



NEULAND

WHERE OPPORTUNITY BECOMES REALITY

Investor Presentation

Q2FY20

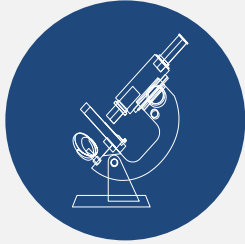
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Business Overview

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

846+ 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

Laying Strong Foundation



Development

01

1984-2003

- 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

Deepening our capabilities



Expansion

02

2004-2012

- 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

On course to profitable growth



Execution

03

2013-Today

- **Strategic alignment of business towards niche APIs and Custom manufacturing solutions**
- **Cleared 13th 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

- 3 US FDA and EU GMP compliant manufacturing facilities
- Collective capacity: ~731KL

Business Approach

- Work on molecules either with a business leadership approach or partnership with client on COGS
- Ensure uninterrupted supply with quality commitment

Strategy Forward

- Maintain leadership position in key molecule
- Work on process optimization to improve yields, productivity and thus margins

Speciality APIs

Capability

- High end complex chemistry capabilities
- Backend support by research and development department
- Experience of hurdle free scale up

Business Approach

- Work with leading companies and help them to meet their technical requirements while being competitive

Strategy Forward

- 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

- 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

Business Approach

- 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

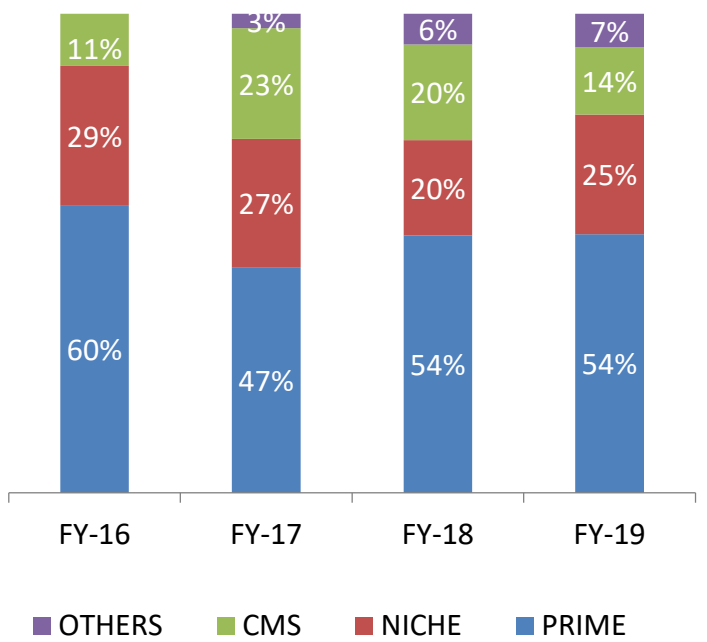
Strategy Forward

- 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

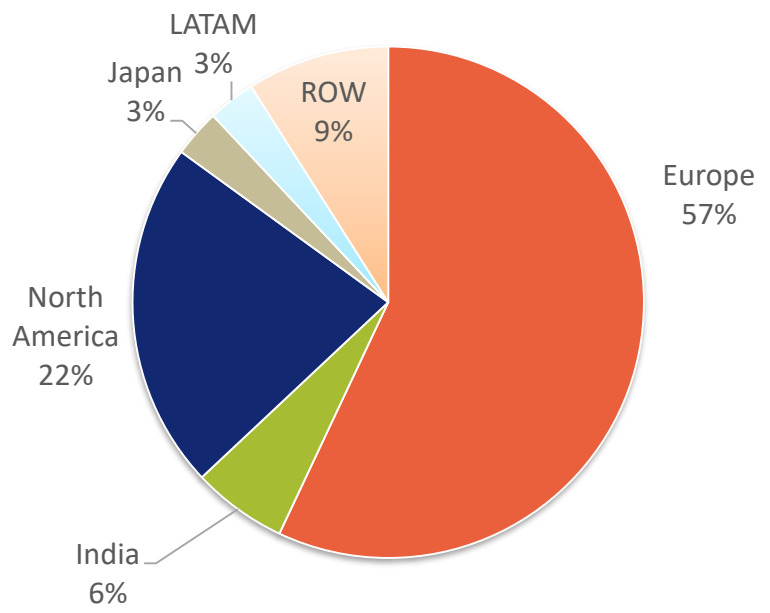
Create a sustainable CMS business that is driven by technology and strong customer relationships

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.Sc.s 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



54

DMFs with
USFDA



Health
Canada

30

Filings with
Health Canada



21

Japanese DMF
filed



18

China DMF filed



18

filings with
KFDA Korea



18

filings with TGA



213

ROW filings
including Turkey,
Mexico, Brazil etc

~453

EUDMF filings
across Germany,
France, Poland,
Italy etc



21

CEPs Received
for different
products

846+

Filings till date



Financials



Standalone Financial Performance

Standalone Q2FY20 (Y/Y)

- Total Revenue was Rs. 1,867.9 mn as compared to Rs. 1,693.8 mn, reflecting an increase of 10.3%
- EBITDA stood at Rs. 254.0 mn as compared to Rs. 152.9 mn
- EBITDA Margin at 13.6% for Q2FY 20 as against 9.03%
- Net profit stood at Rs. 85.7 mn for Q2FY20 as compared to Rs. 44.0 mn
- Basic EPS stood at Rs. 6.68 as against Rs. 3.43

Standalone Q2FY20 (Q/Q)

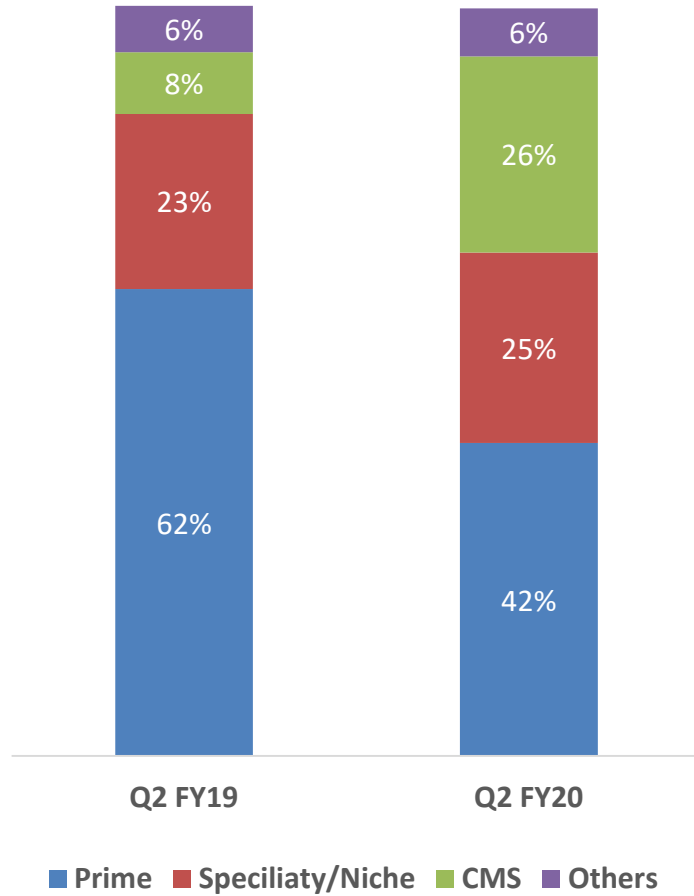
- Total Revenue was Rs. 1,867.9 mn as compared to Rs. 1,815.3 mn, reflecting an increase of 2.9%
- EBITDA stood at Rs. 254.0 mn as compared to Rs. 190.9 mn
- EBITDA Margin at 13.6% for Q2FY 20 as against 10.5%
- Net profit stood at Rs. 85.7 mn for Q2FY20 as compared to Rs. 56.1 mn
- Basic EPS stood at Rs. 6.68 as against Rs. 4.38

Standalone H1 FY20 (Y/Y)

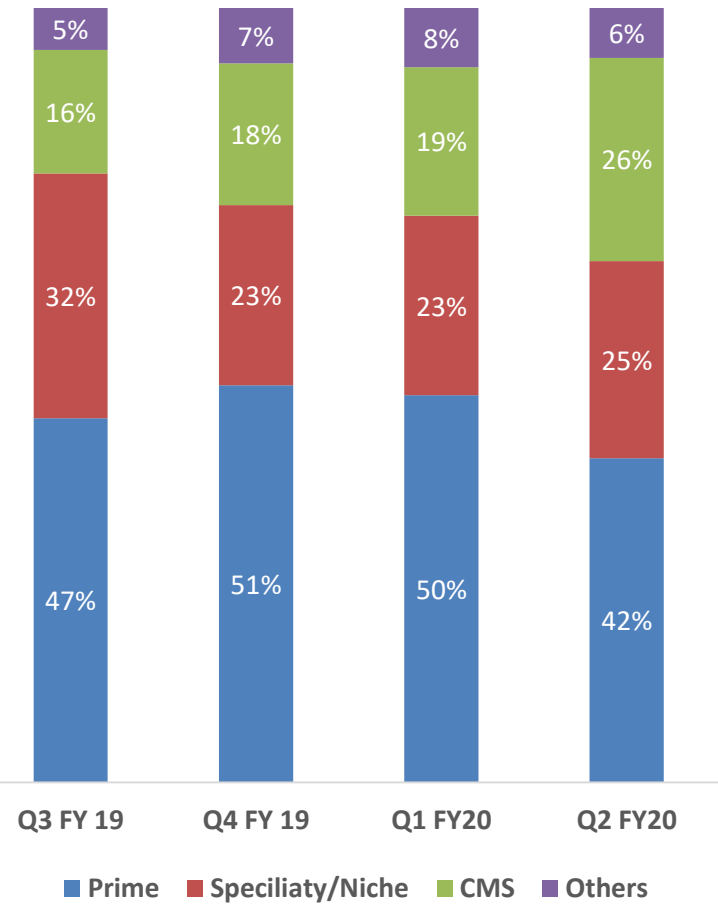
- Total income was Rs. 3,683.1 mn as compared to Rs. 3,244.5 mn, an increase of 13.5%
- EBITDA stood at Rs. 444.9 mn as compared to Rs.253.8 mn, up by 75.3%
- EBITDA Margin at 12.1% for H1FY20 as against 7.8%
- Net profit stood at Rs. 141.9 mn for H1FY20 as compared to Rs. 48.1 mn, an increase of 194.7%
- Basic EPS stood at Rs. 11.06 as against Rs. 3.90, an increase of 183.5%

Key Operating Metric

YoY Analysis

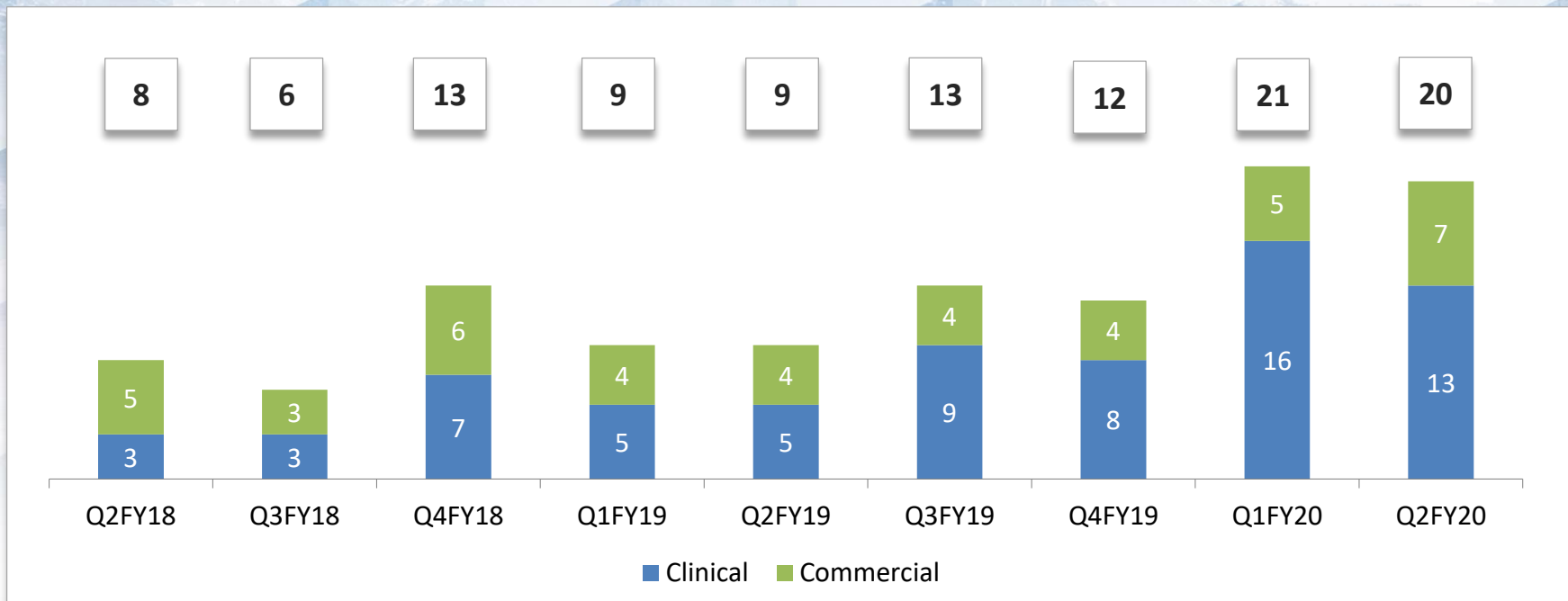


Quarter on Quarter Movement



Key Operating Metric

CMS Business Depth



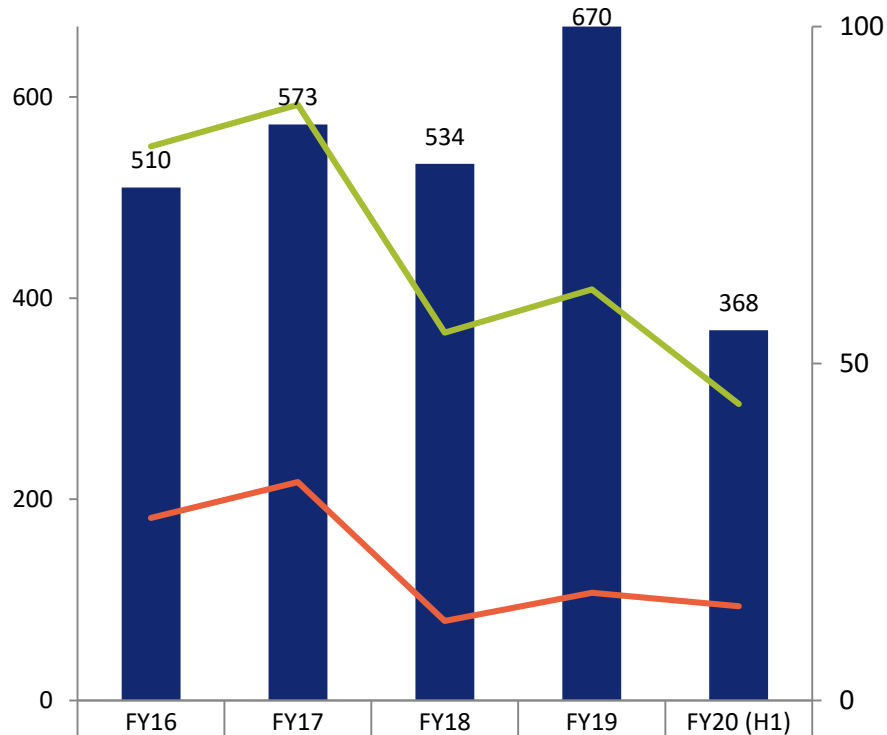
*- Quantities taken for validation and launch are considered as Commercial

No of CMS active projects increasing

Q2 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	11	4	6	6	4	6	37
Intermediate	1	3	1	5	11	10	31
Grand Total	12	7	7	11	15	16	68
Q1 FY20	Pre-Clinical	P-1	P-2	P-3	Development	Commercial	Grand Total
API	10	4	5	4	5	6	34
Intermediate	1	3	1	5	9	10	29
Grand Total	11	7	6	9	14	16	63
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

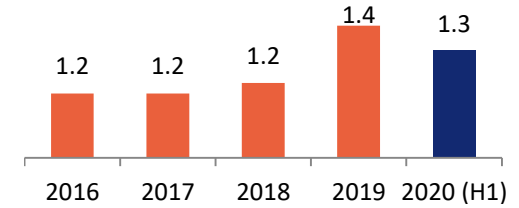
Historical Financials

Financial Performance (INR Cr)

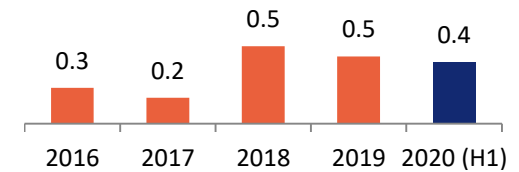


■ Sales	510	573	534	670	368
— EBITDA	82	88	55	61	44
— Net Profit	27	32	12	16	14

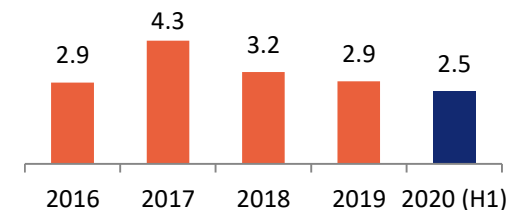
Current Ratio (x)



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

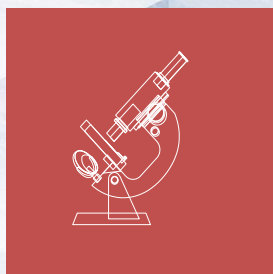


Scale

Invest into capacity to augment sales and accelerate business growth

Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio



Relationships

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

Quality

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



Financials

Re-aligning revenue portfolio for a profitable growth

Create an organization that results in value for all stakeholders



Thank you for viewing this presentation.

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