

A decorative header section consisting of a solid orange square on the left, a solid dark blue rectangle to its right, and a solid lime green square below the orange one. To the right of the green square is a large light gray rectangle containing the company name and tagline.

# NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Investor Presentation | November 2015

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



**30+**

Years of  
excellence



**75+**

Products  
developed



**78**

Mn USD  
Revenue for  
FY 15



**80+**

Countries of  
business



**600+**

Regulatory  
Filings

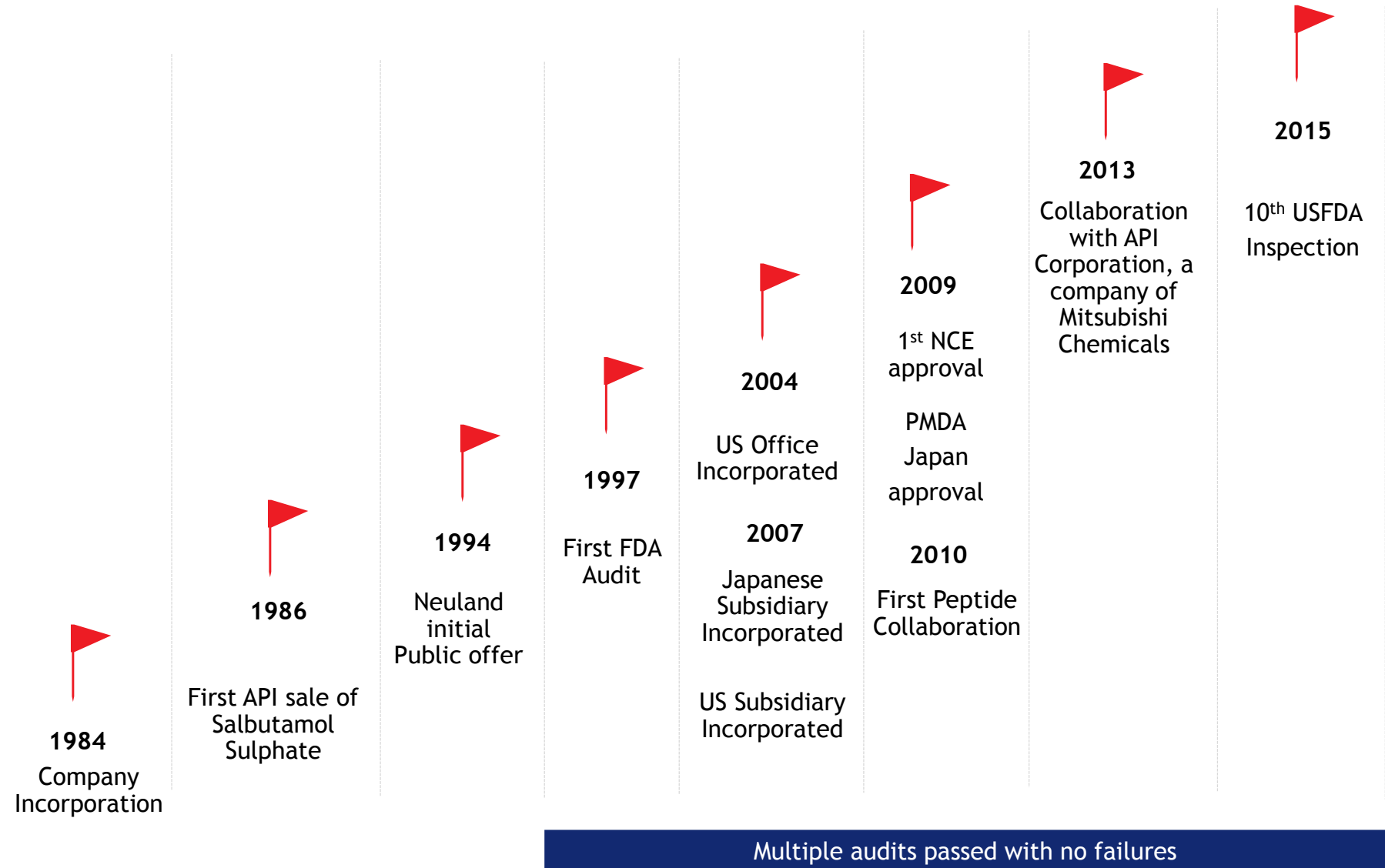


**1000+**

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 cardio-vascular, central nervous systems , anti-infectives, anti-asthmatics, anti-fungal, and anti-spasmodic
- Around 74% of revenues(FY15) from exports and regulated markets contributing bulk of it

# Our Growth Story



# Board and Key Management



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

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

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

**D Sucheth Rao**  
**Whole Time Director  
and CEO**



**D Saharsh Rao**  
**Whole Time Director  
and President**

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

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

**Humayun Dhanrajgir**  
**Independent Director**



# Board and Key Management



**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

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

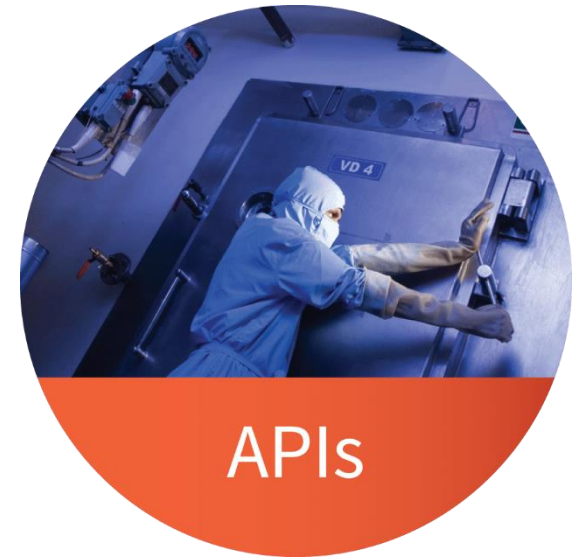


**Dr. Nirmala Murthy**  
Independent Director

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

# Our Strength

- 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





# Our Strength



Our Custom Manufacturing Solutions (CMS) 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
- Ranitidine
- Entacapone
- Prostaglandins
- NCE APIs
- Intermediates & RSMs

### Other Operational Details

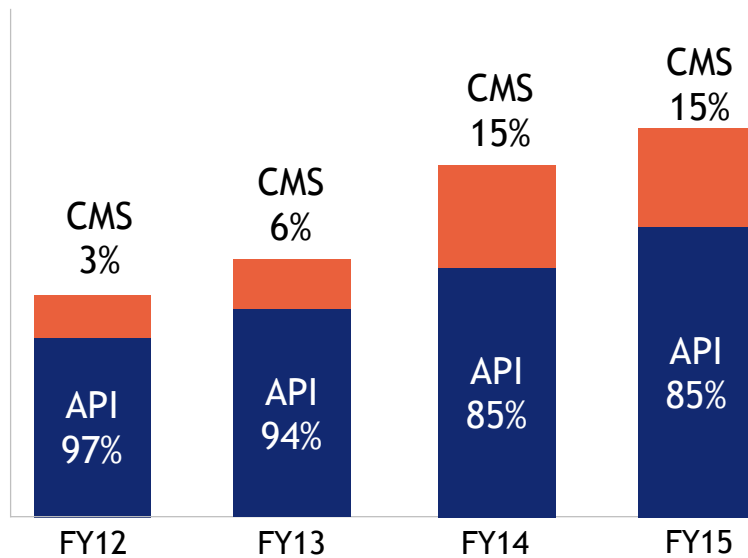
- Employee strength: 399
- US FDA, EDQM & PMDA approved plant

- Employee strength: 321
- US FDA & PMDA approved plant

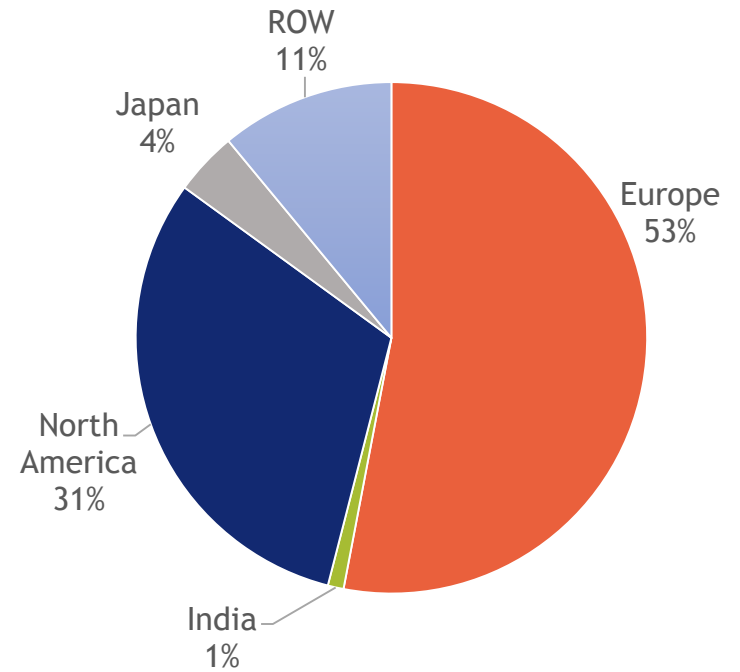


# Business Mix

% Revenue by Verticals



% Revenue by Territory\*



\*-Rounded off, based on end market reach

# R&D Infrastructure

R&D Facility, Hyderabad\*



## Establishment

- Started operations in 2008

## Size and capacity

- Built up area of 3382.5 sq mtr.

## Key Products/ Activities

- Process Investigation
- New Products Development
- Peptides
- Contract Research and Manufacturing Services

## Other Operational Details

- Employee strength: 196
- 11 Development Labs
- 60 Fume hoods

## Infrastructure:

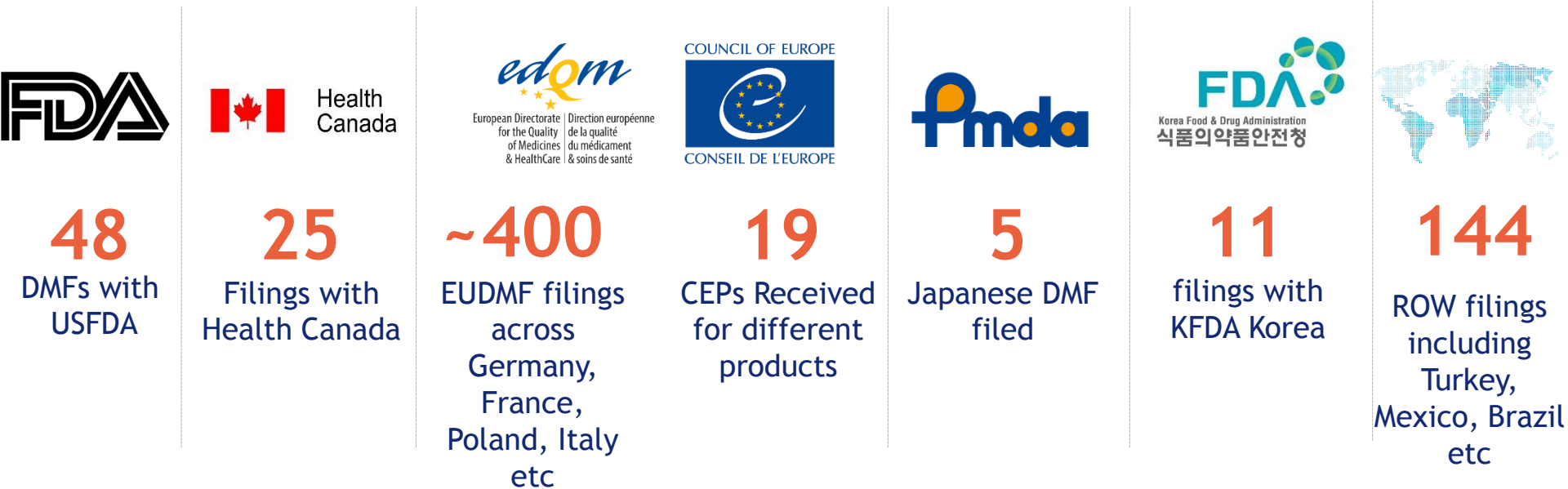
- 11 Development Labs
- 60 Fume hoods
- Analytical Lab
- Kilo Lab dedicated for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

## 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.

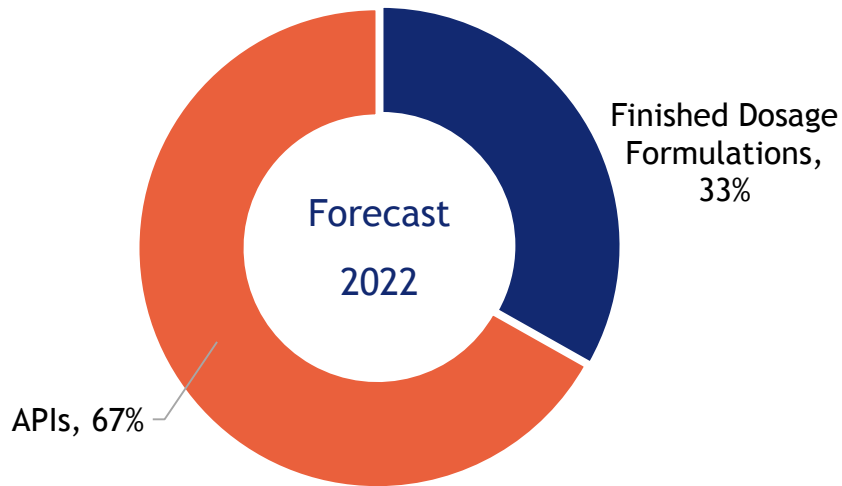
# Regulatory Filings and IPR



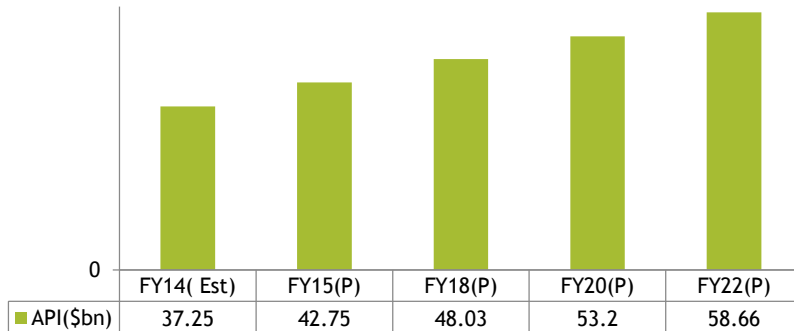
- ~650 filings world over
- 10 DMFs in pipeline for FY16
- Plan to file 10-12 DMFs year on year

# 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

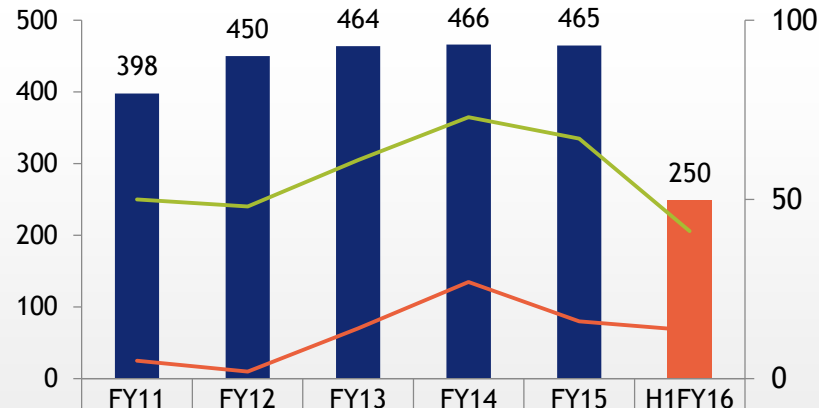
Data Source: Vision Gain.com



## Key Financial Indicators

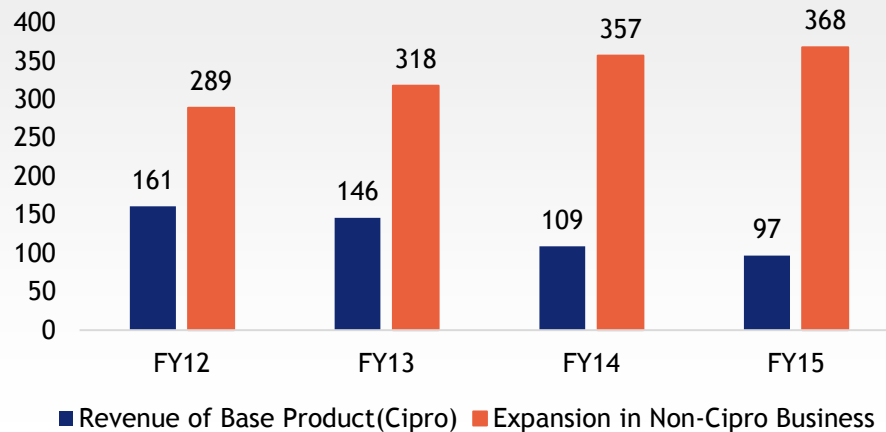
# Financials

Financial Performance

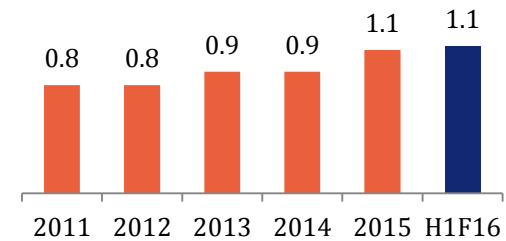


Sales	398	450	464	466	465	250
EBITDA	50	48	61	73	67	41
Net Profit	5	2	14	27	16	14

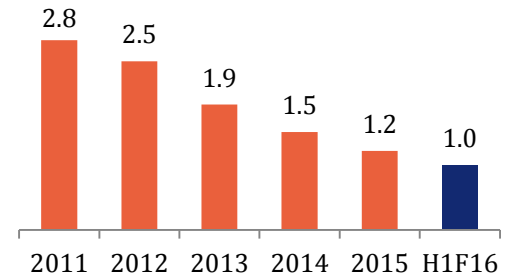
Revenue Growth



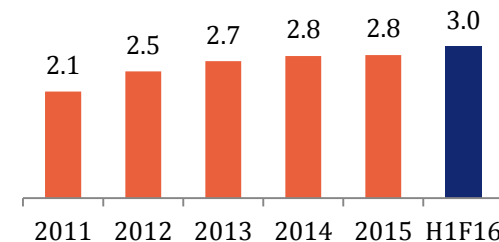
Current Ratio(x)



Debt to Equity(x)



Fixed Asset Turnover(x)





# Highlights - Q2 FY16

## Financial Performance

- Total Operating income was Rs 127.1 Cr for Q2FY16 as compared to Rs 121.3 Cr in the corresponding period of the previous year reflecting an increase of 5% in rupee terms.
- EBITDA stood at Rs 19.5 Cr as compared to Rs 17.7 Cr during the corresponding period of previous year, an increase of 10%
- EBITDA Margin at 15.3% for Q2FY16 as against 14.6% in Q2FY15
- Net profit stood at Rs 6.2 Cr for Q2FY16 as compared to Rs 5.2 Cr in the corresponding period of the previous year, an increase of 21%
- Basic EPS stood at Rs 6.98 as against Rs. 6.21 in the corresponding quarter of last fiscal

## Business Update

- Higher than anticipated sales from Salmeterol
- 4 process patents granted for three of our key molecules
- USFDA inspection in UNIT II of our Company

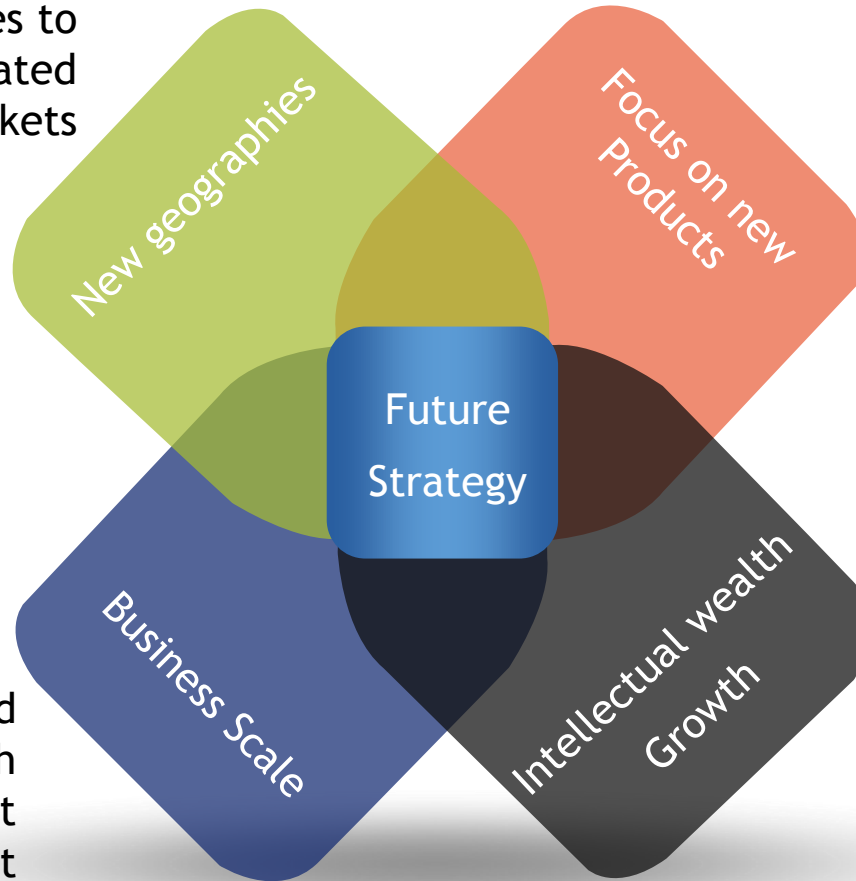


## Future Growth Strategy

# Business Strategy

Exports higher volumes to Japan and other regulated markets

Add new products having high margins

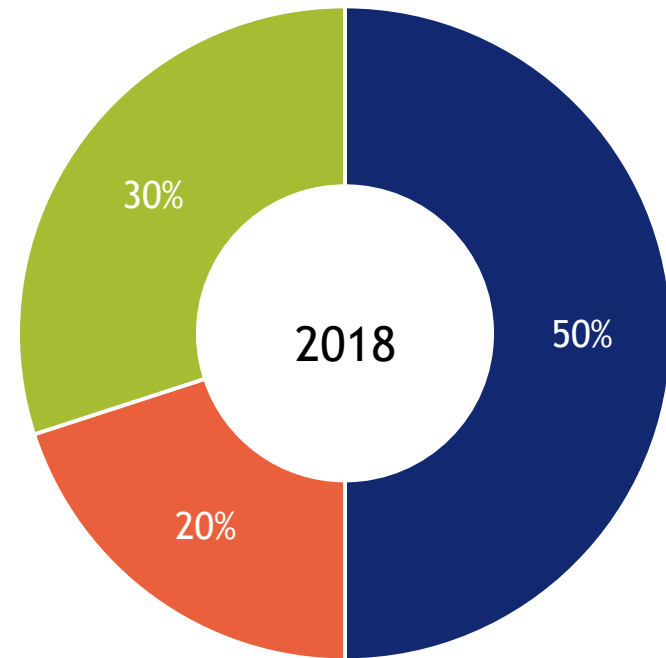
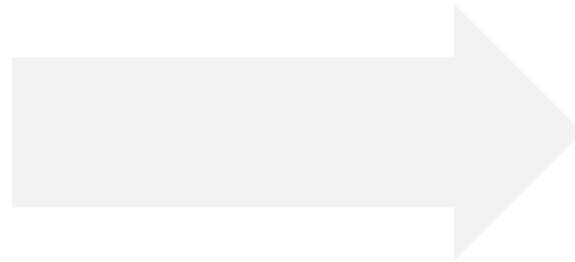
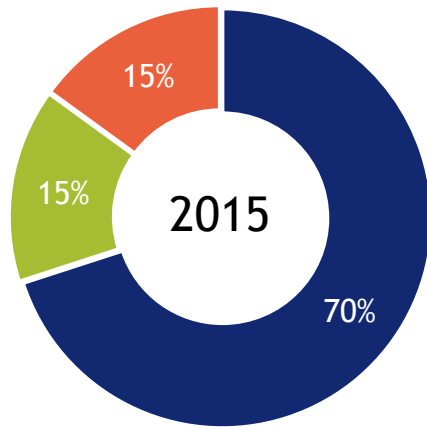


Add more capacity and consolidate existing with a profitable product basket

File DMFs, Patents and grow intangibly.

Create an organization that results in value for all stakeholders.

# Focus on new products



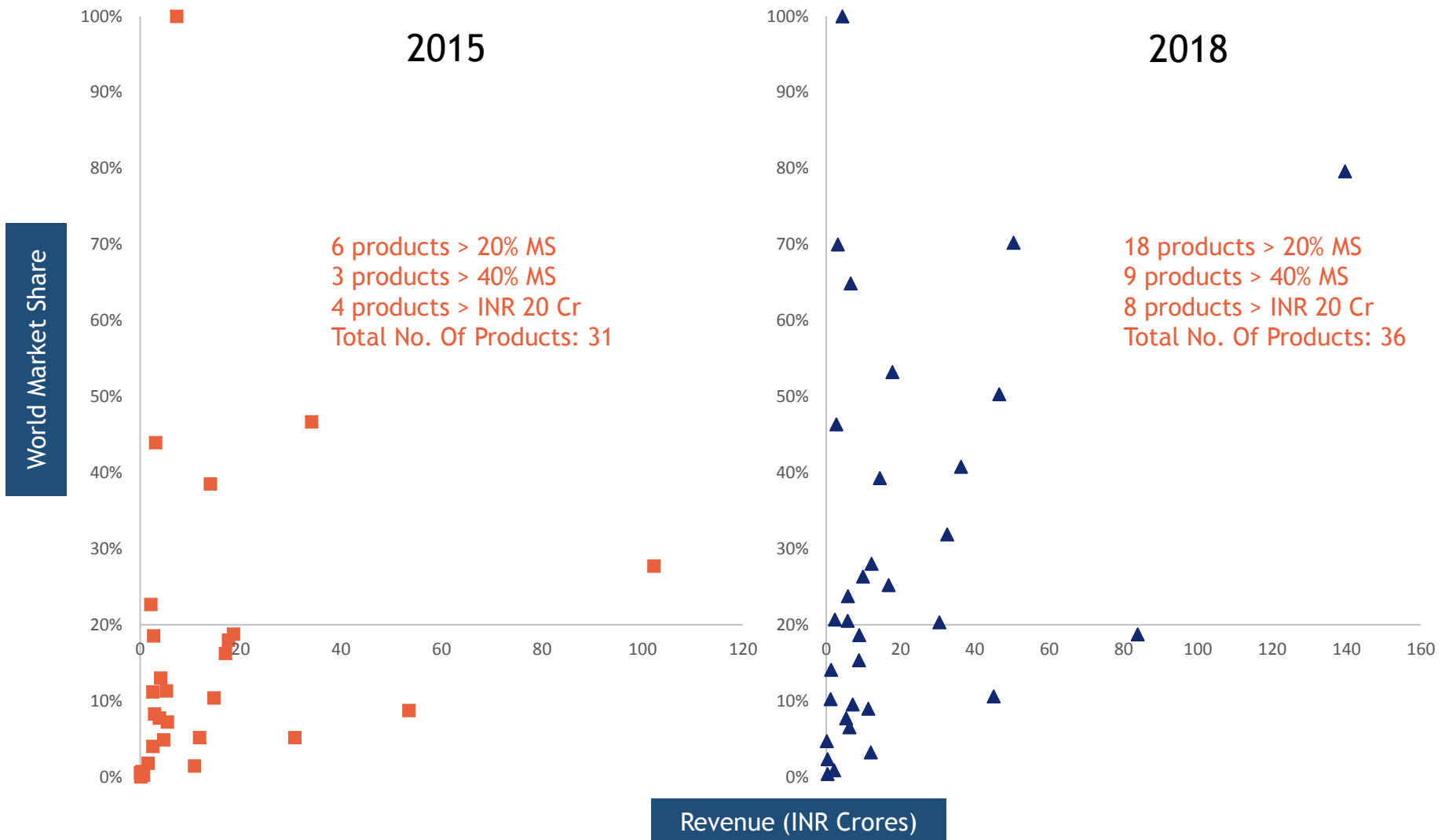
Faster Growth  
with high volume  
APIs

Higher margins  
with complex  
molecules APIs

Increased  
Penetration in  
the CMS space

Bring sustainability for future

# Future Product and market share mix



# Growth in CMS

## Develop

- 11 development labs
- 60 fume hoods
- mg to g 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

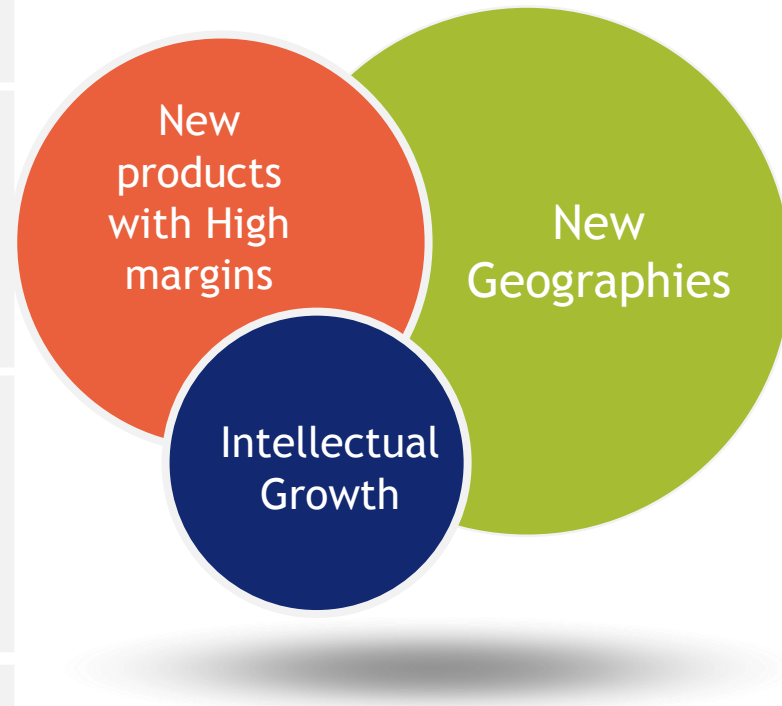
- Build on platform created in high margin regulated markets such as Japan
- Focus on expanding the product basket and entering newer markets to have a dominant position by FY 18

## 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 **65** 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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