



LAURUS LABS LIMITED

Q4 & FY17
RESULTS PRESENTATION
18 May - 2017

Disclaimer



Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

Laurus Labs Limited (Laurus) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

1.

Introduction to Laurus Labs Ltd.



Genesis And Inspiration



Our genesis starts
with our name Laurus Labs.
We derived inspiration from Laurus Tree.





Laurus family of trees not only has medicinal
qualities but also survives in the toughest climatic
conditions.

Laurus leaves were adorned as crowns to the
exceptional achievers and winners during Roman
times. In Greek mythology, Apollo is represented
wearing a laurel wreath on his head. In ancient
Greece wreaths were awarded to victors, both in
athletic competitions, including the ancient
Olympics and in poetic meets and crowned to a
successful commander during his triumph.

In common modern idiomatic usage it refers to a
teamwork, success and victory. The
expression "resting on one's laurels"
and "look to one's laurels"
came into use due to
the Laurus crowns.

Business Snapshot



	 LAURUS Generics <small>Active Pharmaceutical Ingredients & Intermediates</small>	 LAURUS Generics <small>Finished Dosage Forms</small>	 LAURUS Synthesis <small>Contract Development & Manufacturing Services</small>	 LAURUS Ingredients <small>Specialty Ingredients for Nutraceutical & Allied Industry</small>
Overview	<ul style="list-style-type: none"> Development, manufacture and sale of active pharmaceutical ingredients (APIs) and advanced intermediates 	<ul style="list-style-type: none"> Development and manufacture of oral solid formulations 	<ul style="list-style-type: none"> Contract development and manufacturing services for global pharmaceutical companies 	<ul style="list-style-type: none"> Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products
Product and Service Offerings	<ul style="list-style-type: none"> Anti-retroviral (ARV) Hepatitis C Oncology Large volume APIs for cardio-vascular, anti-diabetic, anti-asthmatic, gastroenterology therapeutic areas Small volume APIs for the ophthalmic therapeutic area 	<ul style="list-style-type: none"> ARVs Anti-diabetic Cardio Vascular Proton Pump Inhibitors. 	<ul style="list-style-type: none"> Commercial scale contract manufacturing Clinical phase supplies Analytical and research services 24 projects executed⁽²⁾ 	<ul style="list-style-type: none"> Nutraceuticals, dietary supplements and cosmeceutical products
Filings	<ul style="list-style-type: none"> Commercialized 59 products⁽¹⁾ 39 DMFs filed 	<ul style="list-style-type: none"> In FY 17 filed 3 ANDAs for USFDA and one WHO dossier in addition completed 6 validations. 		<ul style="list-style-type: none"> NA
Infrastructure	<ul style="list-style-type: none"> 4 Manufacturing facilities, Unit 4 under construction, (1,834KL⁽³⁾) 	<ul style="list-style-type: none"> 1bn Units / year capacity facility and capacity expansion to 5 billion units is in progress. ⁽⁴⁾ 	<ul style="list-style-type: none"> Dedicated manufacturing (Unit – 5) Capacity for a major customer 	<ul style="list-style-type: none"> Manufacturing facilities⁽⁵⁾

(1) Includes ingredients products

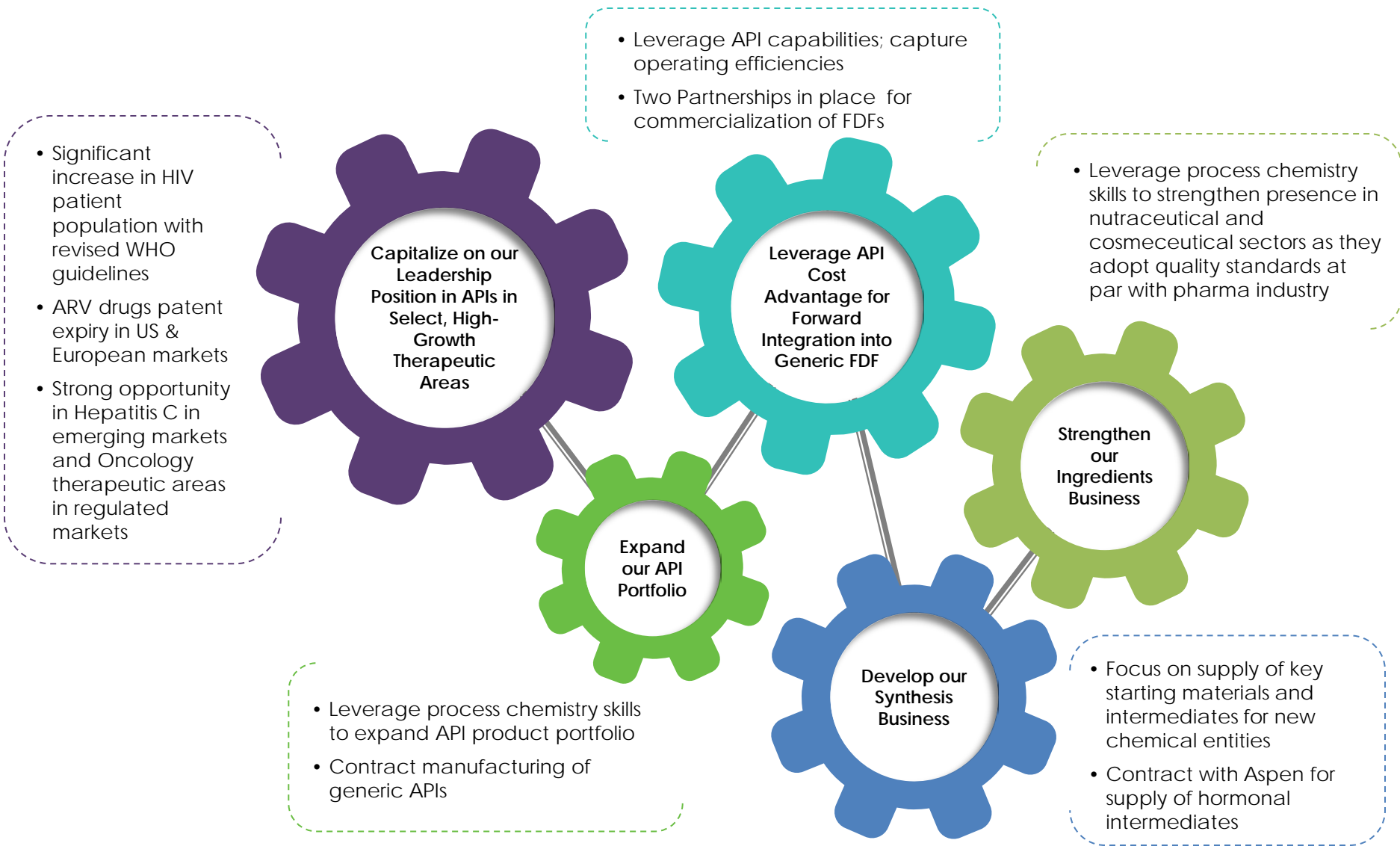
(2) As of 31 March, 2017

(3) As of 31 March, 2017

(4) After incurring additional investment:

(5) APIs and Ingredients are manufactured at Unit 1 and Unit 3

Strategy in Motion



2.

Performance Highlights



Business Highlights



Overall

- Prepayment of Loans from IPO proceeds resulted interest cost reduction apart from reduction in cost of funds
- Capex investments during FY 17 Rs.3,155 million.
- R & D opex of Rs.1,050 million and 5.6% as percentage of sales during FY 17.
- Operations at Sriam(100% subsidiary of Laurus) Unit 2 started in FY 17.
- Unit IV expansion is in progress, the facility will add capacity to Generics API, Synthesis and Ingredients business.

Generic API

- Laurus in partnership with Natco has launched Velpatasivir (Hep-C) combination product in India in May 2017.
- As on Mar 17, the Company has filed 202 patent applications and 39 patents granted.
- USFDA inspection scheduled in May 2017 for API facility in Unit 2.

Generic FDF

- Filed 3 ANDAs and in addition completed 6 product validations in FY 17.
- Capacity expansion to 5 billion units is in progress.
- WHO inspection completed in March 2017.
- FDF opex investments are Rs.982 million which includes Rs.335 million related to the R& D in FY 17.
- Company received EIR from USFDA for formulations unit 2.

Synthesis

- Unit 5 (dedicated manufacturing facility for Aspen) has commenced validations in QE 31st Mar 17.

General

- Received National Safety Award 2016 from National Safety Council, Govt. of India.
- Received Best Management Award 2016 from Govt. of Andhra Pradesh.
- Received Business Excellence Award 2017 from HMTV.
- Dr. M. Venu Gopala Rao appointed as independent director and non-executive Chairman
- Dr. Ravindranath Kancherla appointed as independent director
- Mr. Krishna Chaitanya Chava son of Dr Satyanarayana Chava, CEO joined the Company as AVP Corporate Development in Apr 17

Financial Highlights



- **During FY17 Laurus reported:**
 - Total Revenue rose by 6.6% to Rs. 18,919 mn as compared to Rs. 17,746 mn
 - EBITDA higher by 19.3% at Rs. 4,461 mn from Rs. 3,740 mn
 - PAT increased 40.0% to Rs. 2,026 mn from Rs. 1,447 mn
 - EPS (Diluted) for the period stood at Rs. 20 per share
 - The Board of Directors, at their meeting held on May 18, 2017, recommended a final dividend of Rs.1.50 per share, subject to the approval of shareholders.

- **During Q4 FY17 Laurus reported and comparing with Q4 FY 16:**
 - Total Revenue stood at Rs. 4,666 mn as compared to Rs. 4,831 mn
 - EBITDA higher by 5.0% at Rs. 1,274 as compared to Rs. 1,213 mn
 - PAT showed growth of 39.0% at Rs. 743 mn from Rs. 534 mn
 - EPS (Diluted) for the period stood at Rs. 7 per share (not annualised)

Note: Standalone results as per Ind-AS

Management Comments



Commenting on the results announcement, Dr. Satyanarayana Chava - CEO said;

“Laurus’ growth march continues with broadening of the market in key APIs across new geographies and novel therapeutic areas. The momentum in the Synthesis business is building post commissioning of the dedicated facility for Aspen and several high-value engagements underway across various phases of clinical development.

We continue to make prudent investments in growth opportunities which are backed by inherent competence in R&D balanced with healthy accretion to earnings. In the near term we expect performance to augment due to volume gains in APIs where better manufacturing efficiencies will set the stage for margin expansions. As our integration further strengthens across Formulations and Synthesis businesses we expect a commensurate transformation in our run rate of both topline and profitability in the coming few quarters.”

Commenting on the results announcement, V V Ravi Kumar, ED & Chief Financial Officer said;

“Laurus has delivered a robust performance for the quarter and year under review. The Company has witnessed positive volume trends across all business segments. During the year, we focused on strengthening our balance sheet and attained significant debt reduction by prepaying Rs. 2,263 million from the IPO proceeds. This has helped in reduction of finance expenses. We are confident that our investments will help us witness considerable uptick in revenues and healthy cash flow generation as we ramp up production at the facility progressively through FY19.”

3.

Financial Discussion



Abridged Profit & Loss Statement



Particulars (Rs. mn)	Q4 FY17	Q4 FY16	Growth %	FY17	FY16	Growth %
Total Revenues (net of taxes)	4,666	4,831	-3.4%	18,919	17,746	6.6%
Total Expenditure	3,894	4,164		16,762	15,994	
EBITDA	1,274	1,213	5.0%	4,461	3,740	19.3%
<i>Margins</i>	27.3%	25.1%		23.6%	21.1%	
PBT	861	681	26.5%	2,476	1,796	37.9%
<i>Margins</i>	18.5%	14.1%		13.1%	10.1%	
PAT	743	534	39.1%	2,026	1,447	40.0%
<i>Margins</i>	15.9%	11.1%		10.7%	8.2%	
EPS (Diluted)	7.0 (Not annualised)	5.4 (Not annualised)	28.8%	20.0	14.7	36.1%

Note: Standalone results as per Ind-AS

Abridged Balance Sheet



Particulars (Rs. mn)	As on 31.03.2017	As on 31.03.2016
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1,058	824
Reserves and surplus	12,524	7,900
Non-current liabilities	1,720	4,830
Current liabilities	10,703	8,735
Total	26,005	22,288
ASSETS		
Non-current assets	1,840	1,483
Fixed assets	12,801	10,836
Current assets	11,364	9,970
Total	26,005	22,288

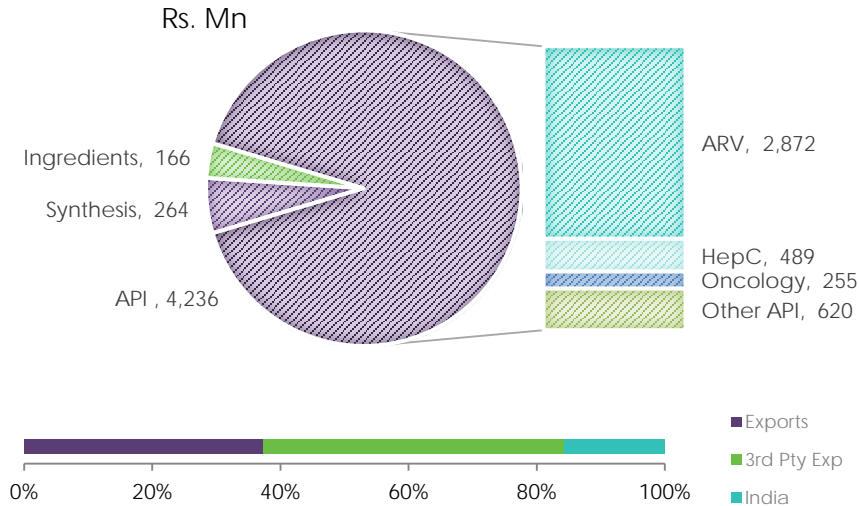
Particulars (Rs. mn)	As on 31.03.2017	As on 31.03.2016
BORROWINGS		
Long term borrowings	1,002	4,597
Current maturities of LTB	660	866
Short term borrowings	6,151	4,682
TOTAL	7,813	10,145

Note: Standalone results as per Ind-AS



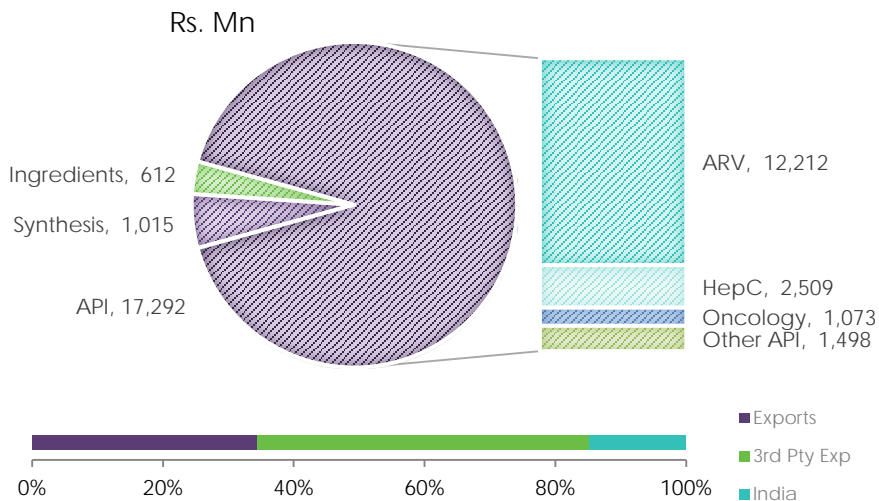
Drivers of Revenue

Q4 FY17 Revenue Break-up



- FY17 has delivered growth in primary APIs , Synthesis and Ingredients business
 - ARVs supplies to Europe began in FY 17 and future upsides to come from newer second line therapies in emerging countries
 - Hepatitis C is showing robust growth. Newer launches in Nepal in FY 17 and launch in India May 17
 - Oncology saw decline in revenue, but orders received before end Mar 17 and supplies will take place in Q1 FY 18
 - Other therapeutic segments shown robust growth
- Commenced manufacturing of validation batches at Unit V under Synthesis business –to start commercial supplies in 12 to 18 months
- Ingredients business showed 34% gains YoY with deepening of engagement with key customers

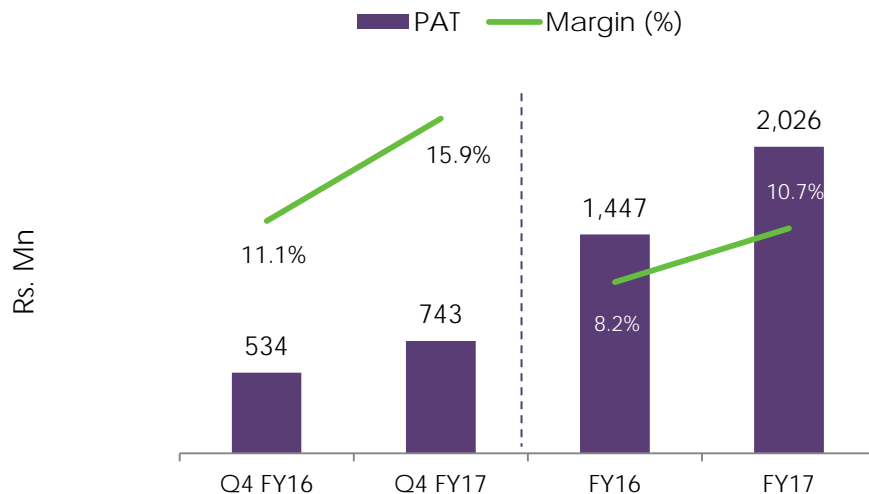
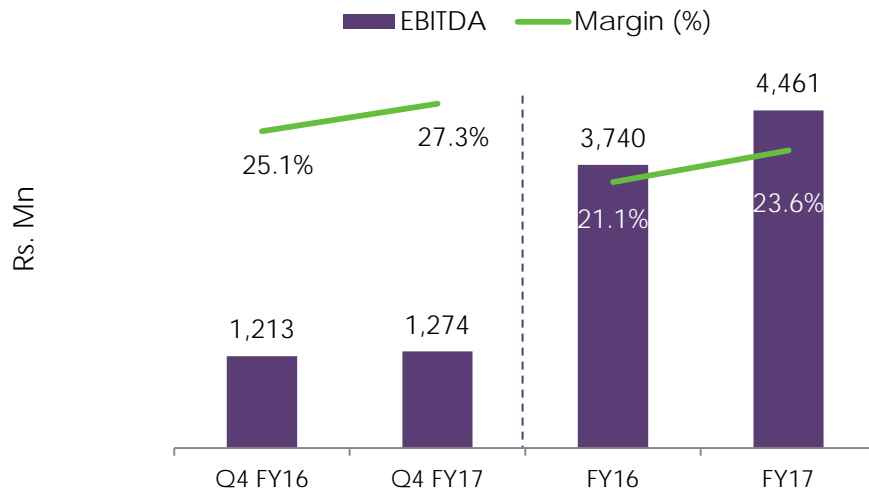
FY17 Revenue Break-up



Note: Standalone results as per Ind-AS



Drivers of Earnings



- Operating margins during FY17 improved by 19.3% YoY on account of;
 - Healthy gains in the primary APIs business over previous year
 - Boost from new product launches in ARVs for European markets, Hepatitis C, Proton pump inhibitors
 - Increasing share of Synthesis business in business mix
 - Contribution from Ingredients
- Annual Profits showed robust 40% improvement on the back of better operating performance and lower outgoes on interest payment
- Diluted EPS for FY17 stood at Rs. 20.0 per share

Note: Standalone results as per Ind-AS

Abridged Profit & Loss Statement (Consolidated)



Particulars (Rs. mn)	FY17	FY16	Growth %
Total Revenues (net of taxes)	19,046	17,776	7.1%
Total Expenditure	17,029	16,129	
EBITDA	4,396	3,641	20.7%
<i>Margins</i>	23.1%	20.5%	
PBT	2,352	1,690	39.1%
<i>Margins</i>	12.3%	9.5%	
PAT	1,903	1,337	42.3%
<i>Margins</i>	10.0%	7.5%	
EPS (Diluted)	18.8	13.6	38.3%

Note: Consolidated results as per Ind-AS

Sriam Labs is an associate till October 31, 2016 and wholly owned subsidiary from November 1, 2016. Hence consolidated results FY 16 are not comparable.

4.

Outlook





Outlook for FY18

Healthy visibility of revenue enhancement on the back of preferred supplier status in key products together with long-standing customer relationships across businesses

- APIs business to deliver volume growth in key ARV and Hepatitis C segment.
- Other therapeutic areas including Oncology to offer consistent opportunities to broaden scope.
- Laurus in partnership with Natco has launched Velpatasivir (Hep-C) combination product in India in May 2017.
- ARV supplies to Europe will enhance profitability.

Capacity augmentation to result in targeted performance upsides

- Increase in reactor capacity to propel sales growth
- Our manufacturing processes, efficiencies, systems and practices have supplemented our gains.
- Dedicated manufacturing facility (Unit – 5) for Aspen.
- Unit IV construction is in progress, the facility will add capacity to Generics API, Synthesis and Ingredients business.
- Operations at Sriam, Unit 2 (100% subsidiary of Laurus), started in FY 17. It will supplement to the current reactor capacities.
- Commercial operations of FDF expected to result in higher growth.

Changing business mix to drive expansion in the medium term

- Synthesis business to show gains in line with scale up in engagement with Aspen.
 - Contract research business demonstrating momentum.
- Incremental contribution from Ingredients business.
- Laurus signed manufacturing and supply agreement for Oncology NCE for clinical phase and commercial supplies.

Research first approach to continue supporting initiatives to introduce product efficiencies and add to product line up

- Backed by strengthened infrastructure at Hyderabad facility and planned new facility at Vishakhapatnam
- Higher intensity of research spends as a proportion to sales to result in broader portfolio of commercialized products .

5.

Strategic Overview



Strong R&D Capabilities

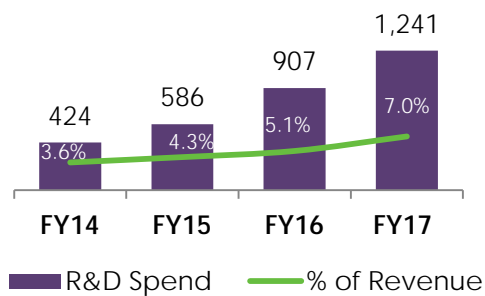


- **“Research-first”** approach – Set up dedicated R&D center in Hyderabad in 2006 prior to commissioning API manufacturing facility in 2007
- R&D team comprising 600 plus scientists (25.0% of total employee strength) including 45 PhDs
- Kilo Lab at R&D center **accredited by international regulators**
- **Completed expansion** of R&D at Hyderabad
- Currently setting up new R&D center in Visakhapatnam

Key Accreditations



Increasing R&D Spend (Rs. mn)



59

Products commercialized since inception

39

Filed DMFs

202

Patents filed

43

Patents granted

3 & 1

ANDAs & Dossiers filed

Quality Focus & Regulatory Audits



We maintain consistent quality, efficiency and product safety.

We have adopted uniform manufacturing standards across all facilities to achieve standardized quality for all markets.

Good manufacturing practices across all the manufacturing facilities, encompassing all areas of business processes right from supply chain to product delivery.



Regular Inspection at different manufacturing units

2017	WHO / USFDA
2016	USFDA
2015	WHO, USFDA, EU (German)
2014	WHO, USFDA, CDSCO
2013	WHO
2012	USFDA
2011	KFDA, USFDA, WHO
2010	MHRA
2009	TGA, USFDA

Facilities Overview



Unit-I



- Located at Jawaharlal Nehru Pharma City, Vishakapatnam, India.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- 300 reactors, with 1140 Kilo Litres capacity.
- Received approvals from US FDA, WHO-Geneva, NIP Hungary, KFDA and PMDA.

Unit-II



- Located at APSEZ, Achutapuram, Visakhapatnam, India.
- FDF and API manufacturing facility
- FDF - capacity of 1 billion tablets per year.
- API block with 12 reactors and total capacity of 84 Kilo Litres.
- Received approvals from BfArM, Germany.
- US FDA inspection completed in Dec'16

Unit-III



- Located at Jawaharlal Nehru Pharma City, Parawada, Vishakapatnam, India.
- Commenced operation in 2015.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- 80 reactors installed with a total capacity of 605 Kilo Litres which is being expanded to 110 reactors with a total capacity of 729 Kilo Litres.
- Received approvals from FDA and WHO - Geneva

Unit-IV



- Construction is in progress at APSEZ, Achutapuram, Visakhapatnam, India.

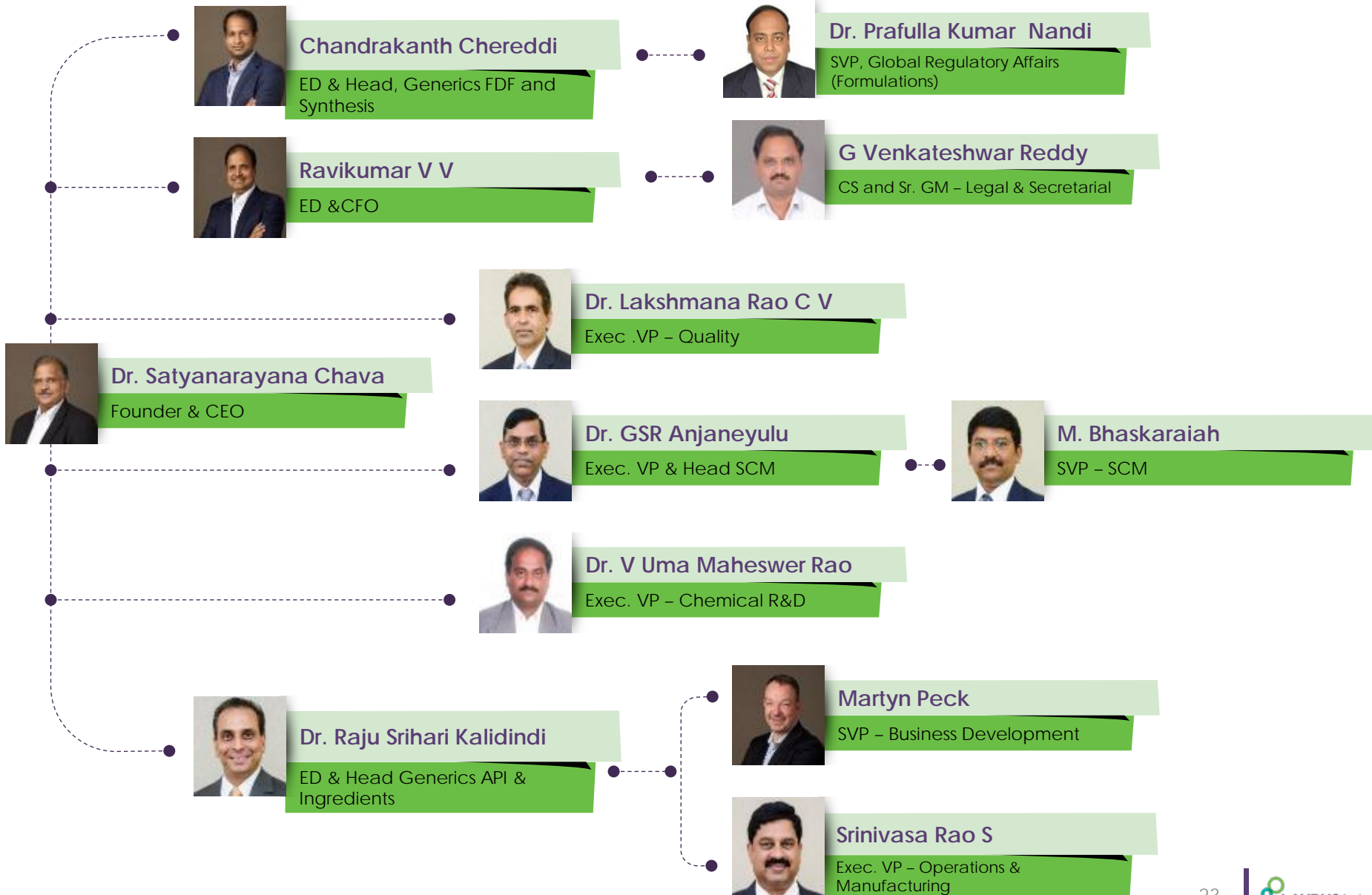
Unit-V



- Located at APSEZ, Achutapuram, Visakhapatnam, India.
- Inaugurated and commenced operations in December 2016.
- A dedicated Hormone and Steroid facility for Aspen with 46 reactors of 230 Kilo Litres capacity in two manufacturing buildings.



Renowned Management Team



Corporate Governance



Executive Directors

Name	Background
Dr. Satyanarayana Chava	■ Whole-time Director, Founder and Chief Executive Officer
Dr. Raju Srihari Kalidindi	■ Whole-time Director and Head of Generics – API & Ingredients
Ravi Kumar V V	■ Whole-time Director and CFO
Chandrakanth Chereddi	■ Whole-time Director and Head of Generic FDF and Synthesis

Non-Executive Directors

Name	Background
Dr. M. Venu Gopala Rao (*)	■ Non Executive Chairman and Independent Director
Rajesh Kumar Dugar	■ Senior Partner, Head of India at Eight Roads Investment Advisors Private Limited
Narendra Ostawal	■ Managing Director of Warburg Pincus India Private Limited
Aruna Rajendra Bhinge	■ Independent Director; Former Head of Food Security Agenda, APAC at Syngenta India Limited
Dr. Rajesh Koshy Chandy	■ Independent Director; Professor of Marketing at the London Business School
Ramesh Subrahmanian	■ Independent Director; Founder and Director of Alchemy Advisors
Dr. Ravindranath Kancherla (*)	■ Independent Director and Founder-Member and Treasurer of ELSA of Asia in Singapore and Chairman of Global Hospitals

Mr. Amal Ganguly Non executive chairman who was demised because of prolonged illness in May 2017

(*) Appointed on 18th May 2017 board meeting

Awards and Recognition



“BEST MANAGEMENT AWARD 2016” BY GOVERNMENT OF ANDHRA PRADESH.

Laurus Labs Limited has been awarded the “Best Management Award 2016” by Government of Andhra Pradesh.

The award was given to the company in recognition of its excellence in management practices, harmonious industrial relations, industrial productivity, and the commendable contribution for the welfare of workforce.

Dr. Satyanarayana Chava, CEO, Laurus Labs received the award from Mr. Chandra Babu Naidu, Honorable Chief Minister of Andhra Pradesh on 1st May 2017, on the event of May – Day celebrations, at A1 Convention Hall, Vijayawada, Andhra Pradesh.



BUSINESS EXCELLENCE AWARD 2017

Laurus Labs Limited receives "HMTV Business Excellence Award 2017"

Mr. V V Ravi Kumar, Executive Director & CFO Laurus Labs received the award from Mr.Venkaiah Naidu, Honourable Minister for Housing and Urban Poverty Alleviation and Information and Broadcasting, Govt of India and Mr.Bandaru Dattatreya, Honourable Minister for Labour, Govt of India, today in a glittering ceremony at Hotel Avasa, Hyderabad.



NATIONAL SAFETY AWARD 2016

Laurus Labs Limited has bagged the National Safety Award 2016. This award being conferred to us (for the 4th consecutive time in a row) is a testimony for developing & implementing effective safety management systems and procedures in the company.

The Award was received by Mr.S.S.Rao, Executive Vice – President, Manufacturing and by Mr.M.Srinivasa Rao, DGM, EHS from Shri. Bandaru Dattatreya, Minister for Labour and Employment, at a ceremony held in New Delhi on 20th April 2017.

Contact us



About Laurus Labs Ltd.

Laurus is a leading research and development driven pharmaceutical company in India. The Company has grown consistently to become one of the leading manufacturers of Active Pharmaceutical Ingredients (APIs) for anti-retroviral (ARV) and Hepatitis C. Laurus also manufactures APIs in Oncology and other therapeutic areas. Its strategic and early investments in R&D and manufacturing infrastructure have enabled it to become one of the leading suppliers of APIs in the ARV therapeutic area. Initiatives are in place to develop a Finished Dosage Forms capabilities on the back of existing strengths in APIs. The Company is also driving growth opportunities in the Synthesis and Ingredients businesses.

Corporate Identification No: L24239AP2005PLC047518

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 **LAURUS Labs**
Knowledge . Innovation . Excellence

Thank You