



Investor Presentation

Q1FY17

BSE CODE : 524558 | NSE SYMBOL : NEULANLAB | 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.

Company Information

Company Overview



32+

Years of
excellence



75+

Products
developed



85

Mn USD
Revenue for FY
16



80+

Countries of
business



400+

Regulatory Filings

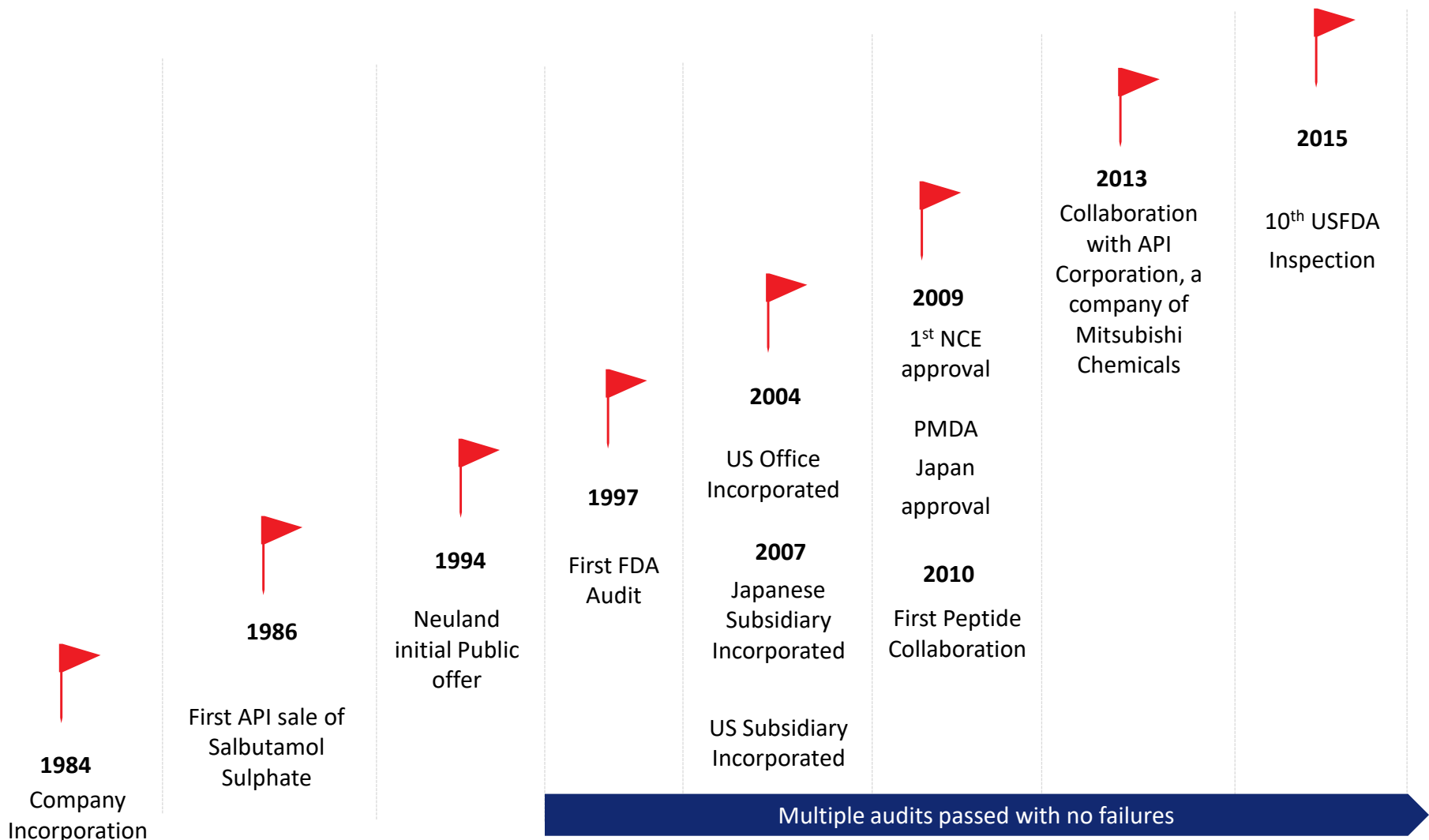


1000+

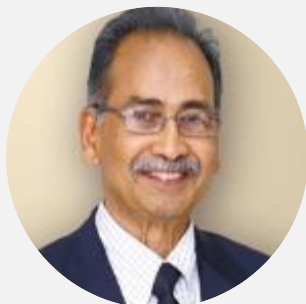
Experienced
professionals
including
scientists

- Headquartered in Hyderabad, India with two overseas subsidiaries in USA and Japan
- Two Business verticals : APIs and Custom Manufacturing Solutions(CMS)
- Two manufacturing facilities with collective capacity of 480 KL
- One ~3400sqm Research and development center with 180+ scientists and 60 hoods, as part of Neuland Pharma Research Pvt. Limited, an affiliate of Neuland Laboratories Limited
- Presence in 10 diverse therapeutic categories including cardiovascular ,central nervous systems , anti-infectives, anti-asthmatics , anti-fungal , anti-ulcerants and anti-spasmodic
- Over 75% in revenues(FY16) by exports and regulated markets contributing bulk of it

Our Growth Story



Board and Key Management



Dr. D. R. Rao
**Chairman and Managing
Director**

- M.Sc. from Andhra University, Post Graduate Diploma in Technology – IIT Kharagpur
- Ph.D. in Organic Chemistry -University of Notre Dame, U.S.A.
- Has held senior positions in R & D, production and quality assurance at Glaxo India
- Member of Royal Society of Chemistry



D Sucheth Rao
**Vice Chairman and
CEO**

- Mechanical Engineer
- MBA in Corporate Finance - University of Notre Dame, U.S.A.
- Earlier Production Group Leader in Cummins Inc. U.S.A.



D Saharsh Rao
Joint Managing Director

- Engineering Graduate
- Masters in MIS - Weatherhead School of Management, Cleveland, OH, U.S.A.
- MBA - University of North Carolina, U.S.A.

Board and Key Management

Managing Director and Executive Vice-Chairman at Glaxo India
Ex-President of Organization of Pharmaceutical Production of India

Humayun Dhanrajgir
Independent Director



Dr. Christopher M.
Cimarusti
Non-Executive Director

Ph.D. in Organic Chemistry - Purdue University, U.S.A.
Post Doctoral Research - Columbia University, U.S.A.
Former Sr. Vice President, Pharmaceutical Development - Bristol-Myers Squibb

Professor of International Management, Fuqua School of Business,
Duke University, Durham, NC, USA. On the editorial board of
several management journals.

Dr. Will Mitchel
Independent Director



P V Maiya
Independent Director

Helped set up ICICI Bank and retired as its Chairman & CEO
Managing Director at Central Depository Services (India) Limited

Board and Key Management

Deputy Managing Director of SBI. Presently on the Boards of various companies, including SBI Capital Markets Ltd., SBI Global Factors Ltd., Tata Teleservices Ltd., Delphi-TVS Diesel Systems Ltd. and Vijaya Bank.

Bharati Rao
Independent Director

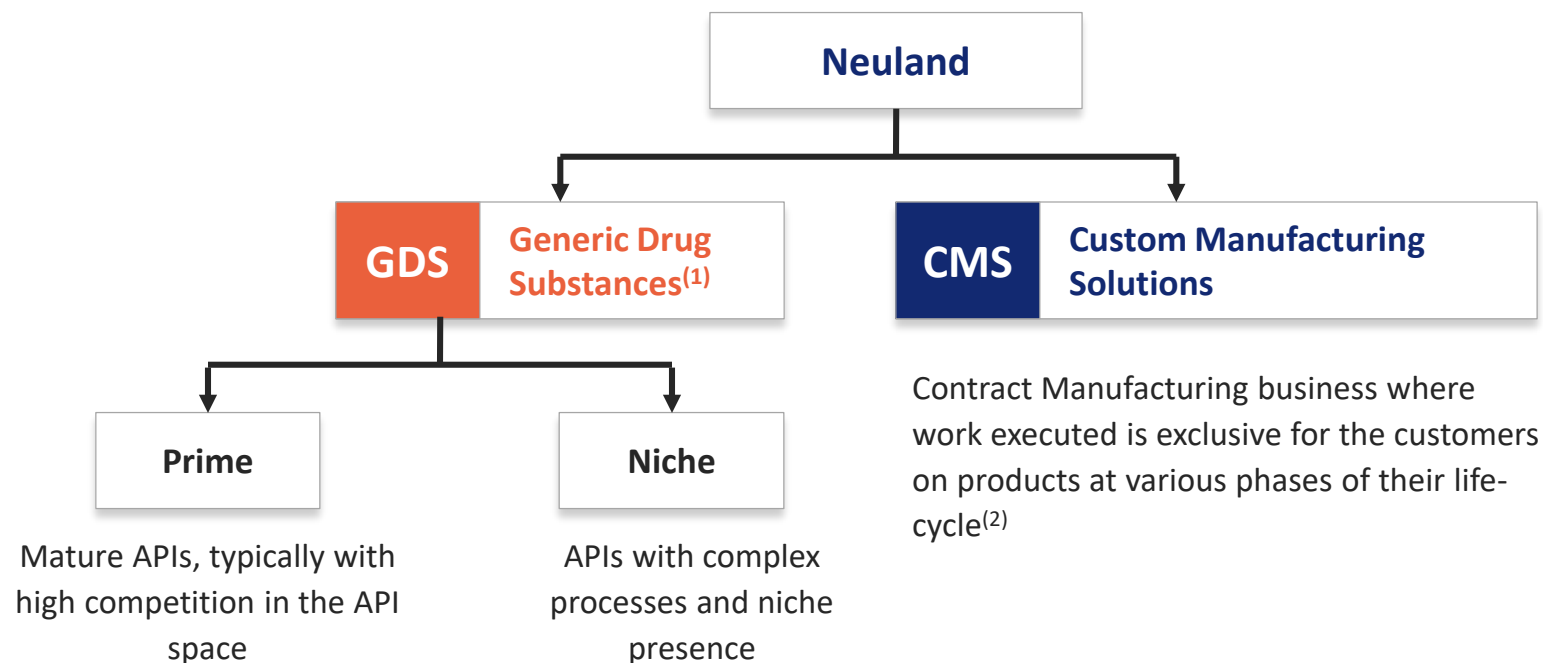


Dr. Nirmala Murthy
Independent Director

Masters degree in statistics from Bombay University and a doctorate from the Harvard School of Public Health, Boston, USA
Founder President of the Foundation for Research in Health System, a non-government research organization



Business Saliency

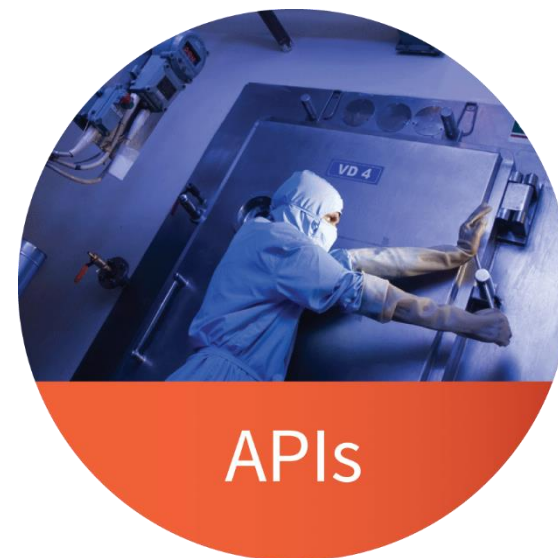


(1)The classification of products as Less-differentiated/Niche is based on Neuland's understanding of the product and market. The classification of a product is liable to change based on changing market dynamics

(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)

- Preferred and reliable source of Active Pharmaceutical Ingredients (APIs) manufacturing, marketing and supply for several leading pharmaceutical companies worldwide
- **Features:**
 - 2 US FDA and EU GMP compliant manufacturing facilities
 - Collective capacity: 480KL
 - 75 APIs across 10 diverse therapeutic areas
 - Worldwide customer base in 80+ Countries
- **Process Investigation Department (PID)** majorly helps our customers to meet their price pressures by way of cutting their total cost of ownership in developing an API thereby achieving excellence in Process development



Custom Manufacturing Solutions



Our CMS business derives from its proven expertise in manufacturing at varied scales, a deep understanding of complex chemistry and manufacturing facilities compliant with the guidelines of the leading regulatory authorities and EHS.

Services

- 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

Manufacturing Base

Bonthapally, Hyderabad



Pashamylaram, Hyderabad



Establishment

- Started operations in 1986

- Started operations in 1994

Size and capacity

- Built up area of 45,325 sq mtr.
- Plant capacity : 175.47 KL

- Built up area of 36,800 sq mtr.
- Plant capacity : 300.10 KL

Key Products

- Ramipril
- Mirtazapine
- Enalapril maleate
- Sotalol Hcl
- Levetiracetam
- Levofloxacin
- Olanzapine
- Salmeterol
- Salbutamol
- NCE APIs
- Peptide APIs
- Vitamin D2 analogues

- Ciprofloxacin Hcl
- Entacapone
- Prostaglandins
- NCE APIs
- Intermediates & RSMs

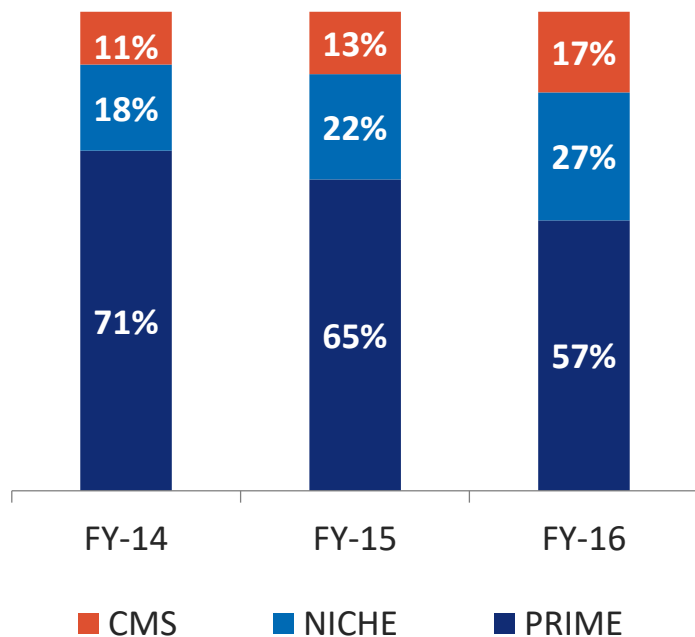
Other Operational Details

- Employee strength: 401
- US FDA, EDQM & PMDA approved plant

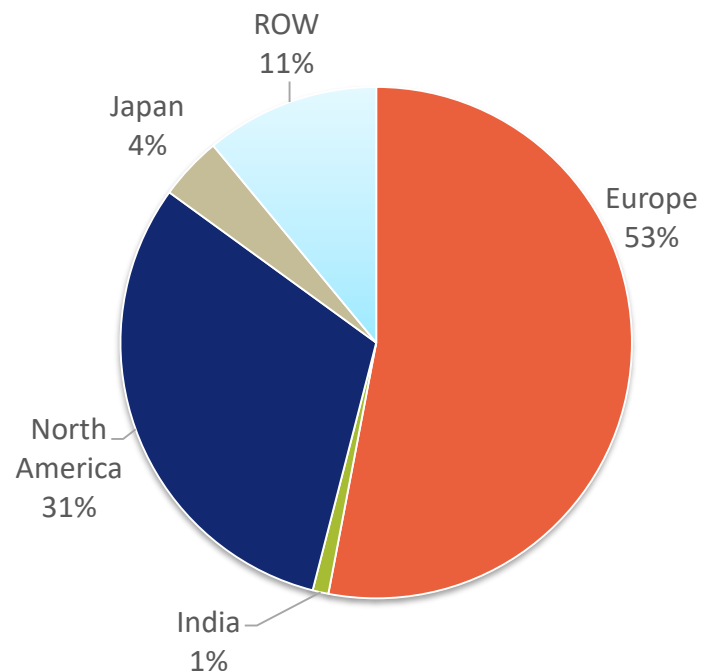
- Employee strength: 335
- US FDA & PMDA approved plant

Business Mix

Revenue by Verticals



Revenue by end territory



R&D Infrastructure

R&D Facility, Hyderabad*



Establishment	<ul style="list-style-type: none"> Started operations in 2008
Size and capacity	<ul style="list-style-type: none"> Built up area of 3382.5 sq mtr.
Key Products/Activities	<ul style="list-style-type: none"> Process Investigation New Products Development Peptides Contract Research and Manufacturing Services
Other Operational Details	<ul style="list-style-type: none"> Employee strength: 202 11 Development Labs 60 Fume hoods

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:

- Added several NCE APIs in NDA or commercial stage drugs
- Supported for several APIs each year in Phase 2 and Phase 3 clinical candidates
- 600+ DMFs filed as part of generic API business
- 300+ Processes developed for API
- 50+ Patents filed
- APIs spread across 10 diverse Therapeutic Segments

*Facility belongs to NPRPL, an affiliate of Neuland Laboratories Ltd.

Regulatory Filings and IPR



48

DMFs with
USFDA



Health
Canada

25

Filings with
Health Canada



~400

EUDMF filings
across Germany,
France, Poland,
Italy etc



19

CEPs Received
for different
products



5

Japanese DMF
filed



11

filings with
KFDA Korea



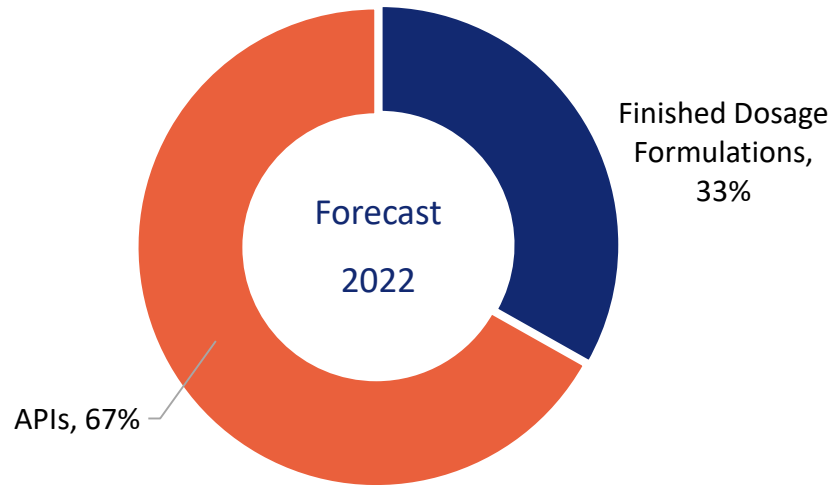
144

ROW filings
including
Turkey, Mexico
Brazil etc

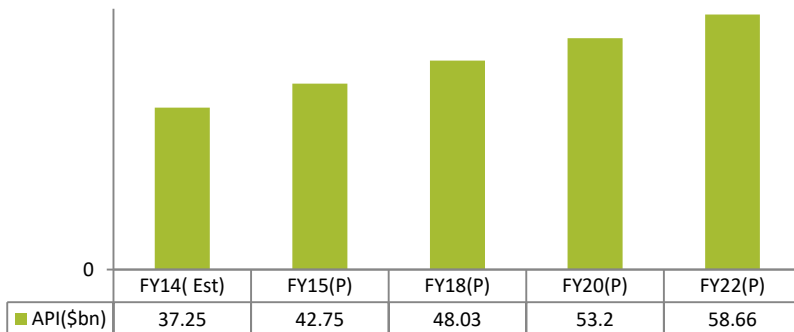
- ~650 filings world over
- Plan to file 10-12 DMFs year on year

Industry structure and key drivers

API Industry's Share in Global Contract Manufacturing Industry



Market Projections through 2022- Global API Industry



Key Drivers

- Increased demand for biopharmaceutical manufacturing services
- Complex and potent drug development will lead to higher demand of High Potency Active Pharmaceutical Ingredients which command a higher price
- Reformulation of drugs nearing patent expiry and for companies looking to differentiate commoditised products
- The pharmaceutical industry is keen to cut spending in many areas, including drug production
- Pharmaceutical companies will look to take advantage of low cost manufacturing opportunities available in India

Financial Performance

Q1FY17 Performance

Financial Performance

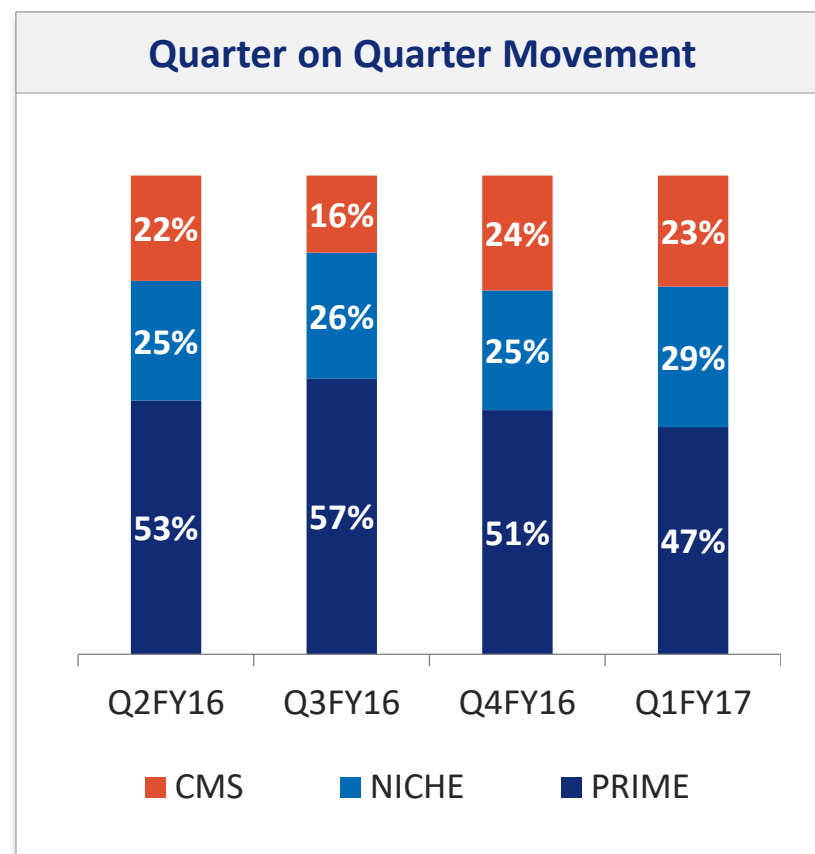
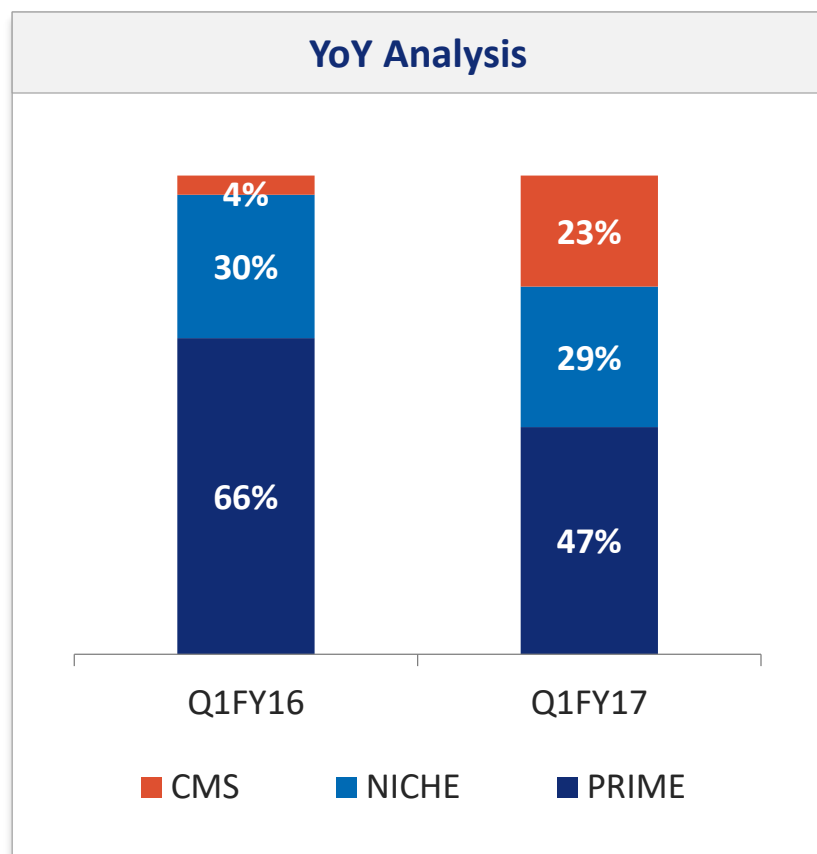
- Total Operating income was Rs 1,497.7 mn for Q1FY17 as compared to Rs 1,237.2 mn in the Q1FY16, an increase of 21%
- EBITDA stood at Rs 250.5 mn as compared to Rs 216.3 mn during Q1FY16, an increase of 16%
- EBITDA Margin at 16.7% for Q1FY17 as against 17.5% in Q1FY16
- Net profit stood at Rs 97.1 mn for Q1FY17 as compared to Rs 73.0 mn in Q1FY16
- Basic EPS stood at Rs 10.93 as against Rs. 8.22 in Q1FY16

Operating Highlights

- Successfully cleared ANVISA audit for our Unit II
- Continued business momentum in Salmترول as we added new customers and markets
- Progress in Deferasirox with addition of new customers and initiation of supplies for validation batches in multiple geographies including APAC
- Encouraging initial response from the Chinese pharmaceutical markets where we initiated sale of our newer APIs

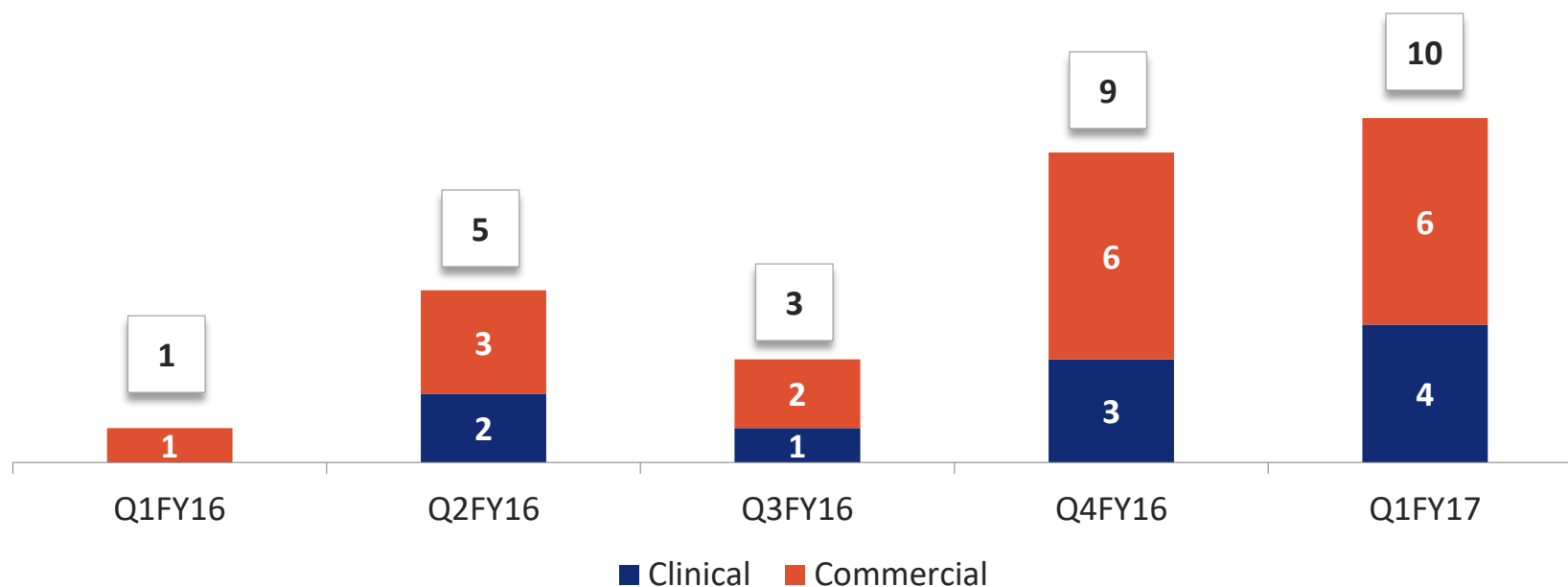
Key Operating Metric

Revenue Split(Quarter on Quarter)



Key Operating Metric

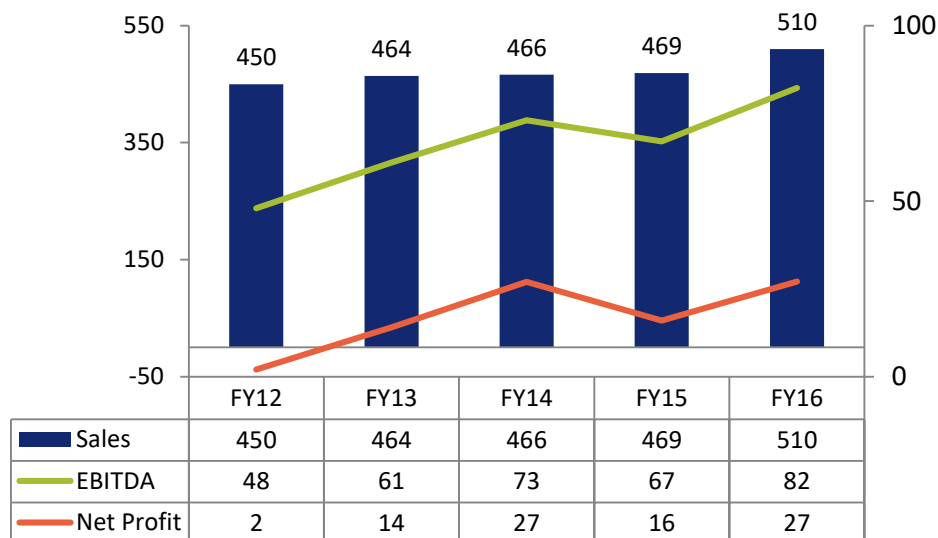
CMS Business Depth



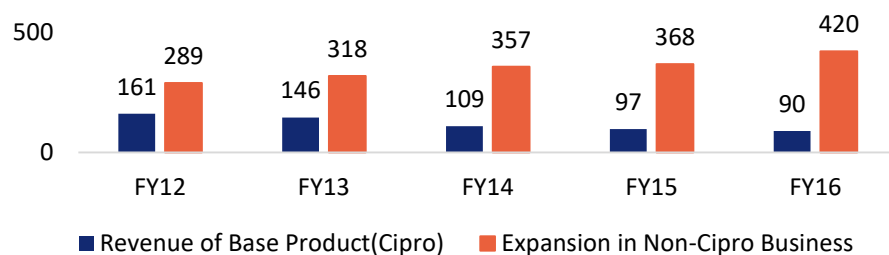
*- Quantities taken for validation and launch are considered as Commercial

Historical Financials

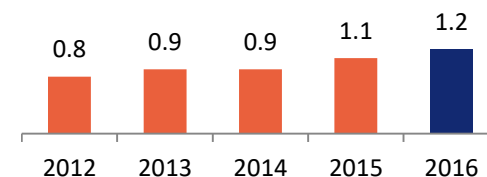
Financial Performance (INR Cr)



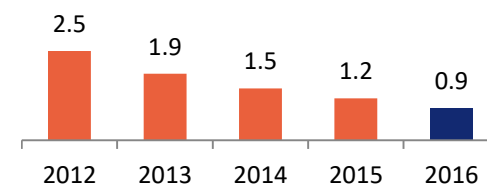
Revenue Growth



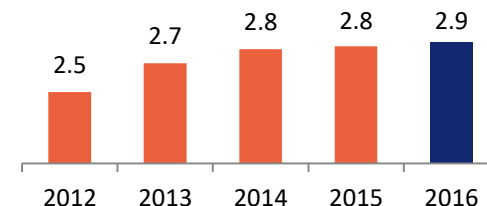
Current Ratio (x)



Debt to Equity (x)



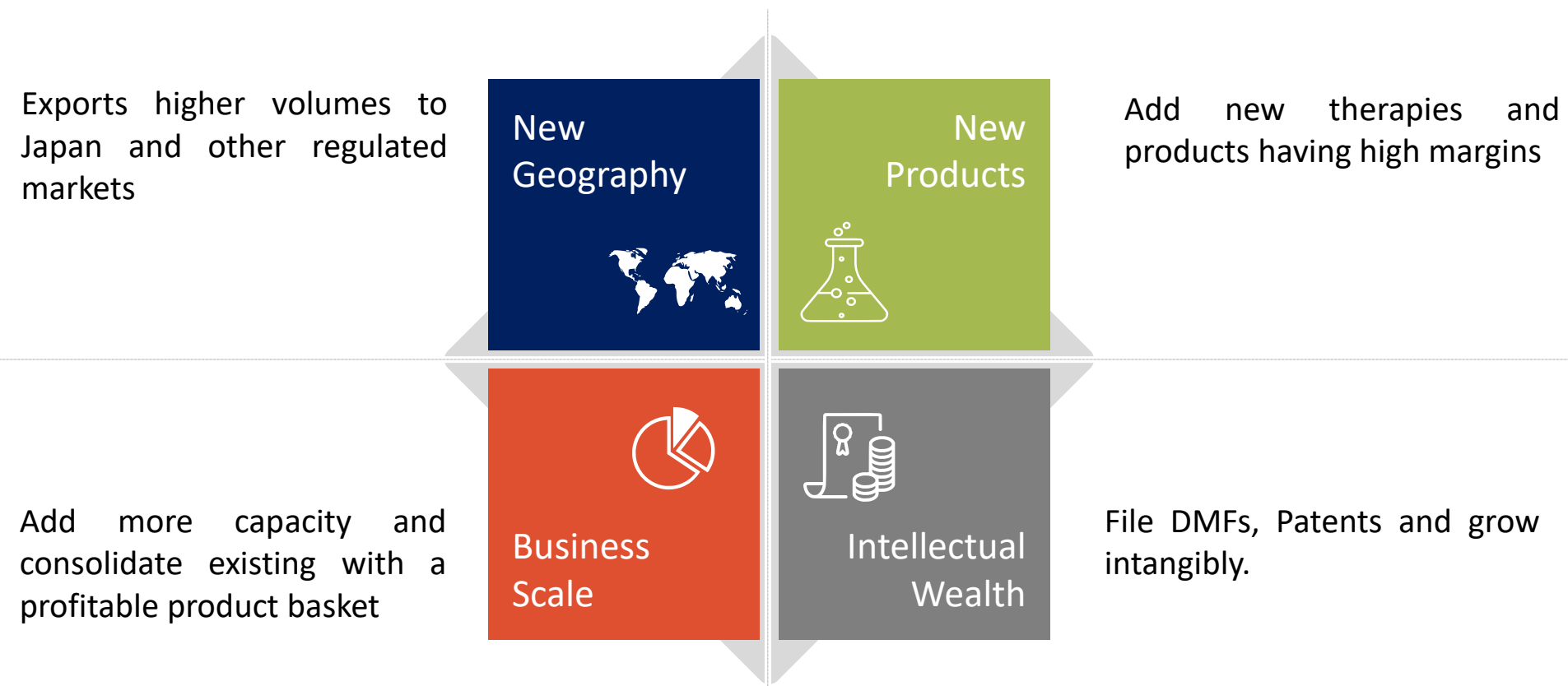
Fixed Asset Turnover (x)



Future Growth Strategy

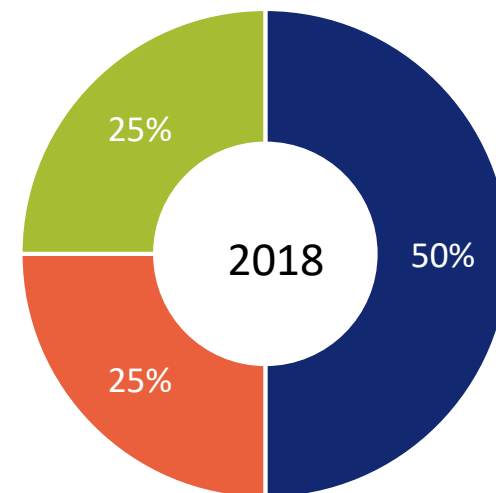
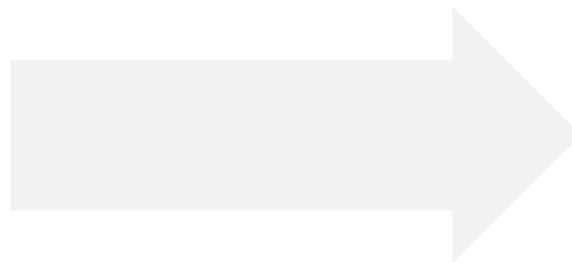
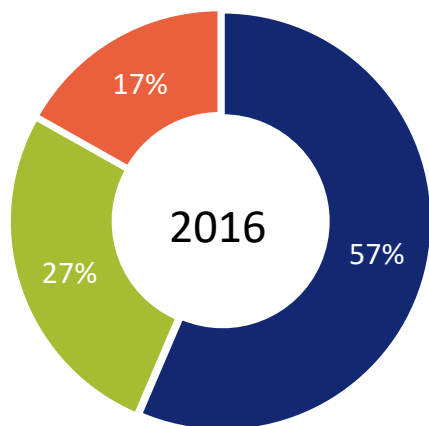


Business Strategy



Create an organization that results in value for all stakeholders

Focus on new products



Faster Growth with
high volume APIs

Higher margins
with complex
molecules APIs

Increased
Penetration in the
CMS space

Bring sustainability for future

Growth in CMS

Develop

- 11 development labs
- 60 fume hoods
- mg to gm scale
- Analytical R&D



Scale up

- 2 kilo labs
- cGMP pilot plant with two production areas
- 0.5-50 kg batch size



Manufacture

- 2 manufacturing sites
- 11 diverse production blocks
- Kg to ton scale



Scale the revenue growth in CMS from 15% to 30%

Investment Rationale

Horizontal Growth

- Continued expansion as preferred API source world wide
- Enhance manufacturing capacity to sustain high growth in APIs and CMS
- Increased number of new products with focus on market share on existing products through process improvement and capacity utilization

Expansion of Geography

- Build on platform created in high margin regulated markets such as Japan
- Focus on expanding the product basket and entering newer markets to have a dominant position by FY 18

Revenue Mix

- Focus on high margin, niche and complex APIs belonging to therapies such as anti-psychotic, anti-asthmatic etc.
- Increase contribution of margin accretive Custom Manufacturing Solutions (CMS)

Intellectual Wealth

- Portfolio of around 70 products with 600+ DMFs to meet customer needs across multiple therapeutic areas
- Accelerate to > 125 products and 150+ patents to ensure leadership in the API industry driven by innovation

Thank You

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