



LAURUS LABS LIMITED

Q3 & 9M FY17 RESULT
PRESENTATION

9 February - 2017

Disclaimer



Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements.

Laurus Labs Limited (Laurus) will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Our Genesis And Inspiration



Our genesis starts with our name Laurus Labs. We derived inspiration from Laurus Tree.

Laurus family of trees not only has medicinal qualities but also survives in the toughest climatic conditions.

Laurus leaves were adorned as crowns to the exceptional achievers and winners during Roman times. In Greek mythology, Apollo is represented wearing a laurel wreath on his head. In ancient Greece wreaths were awarded to victors, both in athletic competitions, including the ancient Olympics and in poetic meets and crowned to a successful commander during his triumph.

In common modern idiomatic usage it refers to a teamwork, success and victory. The expression "resting on one's laurels" and "look to one's laurels" came into use due to the Laurus crowns.



Contents



1	Business Snapshot
2	Laurus' Strengths
3	Laurus' Strategy
4	Management Comments
5	Business Highlights
6	Financial Highlights
7	Performance Highlights
8	Outlook for FY18
9	About Laurus Labs
10	Historical Financial Snapshot

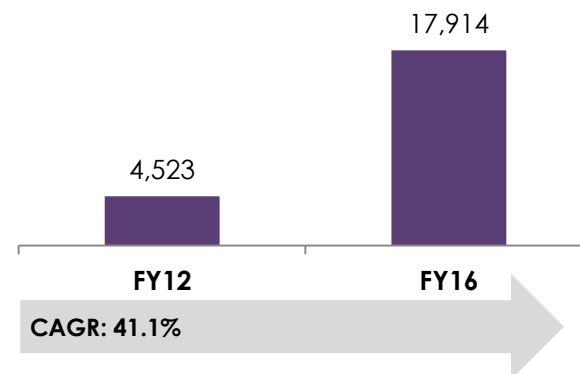
Business Snapshot



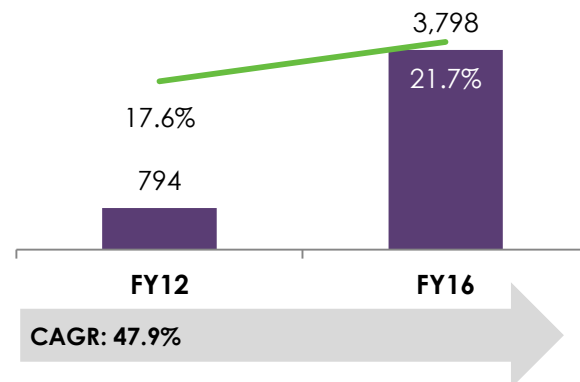
- Leading **R&D driven** pharmaceutical Company **incorporated in 2005**
- **Leadership position** in generic active pharmaceutical ingredients (**APIs**) for anti-retrovirals (“ARVs”) and Hepatitis C⁽¹⁾
- Portfolio of products in **Oncology** and a growing **synthesis** and **ingredient business**
- **Significant investments in Generic Finished Dosage Formulations (FDF) business**
- **Client** base comprising **9 out of the 10 largest** global generic pharma companies⁽²⁾
- **Regulatory compliant** and **industry leading** manufacturing infrastructure
- Led by **experienced promoters** and **qualified** operational personnel
- Shareholders include **marquee investors**

Growth and Profitability ⁽³⁾

Revenue (Rs. mn)



EBITDA (Rs. mn) — EBITDA margin (%)







(1) Source: The Frost & Sullivan reports titled 'Independent Market Research Report for IPO covering Anti-Retro Virals (ARV) in Selected Geographies, June 2016' ("ARV Report"), 'Independent Market Research Report for IPO covering Hepatitis C in India, May 2016' ("Hepatitis C Report"), 'Independent Market Research Report for IPO covering Oncology in G7 Countries' ("Oncology Report"), 'Independent Market Research Report for IPO covering Contract Research and Manufacturing Services (CRAMS) in India, June 2016' ("CRAMS Report") and 'Independent Market Research Report for IPO covering Nutraceuticals in Selected Geographies, June 2016' ("Nutraceuticals Report") (together "Frost & Sullivan Report")

(2) By revenue for the fiscal year 2016.

(3) Restated unconsolidated summary statements for FY12 and restated consolidated summary statements for FY16

Business Snapshot



	 <small>Active Pharmaceutical Ingredients & Intermediates</small>	 <small>Finished Dosage Forms</small>	 <small>Contract Development & Manufacturing Services</small>	 <small>Specialty Ingredients for Nutraceutical & Allied Industry</small>
Overview	<ul style="list-style-type: none"> Development, manufacture and sale of active pharmaceutical ingredients (APIs) and advanced intermediates 	<ul style="list-style-type: none"> Development and manufacture of oral solid formulations 	<ul style="list-style-type: none"> Contract development and manufacturing services for global pharmaceutical companies 	<ul style="list-style-type: none"> Sale and manufacture of specialty ingredients for use in nutraceuticals, dietary supplements and cosmeceutical products
Product and Service Offerings	<ul style="list-style-type: none"> Anti-retroviral (ARV) Hepatitis C Oncology Large volume APIs for cardio-vascular, anti-diabetic, anti-asthmatic, gastroenterology therapeutic areas Small volume APIs for the ophthalmic therapeutic area 	<ul style="list-style-type: none"> ARVs Anti-diabetic Cardio Vascular Proton Pump Inhibitor. 	<ul style="list-style-type: none"> Commercial scale contract manufacturing Clinical phase supplies Analytical and research services 24 projects executed⁽³⁾ 	<ul style="list-style-type: none"> Nutraceuticals, dietary supplements and cosmeceutical products
Filings	<ul style="list-style-type: none"> Commercialized 59 products⁽¹⁾ 37 DMFs filed^(2,4) 	<ul style="list-style-type: none"> Filed first ANDA and WHO dossier in 2016. As on date filed 2 ANDAs and in addition completed 4 validations. 		<ul style="list-style-type: none"> NA
Infrastructure	<ul style="list-style-type: none"> 3 Manufacturing facilities (1,834KL⁽⁴⁾) 	<ul style="list-style-type: none"> 1bn tablets / year capacity facility (expandable to 5bn tablets / year⁽⁵⁾) 	<ul style="list-style-type: none"> Dedicated manufacturing (Unit – 5) block for major customer 	<ul style="list-style-type: none"> Manufacturing facilities⁽⁶⁾

(1) Includes ingredients products

(2) Commercialized 30 out of 37 filed DMFs

(3) As of 31 March, 2016

(4) As of 30 June, 2016

(5) After incurring additional investment;

(6) APIs and Ingredients are manufactured at Unit 1 and Unit 3

Laurus' Strengths



LEADERSHIP IN APIs IN SELECT, HIGH GROWTH THERAPEUTIC AREAS

Focus on ARV, Hepatitis C and Oncology Therapeutic Areas



SIGNIFICANT INVESTMENTS IN GENERIC FDF BUSINESS

Infrastructure ready, partnerships in place and filed 2 ANDAs



STRONG R&D CAPABILITIES AND PROCESS CHEMISTRY SKILLS

"Research first" approach and a pool of 600 plus scientists



INDUSTRY LEADING, MODERN AND REGULATORY COMPLIANT MANUFACTURING CAPACITIES

3 manufacturing facilities and a kilo lab facility with approvals from US FDA, WHO (among others)



LONG-STANDING RELATIONSHIPS WITH MULTI-NATIONAL PHARMACEUTICAL COMPANIES

Supply APIs to 9 out of the 10 largest global generic pharma companies



EXPERIENCED PROMOTERS AND QUALIFIED OPERATIONAL PERSONNEL

Experienced management with extensive global generic pharmaceutical knowledge



ESTABLISHED TRACK RECORD OF DELIVERING GROWTH

Achieved 41.1% Revenue CAGR and 57.5% Net Income CAGR over last 5 financial years



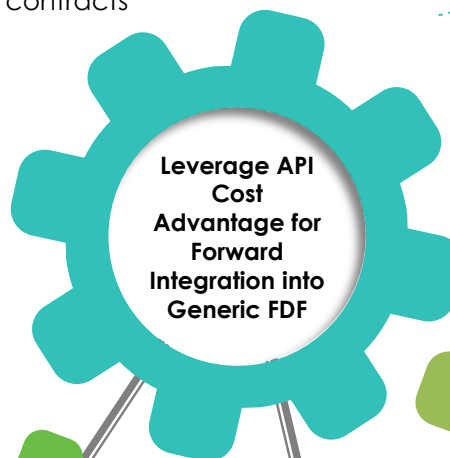
Laurus' Strategy



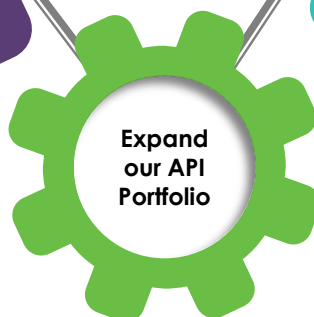
- Significant increase in HIV patient population with revised WHO guidelines
- ARV drugs patent expiry in US & European markets
- Strong opportunity in Hepatitis C in emerging markets and Oncology therapeutic areas in regulated markets



- Leverage API capabilities; capture operating efficiencies
- Partner for commercialization of 2 contracts



- Leverage process chemistry skills to strengthen presence in nutraceutical and cosmeceutical sectors as they adopt quality standards at par with pharma industry



- Leverage process chemistry skills to expand API product portfolio
- Contract manufacturing of generic APIs



- Focus on supply of key starting materials and intermediates for new chemical entities
- Contract with Aspen for supply of hormonal intermediates

Management Comments



Commenting on the results announcement, Dr. Satyanarayana Chava - CEO said; *“It gives me immense pleasure to share the financial and operating performance of the Company as a listed entity. I extend a warm welcome to our public shareholders on board with us on this exciting journey. I am happy to share that Laurus Labs has come a long way since inception in 2005 and today we are a leading player in offering integrated solutions to global pharmaceutical companies. The results for the quarter and nine months under review have been in line with our broader objectives.*

We are on track to achieve our long term goals. Our focal aim on innovation has helped us provide affordable and quality pharmaceutical solutions. With sustained business performance we are confident on creating long term value for all our stakeholders.”

Commenting on the results announcement, V V Ravi Kumar, ED & Chief Financial Officer said; *“I am glad to report a healthy performance for the quarter / nine months under review. All our business segments have delivered an encouraging performance led by volume improvement.*

As we continue to improve our financial performance we also focused on strengthening our balance sheet and prepaid Rs. 2,263 million towards debt obligations from the IPO proceeds as conveyed in our filings. This will lead to lower interest rates and healthier return ratios once the performance momentum builds up. I am confident that Laurus has some very unique strengths which will help propel us to the position of a leading pharmaceutical player.”



Business Highlights – 9M FY17

Overall

- Prepayment of long term loans of Rs. 2,263 million from IPO proceeds, Rs.585 million spent on general corporate purposes after meeting IPO expenses of Rs.150 million.
- Capex investments in first nine months Rs.2,584 million.
- R & D opex investments Rs.773 million and 5.3% as percentage of sales during Apr – Dec, 2016.

Generic API

- In partnership with Laurus, Natco has launched Velpatasivir (Hep-C) product in Nepal and is geared up for launch in India upon approval.
- As on Dec 2016, the Company has filed 202 patent applications and 37 patents granted.
- Expansion of R & D centre at Hyderabad completed.

Generic FDF

- As on date filed 2 ANDAs and in addition completed 4 product validations.
- Capacity expansion of 5 billion tablets is expected to complete by end Mar 17
- US FDA and WHO inspection scheduled during March 2017.
- FDF opex investments are Rs.821 million which includes Rs.253 million relating to the R& D during Apr – Dec, 2016.

Synthesis

- Unit 5 (dedicated manufacturing facility for Aspen) is inaugurated and is operational in Nov '16.
- Laurus signed manufacturing and supply agreement for Oncology NCE for clinical phase and commercial supplies.

General

- Dr.Satyanarayana Chava nominated as one of the members of US pharmacopeia Board of Trustees (BoT).
- Laurus Labs received Pharmaexcil patent Silver Award for the contribution in the category of Bulk Drugs /APIs to India's Pharmaceutical Exports during the year 2015-16.

Financial Highlights



- **During 9M FY17 Laurus reported:**
 - Total Revenue grew by 9.7% to Rs.14,459 mn from Rs. 13,179 mn
 - EBITDA increased by 23.1% to Rs. 3,199 mn as compared to Rs. 2,598 mn
 - PAT higher by 40.5% to Rs. 1,277 mn from Rs. 909 mn
 - EPS (Diluted) for the period stood at Rs. 12.9 per share (not annualised)

- **During Q3 FY17 Laurus reported:**
 - Total Revenue grew by 12.3% to Rs. 5,054 mn from Rs. 4,501 mn
 - EBITDA increased by 9.4% to Rs. 1,115 mn as compared to Rs. 1,019 mn
 - PAT higher by 17.5% to Rs. 472 mn from Rs. 402 mn
 - EPS (Diluted) for the period stood at Rs. 4.7 per share (not annualised)

Note: Standalone results as per Ind-AS

Performance Highlights - Abridged Profit & Loss statement



Particulars (Rs. mn)	Q3 FY17	Q3 FY16	Growth %	9M FY17	9M FY16	Growth %
Total Revenues	5,054	4,501	12.3%	14,459	13,179	9.7%
Total Expenditure	4,622	4,030		13,063	12,132	
EBITDA	1,115	1,019	9.4%	3,199	2,598	23.1%
Margins	22.1%	22.6%		22.1%	19.7%	
PBT	555	489	13.7%	1,615	1,115	44.9%
Margins	11.0%	10.9%		11.2%	8.5%	
PAT	472	402	17.5%	1,277	909	40.5%
EPS (Diluted)	4.7	4.1	16.0%	12.9	9.3	38.6%

Note: Standalone results as per Ind-AS

Performance Highlights - Abridged Balance Sheet



Particulars (Rs. mn)	As on 31.12.2016	As on 31.03.2016
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1,058	824
Reserves and surplus	11,761	7,900
Non-current liabilities	2,251	4,766
Current liabilities	11,944	8,837
Total	27,014	22,327
ASSETS		
Non-current assets	1,718	1,178
Fixed assets	12,713	10,874
Current assets	12,583	10,275
Total	27,014	22,327

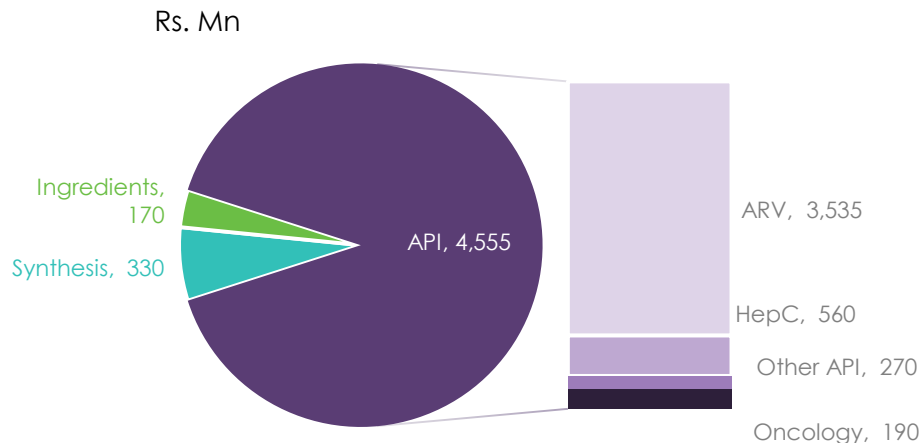
Particulars (Rs. mn)	As on 31.12.2016	As on 31.03.2016
BORROWINGS		
Long term borrowings	936	4,597
Current maturities of LTB	675	866
Short term borrowings	6,693	4,682
TOTAL	8,304	10,145

Note: Standalone results as per Ind-AS



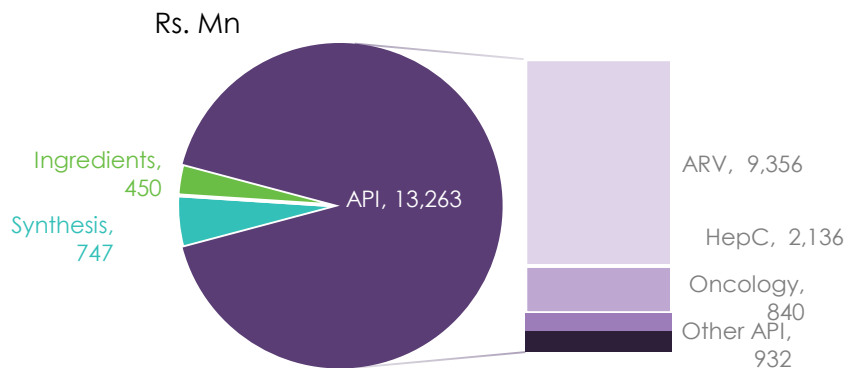
Performance Highlights - Drivers of Revenue

Q3 FY17 Revenue Break-up



- Volume growth trajectory maintained across all business in Q3FY17
 - Supply of APIs under ARV, Hepatitis C programs and Oncology continues to grow
 - ARV supplies to European markets initiated in the current quarter leading to better realisations
 - In Hepatitis C focus to grow the Indian and other emerging markets
 - Successful partnership with Natco with equal profit share contributed to topline. Natco has launched Velpatasivir first generic combination product with Sofosbuvir (Hep-C) product in Nepal and is geared up for launch in India upon approval.

9M FY17 Revenue Break-up

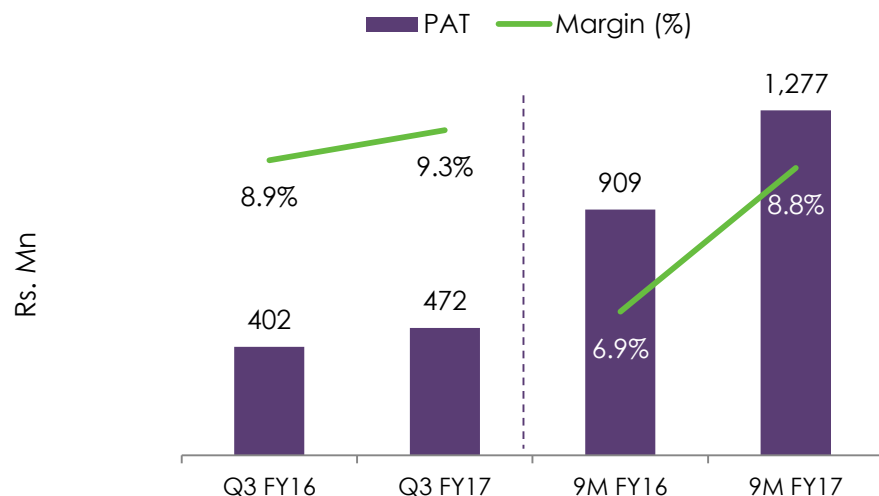
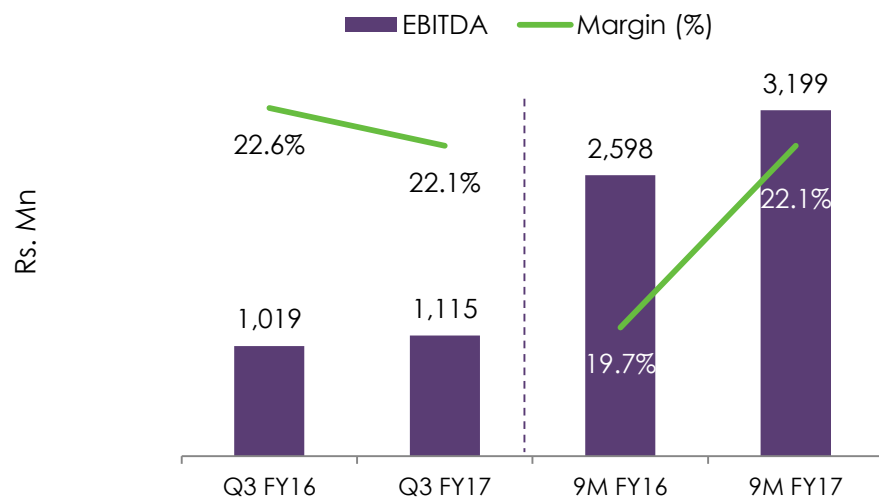


- Maintained healthy growth trajectory in Synthesis and Ingredients Businesses
- Unit 5 will start contributing to the revenue from the quarter ended 31st Mar 17.**

Note: Standalone results as per Ind-AS



Performance Highlights - Drivers of Earnings



- Operating Profits improved by 23.1% y-o-y to Rs. 3,199 mn in 9 months, on the back of
 - Operating leverage benefits of higher business in API's
 - Improving contribution from Synthesis segment
- 9 months PAT showed growth of 40.5% y-o-y to Rs. 1,277 mn in line with enhanced growth and lower financing costs.
- Diluted EPS for the 9 months stood at Rs. 12.9 per share (not annualised)

Note: Standalone results as per Ind-AS

Outlook for FY18



Healthy visibility to revenue enhancement on the back of preferred supplier status in key products together with long-standing customer relationships across businesses

- APIs business to deliver volume growth in key ARV and Hepatitis C segment.
- Other therapeutic areas including Oncology to offer consistent opportunities to broaden scope.
- In partnership with Laurus, Natco has launched new generic Hep-C product in Nepal and is geared up for launch in India upon approval.
- ARV supplies to Europe will enhance profitability.

Changing business mix to drive expansion in the medium term

- Synthesis business to show gains in line with scale up in engagement with Aspen.
 - Contract research business demonstrating momentum.
- Incremental contribution from Ingredients business.
- Laurus signed manufacturing and supply agreement for Oncology NCE for clinical phase and commercial supplies.

Capacity augmentation to result in targeted performance upsides

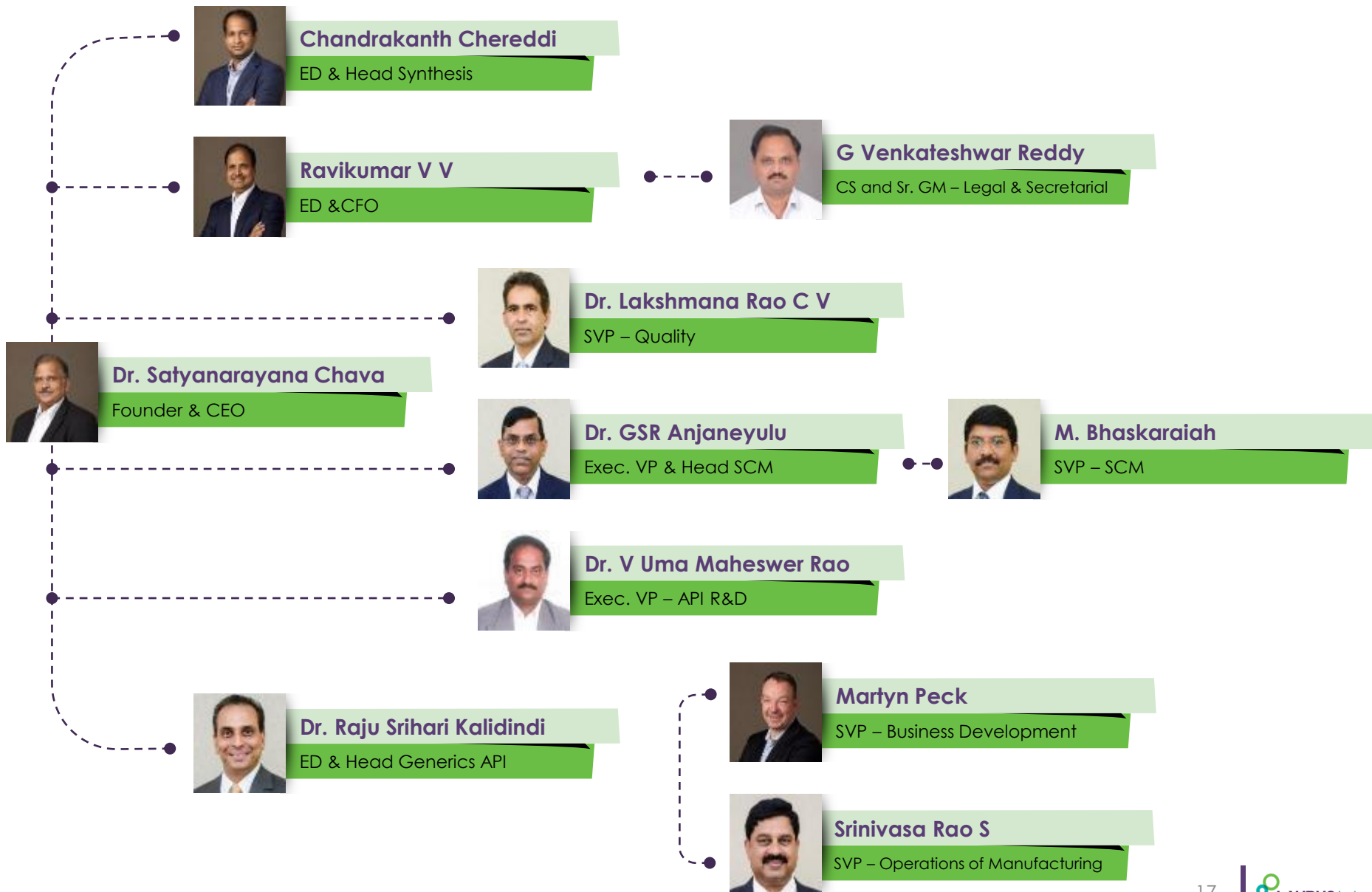
- Increase in reactor capacity to propel sales growth
- Our manufacturing processes, efficiencies, systems and practices have supplemented our gains.
- Dedicated manufacturing facility (Unit – 5) for Aspen
- Commercial operations of FDF may result in higher growth.

Research first approach to continue supporting initiatives to introduce product efficiencies and add to product line up

- Backed by strengthened infrastructure at Hyderabad facility and planned new facility at Vishakhapatnam
- Higher intensity of research spends as a proportion to sales to result in broader portfolio of commercialized products .



Renowned Management Team





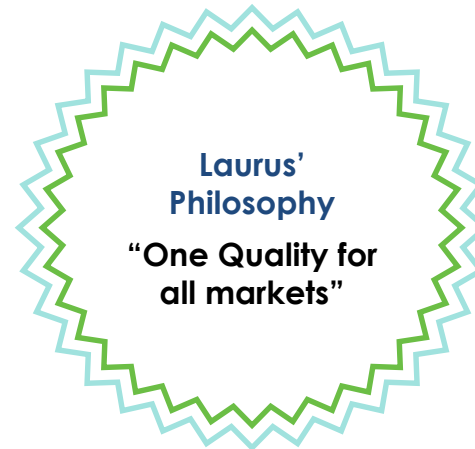
Our Quality Focus & Regulatory Audits



We maintain consistent quality, efficiency and product safety.

We have adopted uniform manufacturing standards across all facilities to achieve standardized quality for all markets.

Good manufacturing practices across all the manufacturing facilities, encompassing all areas of business processes right from supply chain to product delivery.



Regular Inspection at different manufacturing units

2016	USFDA
2015	WHO, USFDA, EU (German)
2014	WHO, USFDA, CDSCO
2013	WHO
2012	USFDA
2011	KFDA, USFDA, WHO
2010	MHRA
2009	TGA, USFDA



Strong R&D Capabilities



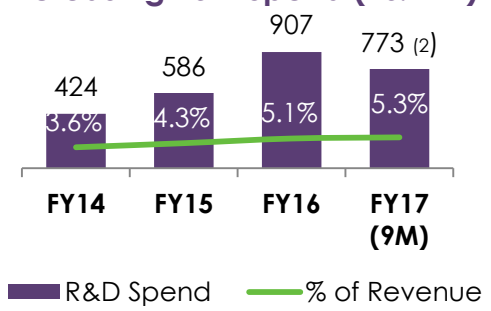
- **“Research-first”** approach – Set up dedicated R&D center in Hyderabad in 2006 prior to commissioning API manufacturing facility in 2007
- R&D team comprising 600 scientists (25.0% of total employee strength)⁽¹⁾ including 45 PhDs
- Kilo Lab at R&D center **accredited by international regulators**
- Currently setting up new R&D center in Visakhapatnam
- **Completed expansion** of R&D at Hyderabad

Key Accreditations



Note: Date in parenthesis represents latest successful audit As of 30 June 2016

Increasing R&D Spend (Rs. mn)



(1) (2) As of Dec, 2016

59

Products commercialized since inception

40

Filed DMFs⁽¹⁾

37

Commercialized DMFs⁽¹⁾

37

Patents granted⁽¹⁾

202

Patents pending review⁽¹⁾

Two ANDA and a WHO dossier filed

Facilities Overview



Unit-I



- Located at Jawaharlal Nehru Pharma City, Vishakapatnam, India.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- Received approvals from US FDA, WHO-Geneva, NIP Hungary, KFDA and PMDA.

Unit-II



- Located at APSEZ, Achutapuram, Visakhapatnam, India.
- FDF and API manufacturing facility
- FDF - capacity of 1 billion tablets per year.
- API block with 12 reactors and total capacity of 84 Kilo Litres.
- Received approvals from BfArM, Germany.
- US FDA inspection completed in Dec' 16

Unit-III



- Located at Jawaharlal Nehru Pharma City, Parawada, Vishakapatnam, India.
- Commenced operation in 2015.
- API manufacturing facility and includes capacity for ingredients, synthesis and contract manufacturing.
- 80 reactors installed with a total capacity of 605 KL which is being expanded to 110 reactors with a total capacity of 729 KL.
- Received approvals from FDA and WHO – Geneva

Unit-V



- Inaugurated and commenced operations in in December 2016
- A dedicated API manufacturing facility for Aspen.

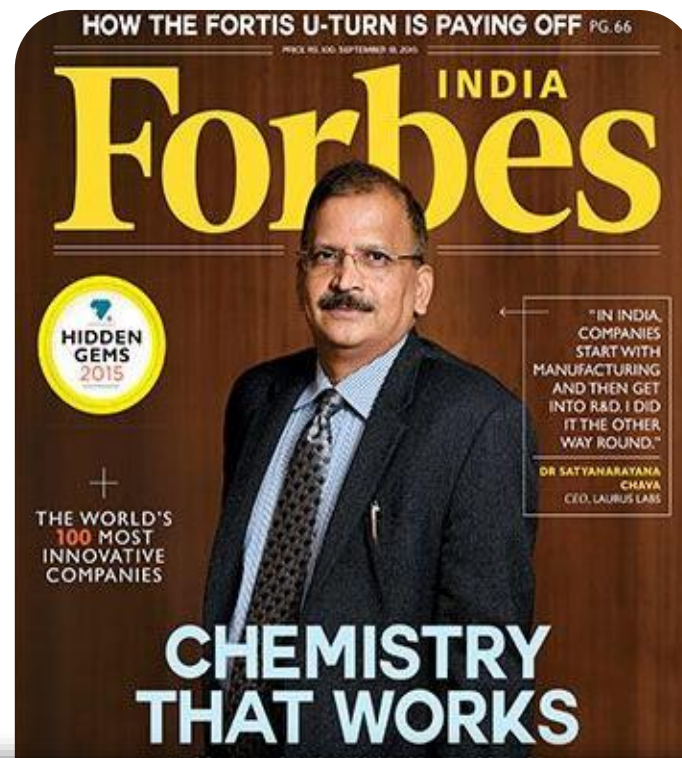
Awards and Recognition



Select Awards Received

<p>One of the 13 Hidden Gems in India Forbes India (September 2015)</p>	<p>VC Circle Awards 2015 Health Care Company Of the year</p>	<p>Ministry of Labour & Employment, Gov - National Safety Award (runner-up) for Unit 1 for performance year 2014</p>
<p>India Manufacturing Excellence Awards, 2015 – Silver Certificate of Merit</p>	<p>Silver Certificate of Merit at ET India Manufacturing Excellence Awards for 2013, 2014</p>	<p>Certificate of achievement in the Business Leader 2015 Award for excellence in the pharmaceuticals sector</p>
<p>Best Visualised App Delivery Implementation – Citrix - 2015</p>	<p>PHARMEXCIL – Outstanding Exports Performance Award- Bulk Drugs (Mid Range) for 2012, 2013, 2014</p>	<p>Business Today –Yes Bank Emerging Companies - Excellence in Performance & Business Scalability (Large Companies) 2014</p>

Industry Recognition



Corporate Governance



Executive Directors

Name	Background
Dr. Satyanarayana Chava	■ Wholetime Director, Founder and Chief Executive Officer
Dr. Raju Srihari Kalidindi	■ Wholetime Director and Head of Generics – API
Ravi Kumar V V	■ Wholetime Director and CFO
Chandrakanth Chereddi	■ Wholetime Director and Head of Synthesis

Non-Executive Directors

Name	Background
Amal Ganguli	■ Chairman of the Board and Independent Director; Former Senior Partner, Price Waterhouse India
Francis Jackson Wright	■ Formerly Chief Operating Officer and Co-founder, Aptuit LLC
Rajesh Kumar Dugar	■ Senior Partner, Head of India at Eight Roads Investment Advisors Private Limited
Narendra Ostawal	■ Managing Director of Warburg Pincus India Private Limited
Aruna Rajendra Bhinge	■ Independent Director; Former Head of Food Security Agenda, APAC at Syngenta India Limited
Dr. Rajesh Koshy Chandy	■ Independent Director; Professor of Marketing at the London Business School
Ramesh Subrahmanian	■ Independent Director; Founder and Director of Alchemy Advisors

Historical Financial Snapshot – Profit & Loss Statement



(Rs. mn)	FY12	FY13	FY14	FY15	FY16
Income					
Revenue from operations (Gross)	4,541	7,225	11,657	13,379	18,172
Less: Excise duty	34	40	60	113	334
Revenue from operations (Net)	4,507	7,185	11,597	13,266	17,838
Other income	16	51	88	341	76
Total Revenue (A)	4,523	7,236	11,685	13,607	17,914
Expenses					
Cost of materials consumed	2,715	4,431	7,883	9,066	10,183
Purchase of traded goods	41	23	79	62	150
Increase in inventories of finished goods and work-in-progress	(101)	(332)	(703)	(845)	(251)
Other manufacturing expenses	265	537	777	1,232	1,554
Employee benefits expenses	597	764	1,041	1,328	1,897
Operating and selling expenses	212	314	432	420	583
Total Expenses (B)	3,729	5,737	9,509	11,264	14,116
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (A-B)	794	1,499	2,177	2,343	3,798
Depreciation and amortisation	183	226	329	615	922
Finance expenses	396	412	639	1,062	1,200
Profit Before Tax*	216	861	1,209	666	1,676
Tax expense					
Current tax	20	170	262	152	381
Minimum alternate tax credit entitlement	(20)	(170)	(262)	(152)	(381)
Deferred tax charge/(credit)	0	(21)	236	(16)	345
Total Tax Expense /(Credit)	0	(21)	236	(16)	345
Share of results of associate	-	-	-	2	(4)
Profit for the year*	216	882	972	684	1,327
Earnings Per Share Post Bonus Issue					
Basic (Rs.)			15.89	11.07	20.86
Diluted (Rs.)			11.98	7.71	13.48
Dividend Per Share (Rs.)			0.00	0.00	2.00

Note: Restated consolidated results in Indian GAAP



Financial Snapshot – Balance Sheet

(Rs. mn)	FY12	FY13	FY14	FY15	FY16
Equity and liabilities					
Shareholders' funds					
Share capital	777	777	778	821	824
Reserves and surplus	915	1,816	2,806	6,400	7,694
Non-current liabilities					
Long-term borrowings	363	687	1,882	3,037	4,606
Deferred tax liabilities (net)	-	-	118	103	448
Other long-term liabilities	42	-	-	447	442
Long-term provisions	18	28	39	51	68
Current liabilities					
Short-term borrowings	1,290	1,778	3,122	4,316	4,814
Trade payables	-	1	5	3	5
Outstanding dues to micro enterprises and small enterprises	968	1,322	2,270	2,305	2,488
Other current liabilities	719	569	1,643	1,333	1,445
Short-term provisions	37	32	70	67	196
Total	5,129	7,010	12,732	18,883	23,030
Assets					
Non-current assets					
Fixed assets					
Tangible assets	1,863	2,343	4,943	7,949	10,793
Intangible assets	3	13	47	61	64
Capital work-in-progress	321	728	1,161	1,097	696
Goodwill on consolidation	-	-	3	-	-
Non-current investments	97	118	-	74	70
Long-term loans and advances	70	303	685	939	1,286
Other non-current assets	77	78	145	140	91
Current assets					
Inventories	986	1,562	3,281	4,755	4,871
Trade receivables	1,483	1,567	1,949	2,851	4,449
Cash and bank balances	93	136	232	589	277
Short-term loans and advances	78	124	250	312	302
Other current assets	58	37	36	116	132
Total	5,129	7,010	12,732	18,883	23,030
Net asset value per equity share (Rs.)			58.26	116.38	135.06

Note: Restated consolidated results in Indian GAAP

Contact us



About Laurus Labs Ltd.

Laurus is a leading research and development driven pharmaceutical company in India. The Company has grown consistently to become one of the leading manufacturers of Active Pharmaceutical Ingredients (APIs) for anti-retroviral (ARV) and Hepatitis C. Laurus also manufactures APIs in Oncology and other therapeutic areas. Its strategic and early investments in R&D and manufacturing infrastructure have enabled it to become one of the leading suppliers of APIs in the ARV therapeutic area. Initiatives are in place to develop a Finished Dosages Forms capabilities on the back of existing strengths in APIs. The Company is also driving growth opportunities in the Synthesis and Ingredients businesses.

Corporate Identification No: L24239AP2005PLC047518

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Thank You