integrated product approval from Strides Shasun stable that was commercialised during the last quarter has now successfully garnered 18% market share, up from 6% last quarter.
- During FY 17 Company received 6 new product approvals - tentative approval for Efavirenz Tablet, two FTF approval for Roflumilast tablets and Fingolimod Capsules, approvals for Metronidazole Tablet, Ranitidine tablet and Polyethylene Glycol 3350, Powder for Solution (OTC).
- The Company has visibility of 15-20 product approvals for North America market over the next 12 months across various dosage formats.
- Australia business delivered a healthy quarter with commercialisation of 6 new products. Arrow has launched a total of 20 new products in FY 17 and will continue to expand its product portfolio including new products from Generic Partners. Pharmacy Alliance has scaled up its coverage to over 600 + pharmacies to become the largest buying group in Australia. With an expanding pharmacy coverage, focus is now on better compliance for Arrow products at store level. Backward integration of the product portfolio to start yielding material savings in FY 18.

Emerging Markets Business

- Revenues at INR 1,420 Mn in Q4 FY 17, up 37% YoY.
- Revenues up 65% YoY in FY 17 to INR 6,330 Mn, representing 18% of total revenues.
- Sequential decline in emerging markets revenues largely on account of ramp down of the generics manufacturing business in Africa ahead of planned exit.
- The branded generics business and Universal corporation business in Africa delivered a steady quarterly performance despite impact from depreciation in key billing currencies of EUR and USD. Added ~ 50 medical representatives in Africa for the branded business during FY 17. Focus on adding new products, expanding distribution network and improving field force productivity in Africa.
- India brands business reported a tepid performance due to a carry forward impact of demonetization in the early half of the quarter. Currently witnessing a trend towards lower stocking level in the channel ahead of the GST roll out. Focus on leveraging a pan India distribution network across the product portfolio and improving field force productivity.

Institutional Business

- Revenues at INR 1,026 Mn in Q4 FY17, versus INR 2,072 Mn in Q4 FY 16.
- Revenues decline 5% YoY in FY 17 to INR 5,677 Mn, representing 16% of total revenues.
- Decline in institutional business attributed to significantly lower contribution from Anti- Malarial portfolio during the quarter. While the Company has been able to maintain its market share, the overall funding to the donor programs has seen a decline. The ARV business continues to witness healthy traction.
- Initiated tech transfer of existing institutional products to WHO approved facility of Universal Corporation in Kenya, supplies to start in H2 FY 18.
- R&D focus on developing next generation products in line with evolving treatment regimens.

Active Pharmaceutical Ingredients (API)

- Revenues at INR 1,517 Mn in Q4 FY 17, versus INR 2,196 in Q4 FY 16.
- Revenues decline 27% YoY in FY 17 to INR 5,336 Mn, representing 15% of total revenues.
- Portfolio rationalisation and increased captive consumption for the formulations helped deliver superior margins for the API business during the year.
- Scaled up filings for high entry barrier markets like Japan and Korea.

Pharma R&D

- The R&D set up gained momentum with 9 filings in FY 17.
- Significant scale up in R&D investments during FY 17 to build the future product pipeline.
- R&D spend for the quarter at INR 322 Mn against INR 172 Mn in Q4 FY 16, up 87 % YoY.
- R&D spend for FY 17 at INR 1,361 Mn against INR 757 Mn in FY 16, up 80 % YoY.
- Formulations and API R&D teams working on a joint development platform to build a portfolio of integrated products.

- The Company made 8 filings in H2 FY 17 against a guidance of 10-12 filings.
- Expect the filing momentum to continue in FY 18 with a target of 15-20 product filings spread across multiple dosage formats.
- 32 ANDA filings pending approval from USFDA.

Manufacturing Infrastructure

Four manufacturing facilities, the formulation facilities in Bangalore and Puducherry, the API facilities at Cuddalore and Puducherry, were inspected by the US FDA over the last twelve months and all the facilities were cleared without any observations.

- Continue to invest in people, practices and technology for superior compliance.
- The Company has an upcoming USFDA audit in May 2017 at its flagship plant in Bangalore. The plant has a host of key products pending approval from USFDA.
- Singapore formulation facility for regulated markets is expected to go on stream in H2 FY 18.
- Signed definitive agreements with Vivimed Labs Limited to enter into 50:50 Joint Ventures for its US FDA formulations facility at Alathur, Chennai. The Joint venture will provide access to additional capacities to the tune of 1.5 billion tablets/ capsules per annum and a strong product pipeline. This JV will also help de-risking of manufacturing base.

Corporate Updates

Board Level Changes

The Company has completed several organic and inorganic strategies to put in place pivots for growth. To guide the management team in rolling out the future strategies, which are predominately directed towards B2C businesses, the Board is being re-constituted.

- Arun Kumar, Founder and Executive Vice Chairman will move to a Non-Executive position as Chairman of the Board. He will continue to provide strategic inputs to the management. .
- Homi Rustam Khusrokhan will join the Board as an Independent Director. Over the last five decades, he has held senior positions in GSK, Tata Group, ICICI Bank among others.
- Shashank Sinha, Group CEO and Badree Komandur, Group CFO will join the board as Executive Directors.
- After long and distinguished association with the Company, M.R. Umarji, P.M. Thampi, A.K. Nair and Abhaya Kumar will relinquish their board position

Other Corporate Updates

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

- In December 2016, Company announced definitive agreements to acquire the entire shareholding in Perrigo API India Private Limited (Perrigo API India) for INR 1000 Million.
- The transaction has achieved closure.
- The facility will be used for captive consumption and will supply strategic API for the formulations business. The Company will transfer all the key integrated DMFs for captive consumption to the acquired facility.

Exiting the Africa generics manufacturing Business

- In February 2017, Company had announced its exit from the Africa generics manufacturing business including 6 generic facilities in Africa for a cash consideration of US$ 16 Mn.
- The transaction has achieved closure.

De-merger of the API business to Solara Active Pharma Sciences

- In February 2017, Company had announced the de-merger of its commodity API business to Solara Active Pharma Sciences (previously SSL Pharma Sciences Limited).
- During Q4 FY 17 the board of directors on the recommendation of the audit committee approved the composite scheme of arrangement to be entered between Strides Shasun Limited, SeQuent Scientific Limited and Solara Active Pharma Sciences for the de-merger.
- The board of directors have also approved the share entitlement ratio of 1 equity share of Rs 10 each of Solara Active Pharma Sciences for every 6 equity shares held in Strides Shasun Limited.
- The Scheme is subject to statutory approvals including from the shareholders and creditors of the Company, Sequent and SSL, Stock Exchanges where the shares of Strides and SeQuent are listed, the Securities and Exchange Board of India, National Company Law Tribunal and the Competition Commission of India.
- The appointed date for the Scheme of Merger will be October 1, 2017.

Strides' investment in Stelis Biopharma Private Limited

- In February 2017, Company had announced capping Strides' equity investment in Stelis at US$ 22 Mn for a significant minority stake.
- Post receiving the shareholders' approval and meeting customary closing conditions, the transaction has now achieved closure.

Annexure:

EBITDA Computation: In INR Mn

	Q4 FY 17	FY 17
SEBI Results		
Profit/(loss) before exceptional items and tax as per SEBI reporting	**1,179**	**3,973**
Less: Interest, Dividend income, Gain on sale of securities	**(133)**	**(863)**
Add : Depreciation and Amortization	***529***	**1,872**
Add : Finance Cost	**592**	**2,269**
EBITDA from continuing operations	**2,166**	**7,251**
Add: EBITDA from Discontinued Operations (Excluding CRAMS)	**(4)**	**(21)**
EBITDA as per press release	**2,162**	**7,230**

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 8 manufacturing facilities spread across three continents including 6 US FDA approved facilities and 2 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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