LAURUS LABS LIMITED

Q1 FY19

RESULTS PRESENTATION

August 03, 2018

BSE: 540222
NSE : LAURUSLABS

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.

Business Snapshot

	LAURUS Generics Active Pharmaceutical Ingredients & Intermediates	LAURUS Generics Finished Dosage Forms	LAURUS Synthesis Contract Development & Manufacturing Services	LAURUS Ingredients Specialty Ingredients for Nutraceutical & Allied Industry
Overview	• Development, manufacture and sale of active pharmaceutical ingredients (APIs) and advanced intermediates	• Developing and manufacturing oral solid formulations	• Contract development and manufacturing services for global pharmaceutical companies	• Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products
Product and Service Offerings	• Anti-retroviral (ARV) • Hepatitis C • Oncology • Large volume APIs for cardio-vascular, antidiabetic, anti-asthmatic, gastroenterology therapeutic areas • Small volume APIs for the ophthalmic therapeutic area	• ARVs • Anti-diabetic • Cardio Vascular • Proton Pump Inhibitors • CNS	• Commercial scale contract manufacturing • Clinical phase supplies • Analytical and research services • Several projects executed	• Nutraceuticals, dietary supplements and cosmoceutical products • Set up a dedicated block in Unit 4 for global partner , C2 Pharma
Filings	• Commercialized 50+ products • 48 DMFs filed	• Filed 13 ANDAs with USFDA • 2 dossier in Canada, 4 dossiers in Europe, 5 dossier with WHO, 2 dossier in South Africa, 2 dossier in India & 26 in ROW. In addition, completed 5 products validations.	• Commenced commercial supplies from Unit 5	• NA
Infrastructure	• 4 Manufacturing facilities, (2,784 KL (1) (2)	• 5 bn Units / year capacity.	• Dedicated manufacturing (Unit – 5) Capacity (125 KL) for Aspen.	• Manufacturing facilities(2)

(1) Includes ingredients products excluding Unit 2 API & Kilo lab capacity

(2) APIs , Ingredients and Synthesis (other than Aspen supplies) are manufacturing at Unit 1,3 ,4 & 6

Significant Investments in Generic FDF Business

- Approval from Global fund under ERP (Expert Review Panel) for DLT and will able participate in WHO and in country tenders (ROW)
- Got product approval for Tenofovir and generated Sales in US, Canada and Africa.
- As on date filed 13 ANDAs and in addition completed 5 validations for formulations.
- Filed our First NDA with USFDA under PEPFAR, for LMIC tenders
- Approvals from USFDA, BGV – Germany, WHO-Geneva and several African countries

- Leverage API production and R&D capabilities to forward integrate into FDF
- Capture significant operating efficiencies by housing both API and FDF facilities in the same location
- Targeting various Triple Combination filings for ARV products in LMICs for tender business
- Product specific filings done in various markets. De-risking the revenue concentration from markets like US.
- FDF Business to be Gross Margin accretive

Rising Pharma INC.
- Entered into a profit and cost sharing partnership for developing and selling a basket of FDFs in the US market.

Dr. Reddy's Laboratories Limited
- Entered into a partnership for development & sale of ARV FDFs for US market on profit and cost sharing basis

NATCO Pharma Limited
- Entered into a profit sharing partnership for development & sale of HEP C products in India and emerging markets.

- Spent INR 274 mn towards FDF product development expenses for Q1 FY19 and INR 2,628 mn cumulatively
- INR 4,180 mn capex invested as on date to set up and expand FDF manufacturing facility
- FDF currently contributed INR 51 million revenue in Q1 FY 19
- Infrastructure in place to support manufacturing with a current capacity of 5 bn units.

Strategy in Motion

ARV & HEP-C

- Significant increase in HIV patient population with revised WHO guidelines
- New opportunities in Second Line therapies
- ARV drugs patent expiry in US & European markets
- Strong opportunity in Hepatitis C in emerging markets

Capitalize on our Leadership Position in APIs in Select, High-Growth Therapeutic Areas . Foray into regulated markets

Oncology & Other APIs

- Leadership in select Oncology API. Launching few more products in FY19 & beyond in regulated markets
- Leverage process chemistry skills to expand API product portfolio in other growing therapeutic areas
- Contract manufacturing of generic APIs

Further expand our API Portfolio in key therapeutic areas such as Oncology, CVS, Anti-Diabetic & Ophthalmology

FDFs

- Leverage API capabilities; capture operating efficiencies through backward integration
- 2 Partnerships in place for commercialization of FDFs in US market.
- Generate revenue from the emerging markets by participating through tenders.
- Setting up our own front end in the US market
- Looking to capitalize in other EMs and developed markets
- Contract manufacturing for European Customers

Leverage API Cost Advantage for Forward Integration into Generic FDF
Therapeutic Focus Areas – ARV, CVS, CNS, PPI & Anti Diabetic

Synthesis

- Focus on supply of key starting materials and intermediates for new chemical entities
- Contract with Aspen for supply of hormonal intermediates
- Completed several projects in various stages from pre clinical to commercial with development & Manufacturing. And many more in pipeline

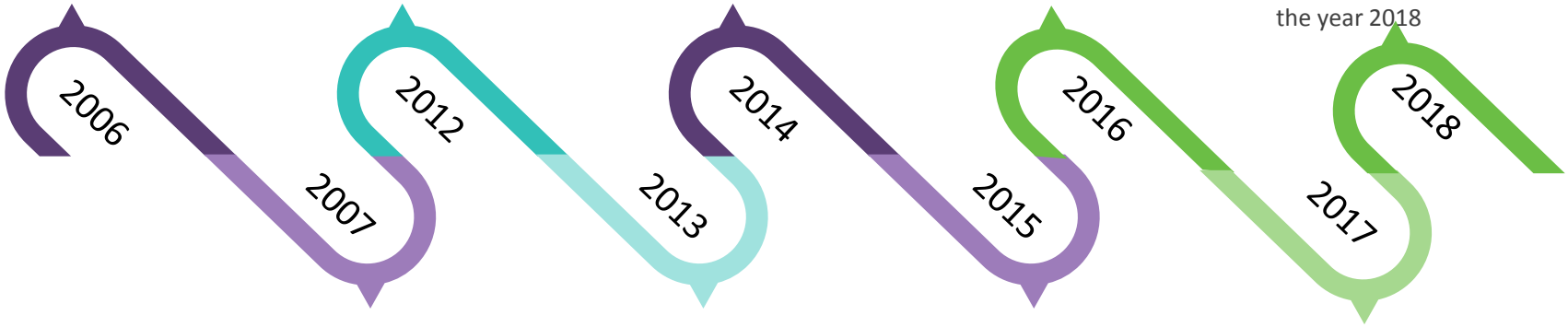
Develop our Synthesis Business through various global Innovators including Aspen

Ingredients

- Leverage process chemistry skills to strengthen presence in nutraceutical and cosmeceutical sectors as they adopt quality standards at par with pharma industry

Expanding from Synthetic process to Natural Extraction

Transformation of Business Model



- Set up the R&D Centre at IKP, Knowledge Park, Hyderabad

- Investment of INR 600 Mn by FIL Capital Management and Promoters.

- Commenced commercial operations at Unit 1

- Incorporated First Subsidiary in USA, Laurus Inc.
- Investment of INR 3000 Mn by Warburg Pincus

- Crossed INR 10 billion of revenues

- Successfully listed on BSE & NSE
- Filed first ANDA for US market
- Acquired 100% stake in Sriam Labs Pvt Ltd.

- Commenced commercial operations at Unit 3,
- Forged partnership with NATCO

- Crossed INR 20 billion of revenue
- Commenced commercial operations from Unit 4
- Incorporated a subsidiary in Germany
- Unit 2-Formulations, inspected by USFDA with Zero 483 observations
- Launched maiden FDF product Tenofovir in USA, Canada and emerging markets.
- Certified as Great Place to Work for the year 2018

- Commenced commercial operations at Unit 2
- Commenced commercial supplies from Unit 5 for Aspen
- Launched Velpatasvir in the HEP - C segment
- Received EIR from USFDA for Units 1,2 & 3
- Incorporated subsidiaries in UK & USA

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 and further expansion completed in 2017.
- R&D team comprising 750 plus scientists (24.0% of total employee strength) including over 47 PhDs
- Kilo Lab at R&D center accredited by international regulators
- Currently setting up new R&D center in Visakhapatnam

Key Accreditations

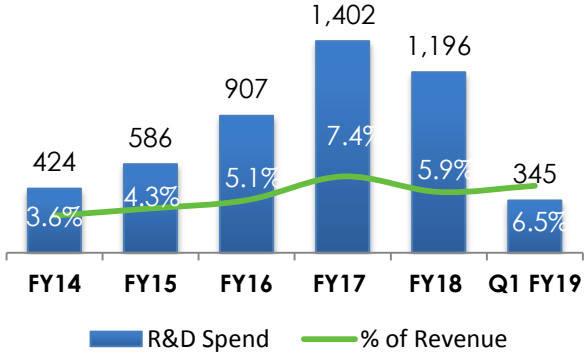
USFDA

FDA S Korea

PMDA Japan

WHO

Increasing R&D Spend (INR mn)



50+	48	227	63	13
Products commercialized since inception	Filed DMFs	Patents filed	Patents granted	ANDAs & NDA /Dossiers filed

- R & D spent includes OPEX, CAPEX and RMC of FDF validation batches
- FY 17 numbers are high due to additional CAPEX and initial FDF validation batches

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.

Laurus' Philosophy

"One Quality Standard for all markets"

Regular Inspection at different manufacturing units

2018	USFDA
2017	WHO, USFDA, EU (Germany)
2016	USFDA
2015	WHO, USFDA, EU (Germany)
2014	WHO, USFDA, CDSCO
2013	WHO
2012	USFDA
2011	KFDA, USFDA, WHO
2010	MHRA
2009	TGA, USFDA

Manufacturing Facilities at Parawada, Vizag

Unit-I

- Located at Jawaharlal Nehru Pharma City, Vishakhapatnam, India.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- Commenced operations in 2007.
- 315 reactors with 1,141 Kilo Liters capacity.
- Received approvals from US FDA, WHO-Geneva, NIP Hungary, KFDA & PMDA.

Unit-III

- Located at Jawaharlal Nehru Pharma City, Vishakhapatnam, India.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- Commenced operations in 2015.
- 192 reactors with 1,314 Kilo Litres capacity.
- Received approvals from USFDA, WHO – Geneva, & NIP – Hungary .

Unit-V

- Located at Jawaharlal Nehru Pharma City, Vishakhapatnam, India. (SEZ)
- A dedicated Hormone and Steroid facility for Aspen
- Commenced operations in 2017.
- 46 reactors with 125 Kilo Litres capacity .

Manufacturing Facilities at Achutapuram, Vizag

Unit-II

- Located at APIIC, Achutapuram, Visakhapatnam, India. (SEZ)
- FDF and API manufacturing facility
- Commenced operations in 2017.
- FDF - capacity of 5 bn tablets per year.
- API block with 12 reactors with 84 Kilo Liters capacity.
- Received approvals from BVG Hamburg Germany, USFDA, WHO – Geneva

Unit-IV

- Located at APIIC, Achutapuram, Visakhapatnam, India. (SEZ)
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- Commercial operations in 2018
- 32 reactors with 85 Kilo Liters capacity.

Unit-VI

- Located at APIIC, Achutapuram, Visakhapatnam, India.
- API manufacturing facility.
- Commercial operations in 2018
- 41 reactors with 244 Kilo Liters capacity.
- Unit acquired through slump sale from Sriam Labs (100% Subsidiary)

Business Highlights – Q1 FY 19

Overall

- Total Income stood at INR 5,390 Mn, grew by 12.7 %.
- R & D spent of INR 345 Mn and 6.5 % as percentage of revenue in Q1 FY19.

Generic API

- Successfully completed Russian GMP Inspection for Unit 1 & 3.
- Filed 227 patent applications and 63 patent granted as on June 30, 2018.
- Lamivudine production capacity is operational.

Synthesis & Ingredients

- Commenced commercial operations from Unit 4 for global partner C2 Pharma.
- Commenced commercial supplies from Unit 5 to Aspen.

Generic FDF

- 5 product validations completed for formulation apart from filling of 13 ANDAs.
- FDF Opex of INR 274 Mn which includes INR 70 Mn related to the R&D during Q1 FY19.
- Formulations Unit 2, inspected by USFDA with Zero 483 observations and EIR received.
- Formulations Unit 2 successfully completed inspections from various countries like Tanzania, Uganda, Kenya, Zimbabwe & Malawi.
- Received Global fund ERP (Expert Review Panel) approval for TLD (Tenofovir, Lamivudine and Dolutegravir) enabling Laurus to participate in WHO and in Country tenders (ROW).

Performance Highlights - Abridged Profit & Loss statement

Particulars (Rs. mn)	Q1 FY18	Q4 FY18	Q1 FY19	Growth % (Q1 FY19 Vs. Q1 FY 18)	Growth % (Q1 FY19 Vs. Q4 FY 18)
Revenue from Operations (Net)	**4,784**	**5,602**	**5,390**	**12.7%**	**-3.8%**
Gross Margin	**2,327**	**2,693**	**2,439**	**4.8%**	**-9.4%**
Margins	*48.6%*	*48.1%*	*45.3%*		
Total Expenditure*	1,851	2,103	2,238		
EBITDA	**1,035**	**1,219**	**825**	**-20.3%**	**-32.3%**
Margins	*21.6%*	*21.8%*	*15.3%*		
PBT	**552**	**641**	**226**	**-59.1%**	**-64.7%**
Margins	*11.5%*	*11.4%*	*4.2%*		
PAT	**389**	**451**	**166**	**-57.3%**	**-63.2%**
Margins	*8.1%*	*8.1%*	*3.1%*		
EPS (Diluted)	**3.7** (Not annualised)	**4.2** (Not annualised)	**1.6** (Not annualised)	**-56.8%**	**-61.9%**

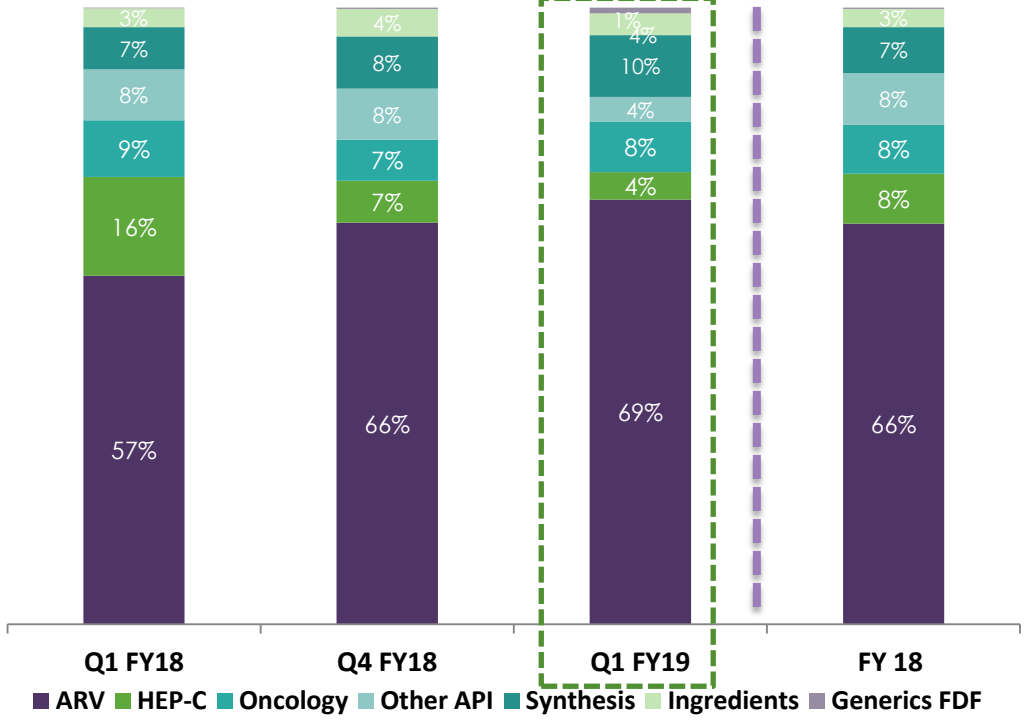
** Total expenditure excluding RMC*

- Hep C revenue down by INR 526 mn for corresponding Qtr and INR 140 mn sequentially due to lower API sales to Natco and third parties.
- Lower sales of CMO APIs and this shortfall arises due to lower demand from Generic CMO opportunity in Q1. However orders are in place for the deliveries in Q 2.
- Major Raw material procurement prices increased significantly due to shortage of intermediates due to environmental issues and closure of manufacturing facilities in China resulted lower Gross margins. This will be mitigated through alternative sourcing/in house manufacturing and working on sales price increases from customers.
- Rupee depreciated by 5.4 % resulted forex loss of INR 54 mn against INR 19 mn gain in Q1 and INR 37 mn gain in Q4 of FY 18
- Additional depreciation on account of capitalization of FDF expansion.

Note: Consolidated financials as per Ind-AS

Drivers of Revenue – Division wise revenue breakup

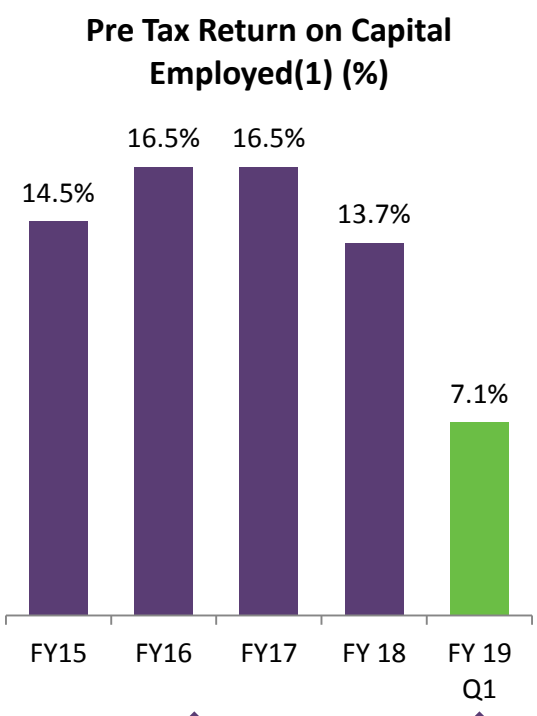
- **Total Revenues** grew by 13% Y-o-Y
- **ARV** Segment registered a healthy growth of over 35% in Q1 FY19 (Y-o-Y) on the back of improved volumes
- **HEP-C** business continues to remain muted. The segment showed a de-growth of INR 140 mn over sequential quarter and 69% de-growth over corresponding quarter last year
- **Oncology** business remained steady and grew by 19% against sequential quarter(Q-o-Q)
- **CMO API** sales revenue slow down due to contract manufacturing requirements deferred by customers.
- **Synthesis** Business continues to report robust revenue growth growing by over 60% in the quarter (Y-o-Y), with increase in revenue from Unit 5 and also with improved contribution from CMO business
- **Ingredients** revenue grew over 25% for the quarter (Y-o-Y)
- **Generic FDF** business improved its contribution in Q1 FY19 through US & emerging markets sales

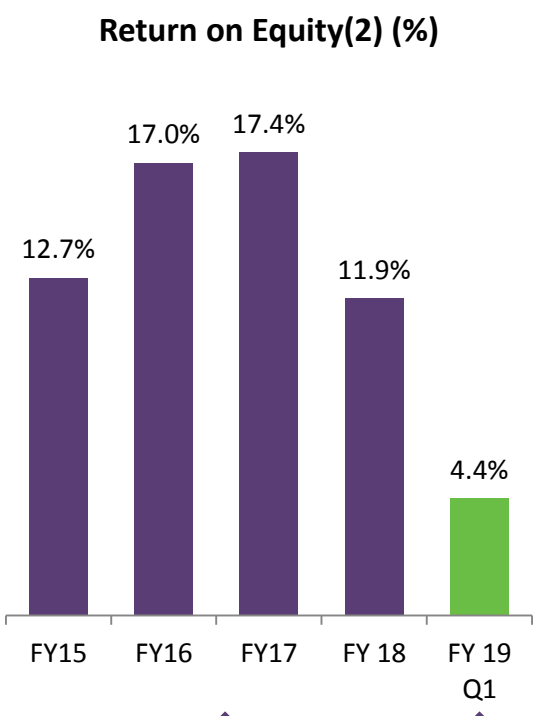


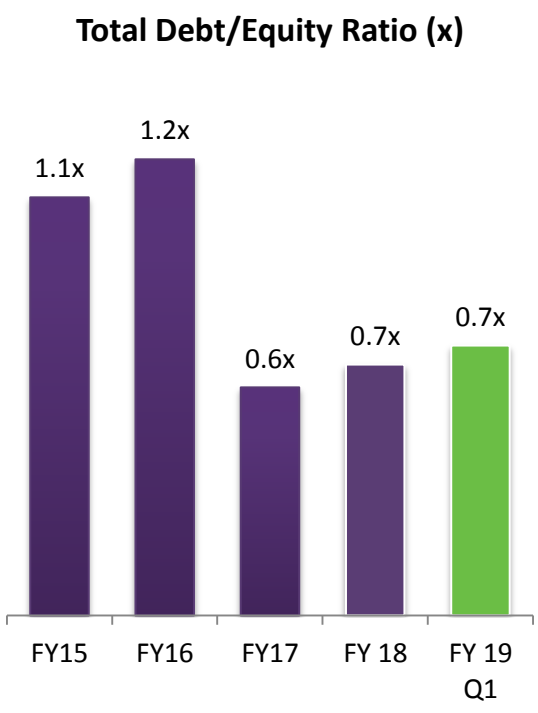
Segments (INR Mn)	Q1 FY18	Q4 FY18	Q1 FY19	Growth (Y-o-Y)	Growth (Q-o-Q)
ARV	2,702	3,649	3,710	37%	2%
HEP-C	767	381	241	-69%	-37%
Oncology	441	371	440	0%	19%
Other API	394	464	217	-45%	-53%
Synthesis	328	473	541	65%	14%
Ingredients	147	250	190	29%	-24%
FDF	5	14	51	919%	272%
Total Revenue	**4,784**	**5,602**	**5,390**	**13%**	**-4%**

Note: Consolidated financials as per Ind-AS

Established Track Record Of Delivering Growth
– Efficient Use of Capital and Prudent Leverage







Significant investments in FDF, Unit 4 and Unit 6.

FY 19 Q1 ratios are calculated based on Q1 annualized.

Note: Based on consolidated financials as per Ind AS

(1) Pre-tax RoCE is calculated as EBIT/Average Capital Employed. Capital employed is defined as Net Worth + Long Term and Short Term Borrowings + Current Portion of Long Term Borrowing - Cash

(2) RoE is calculated as PAT/Average Net Worth

Management Team

Chandrakanth Chereddi
ED & Head, Generics FDF & Strategy

Ravi kumar V V
ED &CFO

G Venkateshwar Reddy
CS and Sr. GM – Legal & Secretarial

Tom Versosky
President FDF North America

Dr. Prafulla Kumar Nandi
SVP, Global Regulatory Affairs (Formulations)

Dr. GSR Anjaneyulu
Exec. VP & Head, Sriam Labs

Dr. Satyanarayana Chava
Founder & CEO

M. Bhaskaraiah
SVP – SCM

C. Krishna Chaitanya
Head, Synthesis & Ingredients

Dr. V Uma Maheswer Rao
Exec. VP & Head, Chemical R&D

Srinivasa Rao S
Exec. VP – Operations

Martyn Peck
SVP – Business Development, Generics - API

Dr. Lakshmana Rao C V
ED & Head, Quality

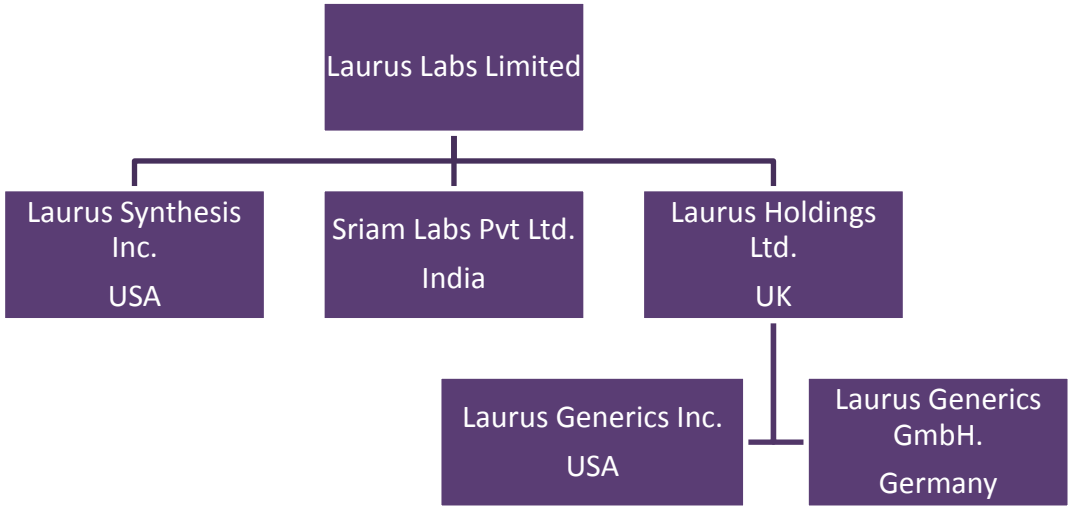
Corporate Governance

Executive Directors	
Name	**Background**
Dr Satyanarayana Chava	▪ Whole-time Director, Founder and Chief Executive Officer
Ravi Kumar V V	▪ Whole-time Director and CFO
Chandrakanth Chereddi	▪ Whole-time Director and Head of Generic FDF and Strategy
Dr Lakshmana Rao C V	▪ Whole-time Director and Head, Quality

Non-Executive Directors	
Name	**Background**
Dr. M. Venu Gopala Rao	▪ Non Executive Chairman and Independent Director
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

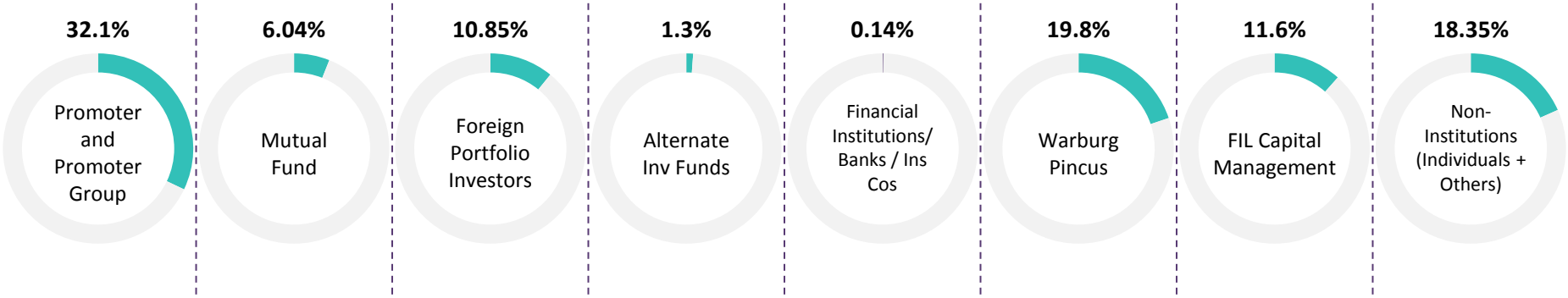
Ownership Structure

Corporate Structure



All are 100% Subsidiaries

Shareholding pattern *



* As of 30th June 2018

Laurus Labs is a Fortune 500 Company, Great Place To Work and one of the India's Best Workplace in 2018

Laurus Labs is listed in the Fortune 500 Companies List in India

Laurus Labs is certified as "Great Place to Work" for the year 2018.

GREAT PLACE TO WORK®
CERTIFIED
JAN 2018 - DEC 2018
INDIA

Laurus Labs is recognized as one of the Best Work Places in Biotechnology, Pharmaceuticals & Health Care sector for the year 2018

India's Best Companies To Work For 2018
A STUDY BY THE ECONOMIC TIMES | Great Place To Work.

Laurus Labs Manufacturing Units Bags Good Green Governance Award

Laurus Labs bags the prestigious 18th Annual "**Greentech Environment Award 2018"** in Pharmaceutical Sector.

Mr. Suryadevara Srinivasa Rao, Vice President, Manufacturing, accompanied by and Mr. M. Srinivasa Rao, Deputy General Manager-EHS received the award from Shri. Parimal Suklabaidya, Minister for Environment & Forest, Assam, accompanied by Shri Rajesh Ratan, Member of Parliament, in the Sustainability Conference on 01st June 2018 at Guwahati.

Greentech Environment Awards are annual awards issued by Greentech Foundation, New Delhi for outstanding performance in Environmental Management.

Results Conference Call

Results conference call on Saturday August 04, 2018 at 11:00 AM IST

Details of the conference call are as follows:

Timing	11:00 AM IST on Saturday, August 04, 2018
Conference dial-in Primary number	+91 22 6280 1214
India Local access Number	+91 22 7115 8115 Available all over India
Singapore Toll Free	8001012045
Hong Kong Toll Free	800964448
USA Toll Free	18667462133
UK Toll Free	08081011573

Contact us

About Laurus Labs Ltd.

Laurus Labs 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. Laurus Labs also forayed into Finished Dosages 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.**

*For more information about us, please visit **www.lauruslabs.com** or contact:*

Monish Shah
Tel: +91 040 3980 4366
Email: investorrelations@lauruslabs.com

Pavan Kumar N
Tel: +91 040 3980 4380
Email: mediarelations@lauruslabs.com

Thank You