



**Neuland H1FY17 income at ₹2,993.5 mn, up 19%, PAT at ₹201.0 mn up by 49%**

## **Board of Directors approves draft scheme of arrangement on business restructuring**

Hyderabad, India, November 4, 2016 - Neuland Laboratories Limited(NLL) (NSE: NEULANDLAB; BSE-Scrip Code:524558), a pharmaceutical manufacturer providing active pharmaceutical ingredients (APIs), complex intermediates and custom manufacturing solutions services to customers located in around 80 countries, today announced financial results for the second quarter(Q2FY17) and half year ended(H1FY17) ended September 30<sup>th</sup>, 2016. The Board of Directors of the Company also approved draft Scheme of Amalgamation and Arrangement between Neuland Laboratories Limited, Neuland Health Sciences Private Limited(NHSPL) and Neuland Pharma Research Private Limited(NPRPL), subject to all necessary approvals.

### **Financial Highlights**

#### **Standalone H1FY17 (Y/Y%)**

- Total Operating income was ₹2,993.5 mn for H1FY17 as compared to ₹2,519.0 mn in the H1FY16, an increase of 19%
- EBITDA stood at ₹502.1 mn as compared to ₹411.3 mn during the same period in the previous year(H1FY16), up by 22%
- EBITDA Margin at 16.8% for H1FY17 as against 16.3% in H1FY16
- Net profit stood at ₹201.0 mn for H1FY17 as compared to ₹135.0 mn in H1FY16, an increase of 49%
- Basic EPS stood at ₹22.6 as against ₹15.2 in H1FY16, an increase of 49%

#### **Standalone Q2FY17 (Y/Y%)**

- Total Operating income was ₹1,495.9 mn for Q2FY17 as compared to ₹1,281.8 mn in the corresponding period of the previous year reflecting an increase of 17%
- EBITDA stood at ₹251.6 mn as compared to ₹195.0 mn during the corresponding period of previous year, an increase of 29%
- EBITDA Margin at 16.8% for Q2FY17 as against 15.2% in Q2FY16
- Net profit stood at ₹103.9 mn for Q2FY17 as compared to ₹62.0 mn in the corresponding period of the previous year, an increase of 67%
- Basic EPS stood at ₹11.7 as against ₹7.0 in the corresponding quarter of last fiscal

**Commenting on the performance Mr. Sucheth Davuluri, Vice-Chairman and CEO of the Company said** *“We are pleased to announce good set of numbers in Q2FY17 following the trajectory that we set for ourselves in the last couple of quarters. The business shaped up well during this quarter and we also had success across each of our business verticals leading to better profitability and margins. We remain cautiously optimistic of the business going ahead.”*

In addition, **Mr. Saharsh Davuluri, Joint Managing Director, Neuland Labs added** *“We are also happy to announce that the Board of Directors of NLL along with its holding company(NHSPL) and research entity(NPRPL) have approved a draft scheme of amalgamation among the three entities. We believe the transaction would help us create a stronger and more sustainable entity that not only reduces some redundant costs, but also unlocks value by way of consolidation of businesses, optimization of operations and improved overall capabilities. We certainly feel that the transaction will be value accretive and in the best interest of our shareholders”*

## Business Performance

### Operational Highlights

- Strong pick up in Brinzolamide as the molecule gets launched in the US
- Launch quantities initiated for Voriconazole in Europe
- Ramp up in CMS business as we achieve significant progress across key projects

### Business Saliency

- The total operating revenues for the Q2FY17 account for 53% (53% for Q2FY16 and 47% for Q1FY17) from prime products, 29% (29% for Q1FY17 and 25% for Q2FY16) from niche APIs and the remaining 19% (22% for Q2FY16 and 23% from Q1FY17) from CMS business.
- From a project perspective, the Company derived CMS revenues from 8 projects (10 in Q1FY17 and 5 in Q2FY16) of which 5 are in commercial stage and remaining 3 being in the clinical stage

### Corporate Action

The Board of Directors of the Company at their meeting held on **August 27, 2016** in-principle approved a proposal to merge Neuland Health Sciences Private Limited (NHSPL) and Neuland Pharma Research Private Limited (NPRPL) with Neuland Laboratories Limited (the Company / NLL) subject to all necessary approvals.

The Board of Directors of all the three companies today announced that they have approved the draft Scheme of Amalgamation and Arrangement among the three entities.

### Proposed Transaction

- Consolidation of NHSPL, NPRPL and NLL into a single company by amalgamating NHSPL, NPRPL into NLL through a Scheme of Amalgamation and Arrangement between NLL, NHSPL and NPRPL and the respective shareholders and creditors.
- The transaction is subject to various approvals including shareholders and creditors, SEBI, Stock Exchanges on which the Company's shares are listed and the High Court of Judicature of Andhra Pradesh & Telangana / National Companies Law Tribunal. The appointed date of the Scheme is April 1, 2016.
- **Scheme to involve share exchange :**
  - Without giving effect of the proposed Scheme:
    - (a) 552 (Five hundred and fifty only) equity shares of NLL of Rs.10/- each fully paid-up for every 100 (One Hundred Only) equity shares of NHSPL of Rs.100/- each fully paid-up based on the Existing Share Capital of NHSPL of Rs.12.43 crores consisting of 12,42,952 equity shares of face value of Rs.100/- each fully paid up;
    - (b) 410 (Four hundred and ten only) equity shares of NLL of Rs.10/- each fully paid-up for every 100 (One Hundred Only) equity shares of NPRPL of Rs.10/- each fully paid-up.
  - After giving effect of the proposed Scheme:
    - (a) 552 (Five hundred and fifty only) equity shares of NLL of Rs.10/- each fully paid-up for every 1000 (One Thousand Only) equity shares of NHSPL of Rs.10/- each fully paid-up based on the subdivision of Share Capital of NHSPL (as envisaged in the Scheme) of Rs.12.43 crores consisting of 1,24,29,520 equity shares of face value of Rs.10/- each fully paid up.
    - (b) 410 (Four hundred and ten only) equity shares of NLL of Rs.10/- each fully paid-up for every 100 (One Hundred Only) equity shares of NPRPL of Rs.10/- each fully paid-up.
  - NHSPL holds shares in its subsidiaries, NLL and NPRPL, and the intercompany shareholding will be cancelled and new shares of NLL will be allotted to shareholders of NHSPL and balance shareholders of NPRPL as on the Record Date.

## Rationale of the Transaction

- The amalgamation will build a stronger and sustainable business and enhance the potential for future growth and the Scheme of Amalgamation would be beneficial and in the best interests of all stakeholders including shareholders, creditors, customers, suppliers, employees amongst others
- Consolidation of intellectual property, R&D capabilities and physical infrastructure into one combined entity including an opportunity to avail additional tax benefits for in house R&D
- Cost savings from utilizing the combined facilities of all the three entities with more focus on operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, elimination of intercompany transactions costs, usage of common resource pool like human resource, administration, accounts, legal and other related functions
- Operational convenience in terms of execution of contracts and provision of related services
- Improved relationship with customers, as the combined post amalgamation entity would become an end-to-end API solution provider

## Q2FY17 Earnings Call

The company will conduct a one hour Earnings call at **09:30 AM IST on Monday, November 7<sup>th</sup>, 2016** where the management will discuss the company's performance and answer questions from participants. To participate in this conference call, please dial the numbers provided below ten minutes ahead of the scheduled start time. The dial-in number for this call is **+91 22 3960 0644/91 22 6746 4144**. Other numbers are listed in the conference call invite which is posted on our website. Please note that the transcript of the conference call will be uploaded on the company website in due course.

## About Neuland Laboratories Limited

For 32+ years, Neuland Labs has been at the forefront of manufacturing APIs through its cGMP manufacturing facilities, working with customers in around 80 countries. Neuland Labs has developed more than 300 processes and 75 APIs, and it has filed around 48 U.S. drug master files (DMFs) and a total of around 400 DMFs in the European Union (EU) and other countries. Its manufacturing facilities are inspected and approved by the U.S. FDA and other leading regulatory agencies. Its record of quality manufacturing and reliability is highlighted by cGMP certifications that include the U.S. FDA, TGA (Australia), EDQM (EU), German Health Authority, Anvisa (Brazil), EMA (EU), Cofepris (Mexico), KFDA (Korea), PMDA (Japan), ISO 9001, ISO14001, OHSAS18001 and ISO 27001. For more information, visit [www.NeulandLabs.com](http://www.NeulandLabs.com).

**If you have any questions or require further information, please feel free to contact**

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