NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Investor Presentation Q4FY19

BSE CODE : 524558 | NSE SYMBOL : NEULANDLAB | BLOOMBERG: NLL:IN | REUTERS: NEUL.NS

Safe Harbour

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Business Overview

Company Overview

Legacy

35+ years in pharma with robust quality systems, regulatory and compliance framework

Generic Drugs Substance(GDS) & Custom Manufacturing Solutions(CMS)

Scale

3 regulatory approved manufacturing facilities with 731 KL capacity

US FDA approved R&D center with best in class infrastructure

Capability

Portfolio of 75+ products across 10 therapeutic categories

675+ filings with regulators

1000+ employees including ~200 scientists

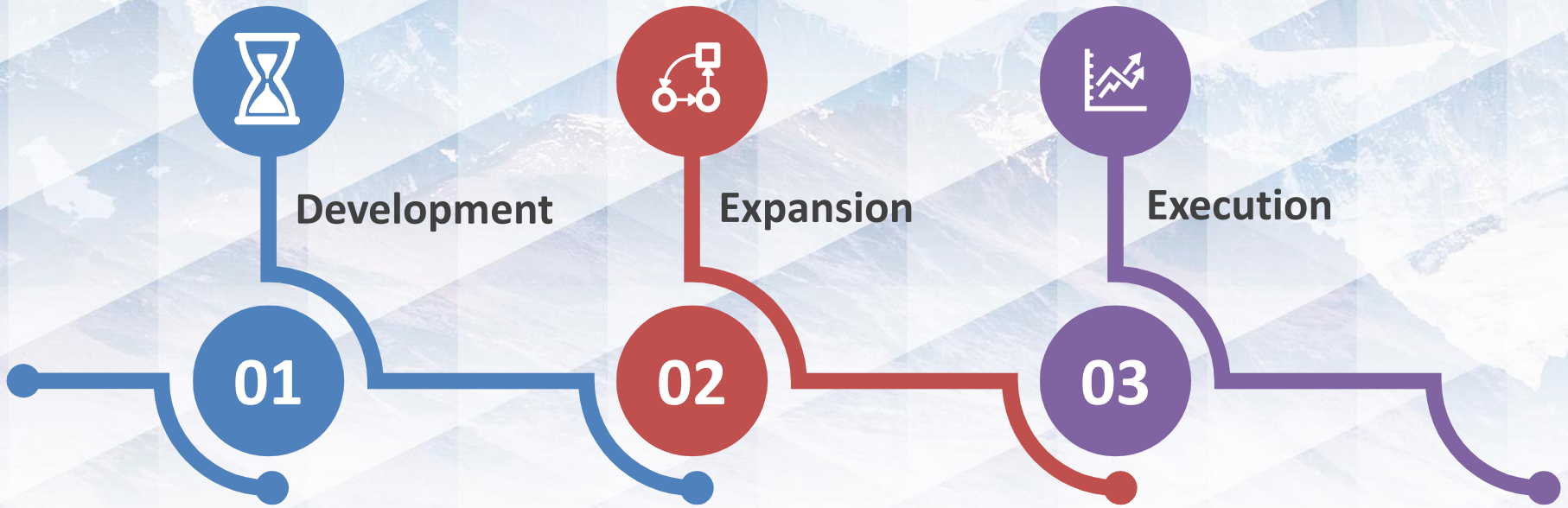
Reach

80+ countries of presence

75% of revenues through exports

93% of revenues through regulated markets

Our Journey



1984-2003	2004-2012	2013-Today
▪ Incorporation in 1984 and IPO in 1994 ▪ Sale of first API in 1986 ▪ First USFDA audit in 1997- one of the few Indian companies of our size to get audited by FDA ▪ Long term customer relationships	▪ Investments in capacity expansion ▪ Initiation of R&D activity at group level ▪ Foray into Japan and US by way of local presence through subsidiaries ▪ Entry into peptides business	▪ **Strategic alignment of business towards niche APIs and Custom manufacturing solutions** ▪ **Cleared 10th USFDA audit without failure** ▪ **Focus on profitable growth with 100% API commitment and robust compliance framework**

Business Verticals

Work executed exclusively for the customers on products at various phases of their life-cycle(2)

Mature APIs, typically with high competition in the API space

Prime APIs and Specialty APIs collectively form **Generic Drugs Substance (GDS)** for Neuland

APIs with complex processes and niche presence

(1)The classification of products as Less-differentiated/Niche is based on Neuland's understanding of the product and market. The classification of a product is liable to change based on changing market dynamics
(2) CMS Business originates in Neuland Pharma Research Private Limited(NPRPL), however Neuland Laboratories Limited(NLL) is the exclusive manufacturer for NPRPL

Generic Drug Substance(GDS)

Prime APIs

Capability	Business Approach	Strategy Forward
▪ 3 US FDA and EU GMP compliant manufacturing facilities ▪ Collective capacity: ~731KL	▪ Work on molecules either with a business leadership approach or partnership with client on COGS ▪ Ensure uninterrupted supply with quality commitment	▪ Maintain leadership position in key molecule ▪ Work on process optimization to improve yields, productivity and thus margins

Speciality APIs

Capability	Business Approach	Strategy Forward
▪ High end complex chemistry capabilities ▪ Backend support by research and development department ▪ Experience of hurdle free scale up	▪ Work with leading companies and help them to meet their technical requirements while being competitive	▪ Focus on niche APIs with complex chemistry ▪ File 2-4 products each year for commercial scale up ▪ File IP for non infringing processes

Robust manufacturing base placed on the foundation of quality and pureplay API commitment

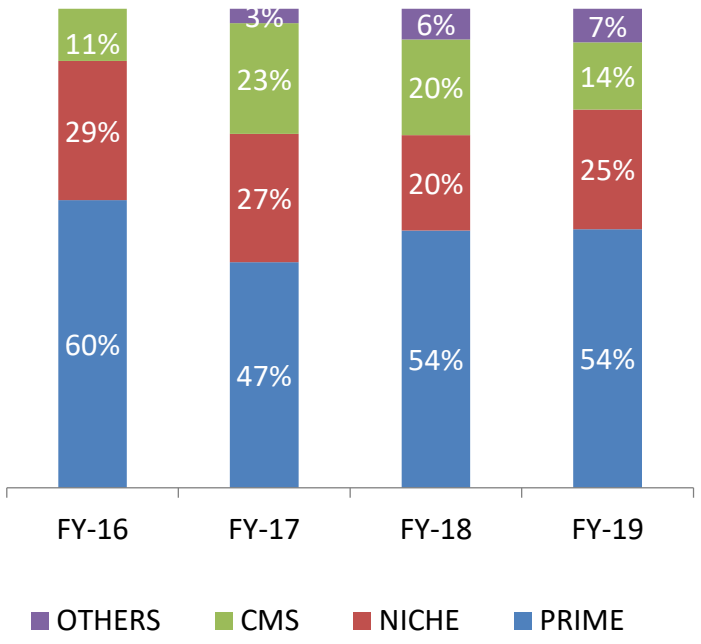
Custom Manufacturing Solutions(CMS)

Services	Business Approach	Strategy Forward
▪ Manufacturing API to customer specifications ▪ Designing and developing manufacturing processes ▪ Process optimization for competitiveness ▪ Filing of DMF/CMC for the API ▪ Patent protection for processes	▪ Local presence in US and Japan with technical as well as commercial employees ▪ Consultative approach on customer relationships ▪ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction	▪ Add depth in technical capabilities ▪ Investment in QBD labs, process engineering and foray into new areas of customer solutions ▪ Work effectively on customer relationships and leverage on portfolio expansion ▪ Targeting molecules in the later stages of the clinical cycle

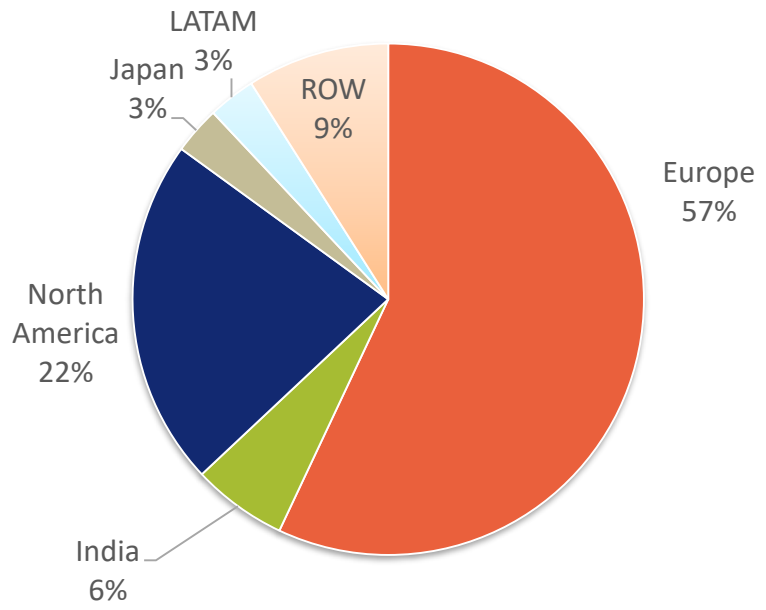
Create a sustainable CMS business that is driven by technology and strong customer relationships

Business Mix

Revenue by Verticals



Revenue by end territory



Capabilities

Neuland Manufacturing Facilities

Unit	U1, Bonthapally, Hyderabad 222.5 KL	U2, Pashamylaram, Hyderabad 310.2 KL	U3, Gaddapotharam, Hyderabad 197 KL
Year of establishment	1986	1994	2017*
Employee strength	399	321	140
Key products	Mirtazapine, Sotalol Hcl, Levetiracetam, Levofloxacin, Salmeterol, Salbutamol, NCE APIs, Peptide APIs, Vitamin D2 analogues	Ciprofloxacin Hcl, Entacapone, NCE APIs, Intermediates & RSMs	Products including Key Intermediates
Regulatory	USFDA, EDQM, CFDA, PMDA, et. al	USFDA, EDQM, PMDA, ANVISA, et. al	Inspected by USFDA in 2015

Adding capacities for backward integration and new business

One state of art R&D centre

R&D Facility, Hyderabad

Location	Bonthapally
Area	3382.5 sq mts
Year of Establishment	2008
Expertise	~200 experienced, qualified scientists (>30 PhDs and multiple Post-graduates) 4 PhDs and 11 M.Scs for the Peptides Lab

Infrastructure

- 11 Development Labs
- 60 Fume hoods
- Analytical Lab
- Kilo Lab dedicated for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

Significant R&D Achievements:

- Several NCE APIs added in NDA or commercial stage drugs
- Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates
- Generic API business:
  - 600+ DMFs filed
  - 300+ API processes developed
  - 50+ patents filed. Recently received USPTO patent for improved process synthesis of Paliperidone Palmitate

Leveraging on Manufacturing and R&D base to create a synergistic business

Compliance Framework

Quality Control

- Quality Control facilitated with Wet Chemistry, Instrumentation & Microbiology Laboratories
- Equipped with sophisticated instruments like HPLCs, GCs, FTIR, UV & Particle Size Analyzer
- About 50+ chemists perform activities around the clock in 3 shift operations
- Stability studies as per ICH guidelines

EHS

- Hazard and EHS Impact studies regularly conducted
- 24X7 occupational health center with ambulance facility
- Effluent treatment plant with RO system and solids waste

Impeccable track record with robust quality and EHS framework

Regulatory Filings

52*

DMFs with USFDA

28

Filings with Health Canada

10

Japanese DMF filed

16

China DMF filed

16

filings with KFDA Korea

8

IDLs filed

156

ROW filings including Turkey, Mexico, Brazil etc

~433

EUDMF filings across Germany, France, Poland, Italy etc

20

CEPs Received for different products

740+

Filings till date

*56 US DMFs have been filed of which 4 have been withdrawn.

Financials

Standalone Financial Performance

Standalone Q4FY19 (Y/Y)

- Total Revenue was Rs. 1,740.0 mn for Q4 FY19 as compared to Rs. 1,605.2 mn for Q4 FY18, reflecting an increase of 8.4%
- EBITDA stood at Rs. 197.3 mn as compared to Rs. 190.8 mn
- EBITDA Margin at 11.3% for Q4FY19 as against 11.9%
- Net profit stood at Rs. 67.3 mn for Q4FY19 as compared to Rs. 80.5 mn
- Basic EPS stood at Rs. 5.25 as against Rs. 7.22

Standalone Q4FY19 (Q/Q)

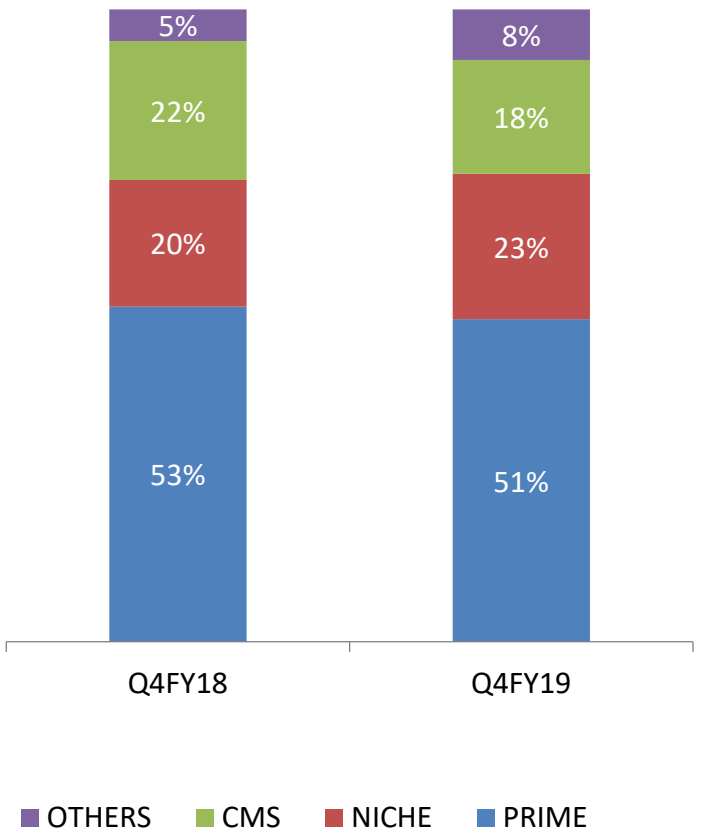
- Total Revenue was Rs. 1,740.0 mn as compared to Rs. 1,718.7 mn for Q3 FY19
- EBITDA stood at Rs. 197.3 mn as compared to Rs. 162.5 mn
- EBITDA Margin at 11.3% for Q4FY19 as against 9.5%
- Net profit stood at Rs. 67.6 mn for Q4 FY19 as compared to Rs. 46.0 mn
- Basic EPS stood at Rs. 5.25 as against Rs. 3.59

Standalone FY19 (Y/Y)

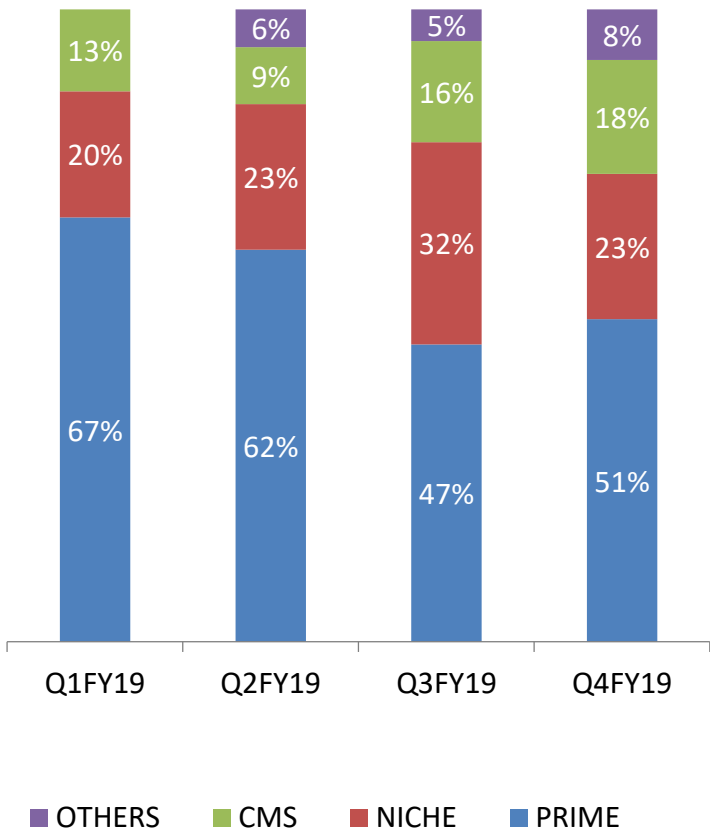
- Total income was Rs. 6,703.2 mn as compared to Rs. 5,337.0 mn, an increase of 25.6%
- EBITDA stood at Rs. 613.6 mn as compared to Rs. 545.7 mn, up by 12.4%
- EBITDA Margin at 9.2% for FY19 as against 10.2%
- Net profit stood at Rs. 161.4 mn for FY19 as compared to Rs. 118.1 mn, an increase of 36.7%
- Basic EPS stood at Rs. 12.83 as against Rs. 10.59, an increase of 21.2%

Key Operating Metric

YoY Analysis

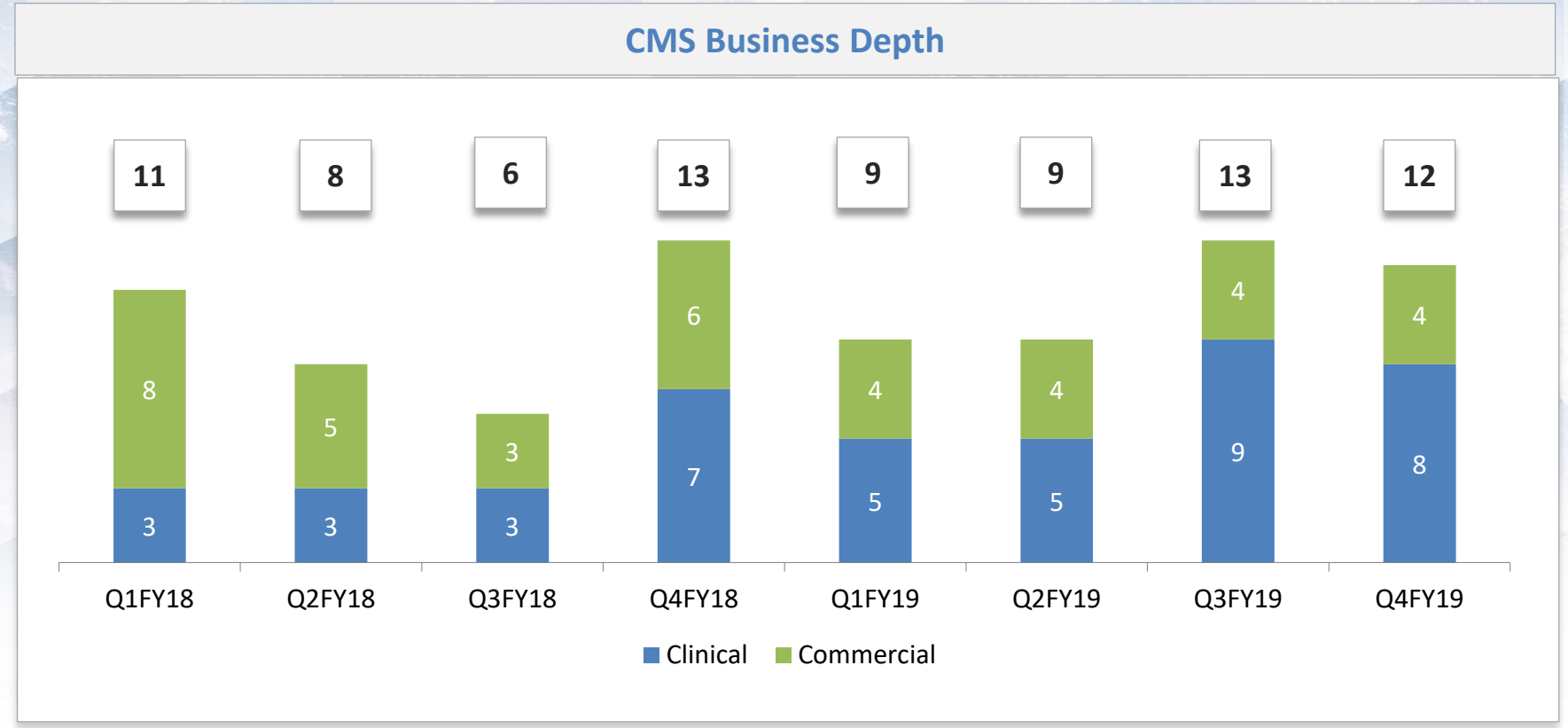


Quarter on Quarter Movement



Key Operating Metric

CMS Business Depth



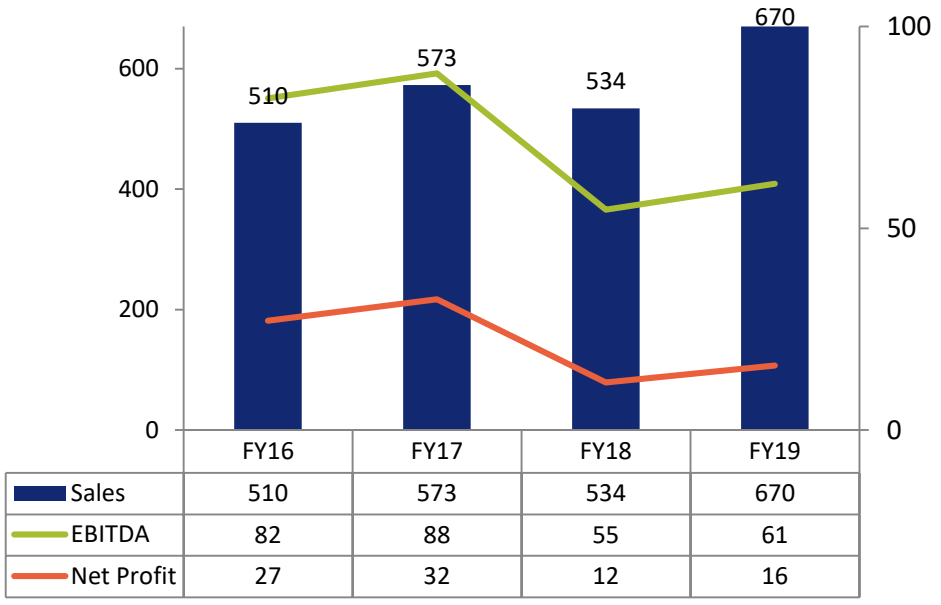
*- Quantities taken for validation and launch are considered as Commercial

No of CMS active projects increasing

Q4 FY19	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	10	4	2	4	5	5	30
Intermediate	0	2	0	6	8	10	26
Grand Total	10	6	2	10	13	15	56
Q3 FY19	**Pre-Clinical**	**P-1**	**P-2**	**P-3**	**Development**	**Commercial**	**Grand Total**
API	9	4	2	4	5	5	29
Intermediate	0	2	0	6	7	10	25
Grand Total	9	6	2	10	12	15	54
Q4 FY18	**Pre-Clinical**	**P-1**	**P-2**	**P-3**	**Development**	**Commercial**	**Grand Total**
API	7	2	3	4	5	5	26
Intermediate	1	1		7		5	14
Grand Total	8	3	3	11	5	10	40

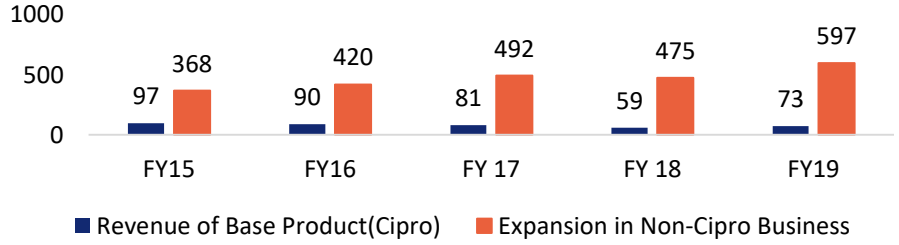
Historical Financials

Financial Performance (INR Cr)

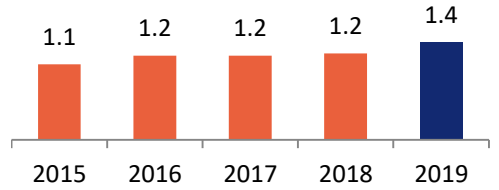


	FY16	FY17	FY18	FY19
Sales	510	573	534	670
EBITDA	82	88	55	61
Net Profit	27	32	12	16

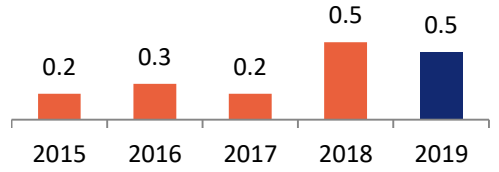
Revenue Growth



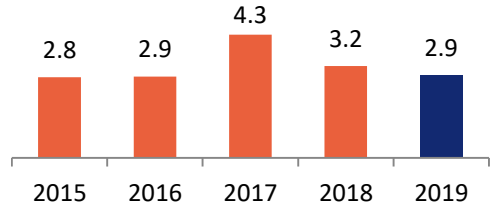
Current Ratio (x)



Debt to Equity (x)



Fixed Asset Turnover (x)



Future Strategy

Growth Strategy for Business

Business

Extend capabilities to organically build a sustainable GDS and CMS business

Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio

Quality

Develop techniques like QBD to stay ahead of the curve & set precedents for “no quality compromise”

Scale

Invest into capacity to augment sales and accelerate business growth

Relationships

Leverage on Long – standing relationships with leading generic and innovator companies

Financials

Re-aligning revenue portfolio for a profitable growth

Create an organization that results in value for all stakeholders

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Thank you for viewing this presentation.

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