

Earnings Presentation

Q2 & H1FY21

November 6, 2020

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.



**Managing Director,
Manish Gupta**

“The quarter gone by has laid the foundation for the next chapter in SeQuent’s journey or ‘SeQuent 2.0’. With Carlyle Group as new owners and a revamped Board with experienced professionals from diverse fields and global connects, we are both excited and confident as SeQuent gears up for the next-orbit of growth.

On the performance front, we are pleased to report another strong quarter across all key parameters with sales growth of 22% and EBITDA growth of 58%. With ROCE now in early twenties and cash from operations in excess of ₹ 1 Billion in the first half of FY21, our net debt stands reduced sharply, leading to a further upgrade in our credit rating.

None of this would have been possible without the unflinching commitment of our 1700+ workforce especially in these challenging times. We would like to thank our erstwhile and new shareholders for their support as we rewarded the employees in this ownership transition, which led to a one-off cost in the quarter.

We are confident that this momentum will continue to drive the business in the second half of this fiscal and the foreseeable future. ”





Focus

Transitioned from multi-business model to a focused, pure-play animal health business



Scale

Established scale in the chosen business to emerge as India's largest and now amongst 'Top 20' global animal health companies



Capability

Comprehensive capabilities across APIs and Formulations - front-end presence in key markets, global manufacturing (incl. India's first USFDA approved facility), R&D & management team. Strong framework of governance and compliance



Financials

Transformation across key financial parameters – mid-teen EBITDA margin, low leverage of 0.2, ROCEs in early 20s and robust cash flows leading to a 6 step improvement in credit rating

Rewiring SeQuent for the next orbit in progress..

Focus on operational excellence and relentless execution has ensured consistent financial outcomes in current challenging times

Delivering focused financial outcomes



Ownership Change



Reconstitution of the Board with a more global representation under the aegis of the new promoters, The Carlyle Group

Internal corporate realignment with consolidation of shareholding in Turkey & Netherlands

Consolidation of Minority Holdings



Management Continuity

Existing management to drive the future strategy thereby ensuring continuity



Key Corporate Developments



The Carlyle Group assumes charge as the new promoter...



Change of control

Carlyle acquired 25.20% and became the new Promoter on August 17, 2020 and acquired additional 27.82% on September 8, 2020



Industry leaders join the Board

Dr. Kamal Sharma, Non-Executive Chairman & Mr. Milind Sarwate appointed as Independent Directors



Induction of Carlyle nominees

Mr. Neeraj Bharadwaj, Mr. Rahul Mukim & Mr. Gregory John Andrews join the Board as Carlyle nominees



...prompting a broad-basing of the Board with global outlook



Dr. Kamal K Sharma
Independent Director
Non-Executive Chairman

- BE-IITK; PGDIM-JBIMS; PhD-IIT Mum.
- 48 years CXO experience
- Expertise in creating & leading large chemical and pharmaceutical companies



Mr. Milind Sarwate
Independent Director

- ACA, ACS, ACMA, B Com, CII-Fulbright Fellow
- 37 years' experience- incl CFO, CHRO roles
- Independent Directorship in listed & unlisted Cos
- Expertise in value creation, effective governance & capability building



Dr. Kausalya Santhanam
Independent Director

- M.Sc; Ph.D; LLB (Intellectual Property)
- Registered Patent Agent
- Patent law practitioner with US in-house experience in biopharmaceutical industry.



Mr. Neeraj Bharadwaj
Non-Executive Director
(Carlyle Nominee)

- BS-Wharton; MBA-Harvard
- MD, Carlyle India
- Expertise in large growth capital & buyout opportunities



Mr. Gregory John Andrews
Director
(Carlyle Nominee)

- BSc (Hons); PGDBM
- Animal health consultant in USA & France
- 30 years CXO experience in animal health



Mr. Rahul Mukim
Non-Executive Director
(Carlyle Nominee)

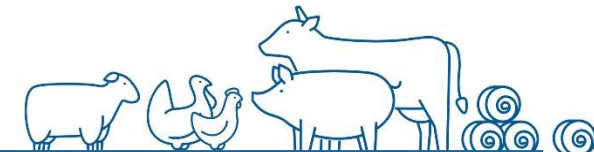
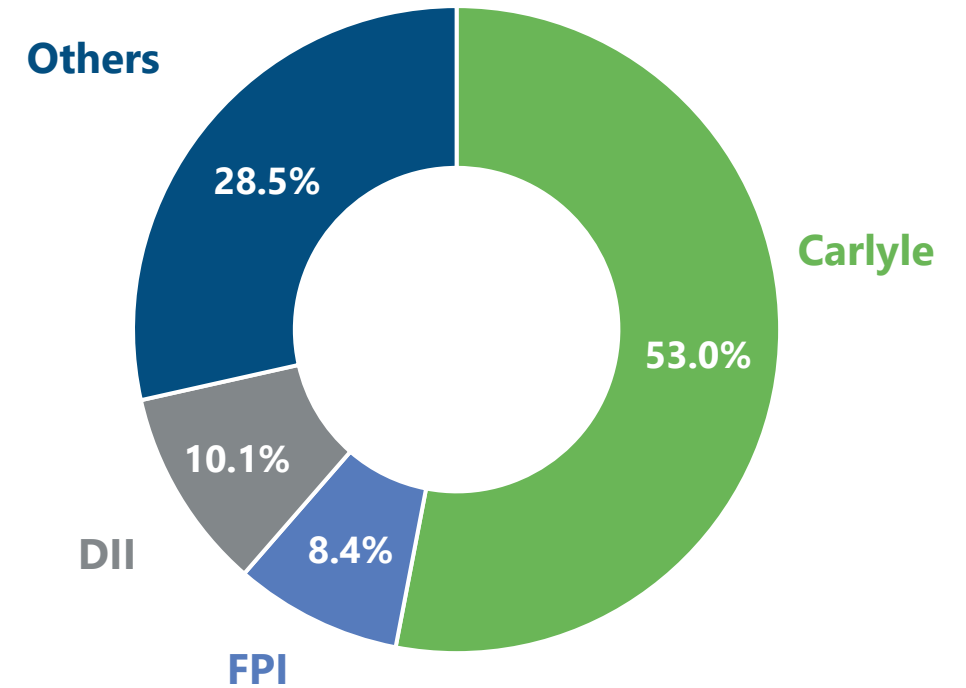
- BE-VJTI; MBA-IIM Lucknow
- Director, Carlyle India
- Expertise in buyout opportunities, healthcare growth investment



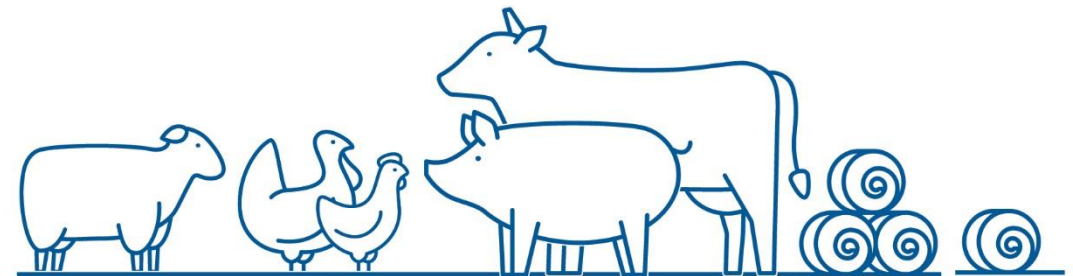
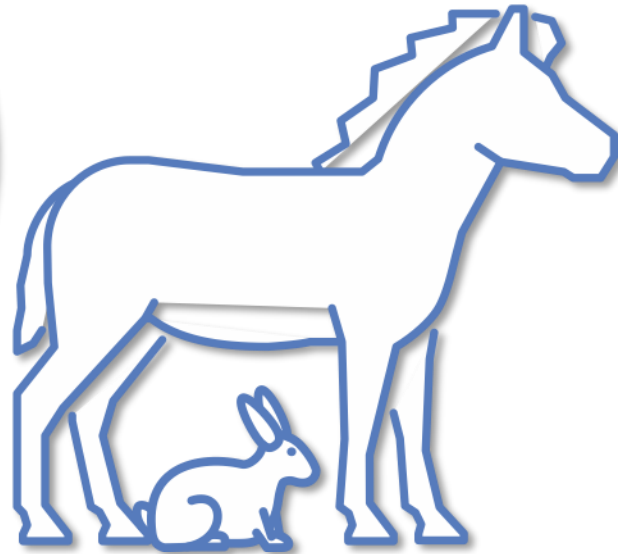
Ownership structure

Shareholding as on 30 th September 2020	(% of Total Equity)
Carlyle	53.0%
FPI	8.4%
DII	10.1%
Others	28.5%

Nil shares pledged as on September 30, 2020



Unlocking Value Creation



Consolidation of Subsidiaries

Provet

- ⌚ Amongst the top 3 and the largest local veterinary medicines company in Turkey having market share of ~10% with more than 120 product registrations
- ⌚ 8 manufacturing lines in various dosage forms including injectables, oral solutions, aerosols and intrauterine
- ⌚ Caters to bacterial, parasitic, anthelmintic, antiparasitic, nutritional for the ruminant therapeutics segment
- ⌚ Acquired 40% of Provet making it a wholly owned subsidiary

Fendigo

- ⌚ Netherlands based veterinary marketer for pets, farm animals, horses and poultry health products
- ⌚ Acquired 15% of Fendigo making it a wholly owned subsidiary

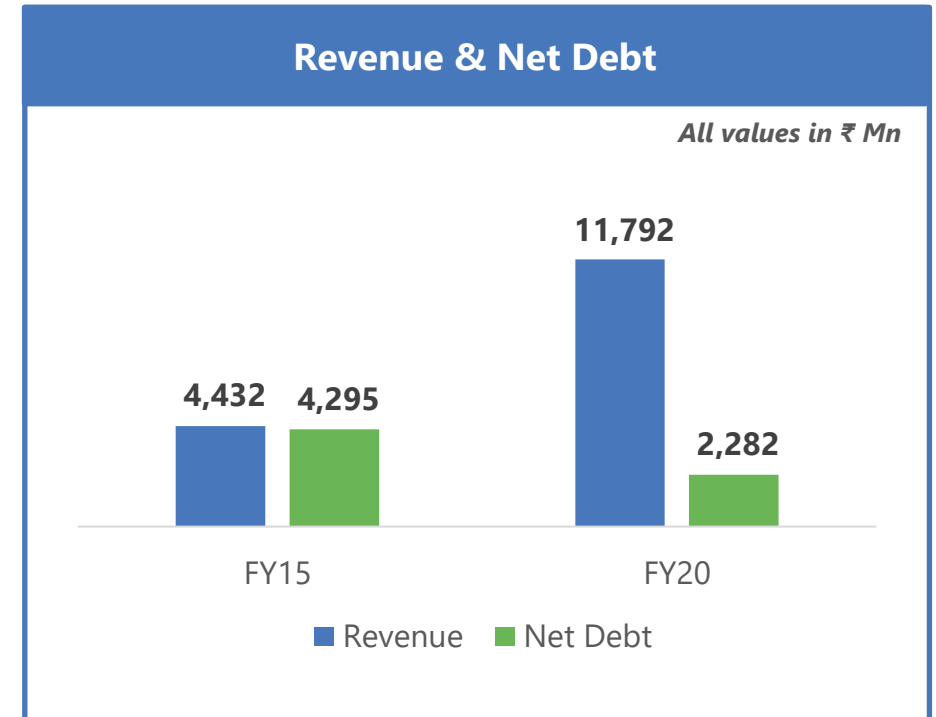
Source of Funds

Consolidation funded by sale of treasury holding in Strides Pharma Science Limited

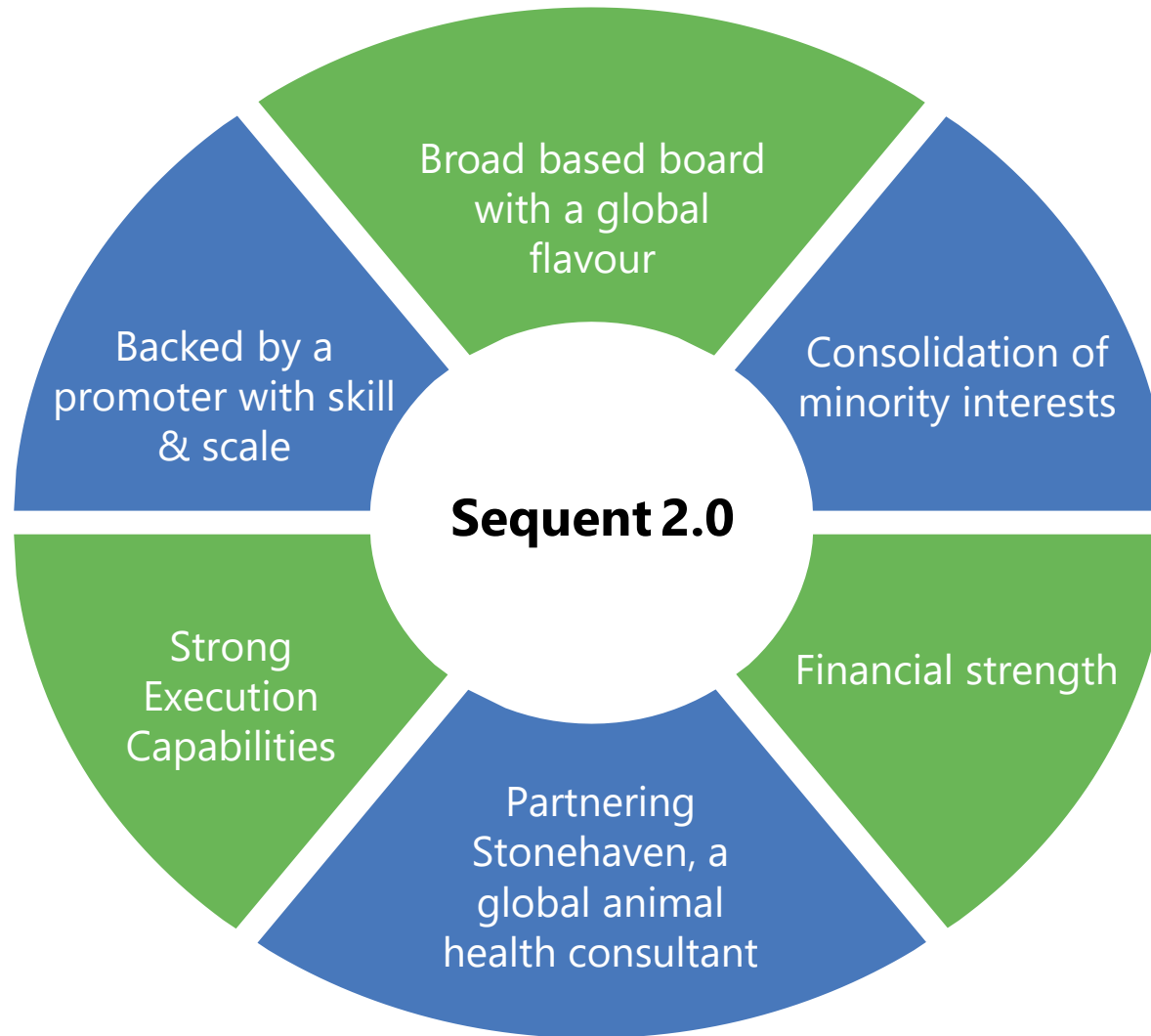


... supplemented by a Credit Rating Upgrade

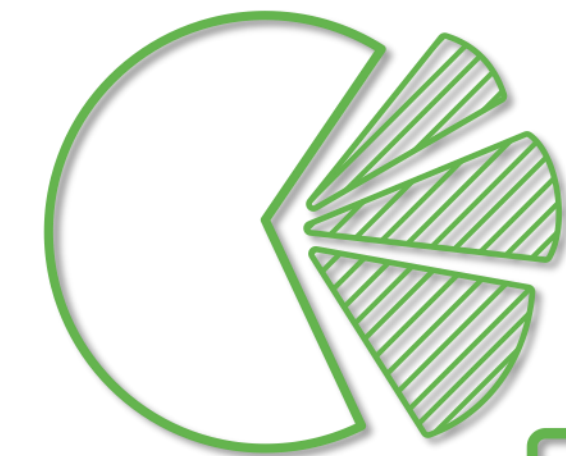
- ⑥ India Ratings upgraded long term credit rating of SeQuent from IND A- (Stable) to **IND A (Positive)**
- ⑥ Consistent financial performance and debt reduction lead to 6 step improvement over last 5 years
- ⑥ Confidence in strength of business model with diversified revenue mix underpinned with relentless focus on execution making SeQuent amongst the 'Top 20' animal health industry players globally
- ⑥ Further facilitated by the financial and global strength of the new promoters – 'Carlyle Group'
- ⑥ Alivira Animal Health Limited credit rating also upgraded from IND A- (Stable) to **IND A (Positive)**



... foundations in place for Sequent 2.0

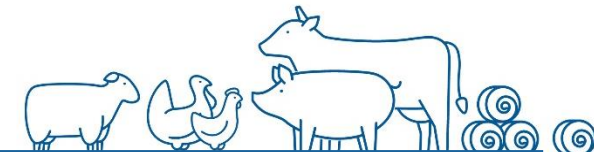


Successfully Negotiating the Covid Storm



Responsible operations in challenging environment...

- ⑥ Collaborative efforts to maintain eco-system & manage stakeholders with larger interest in mind
 - ⑥ Complete support to vendors & employees, timely payments to all including banks
 - ⑥ Enhanced medical insurance coverage across the organisation
- ⑥ Operations continued across all sites in India and overseas under heightened care
- ⑥ Supply chain team support ensured availability of materials despite significant logistical challenges
- ⑥ Field operations was streamlined for safety, field visits replaced by phone calls to customers
- ⑥ Extra-ordinary co-ordination between Marketing, Operations, Finance and HR ensured near execution of the plan across the three quarters



India

- ⑥ Mahad operations suspended for 10 days in Q2 FY21 due to Covid cases in the region;
- ⑥ No perceptible impact on other sites with stray Covid cases
- ⑥ Vizag plant expansion project extended by 3 months

EU

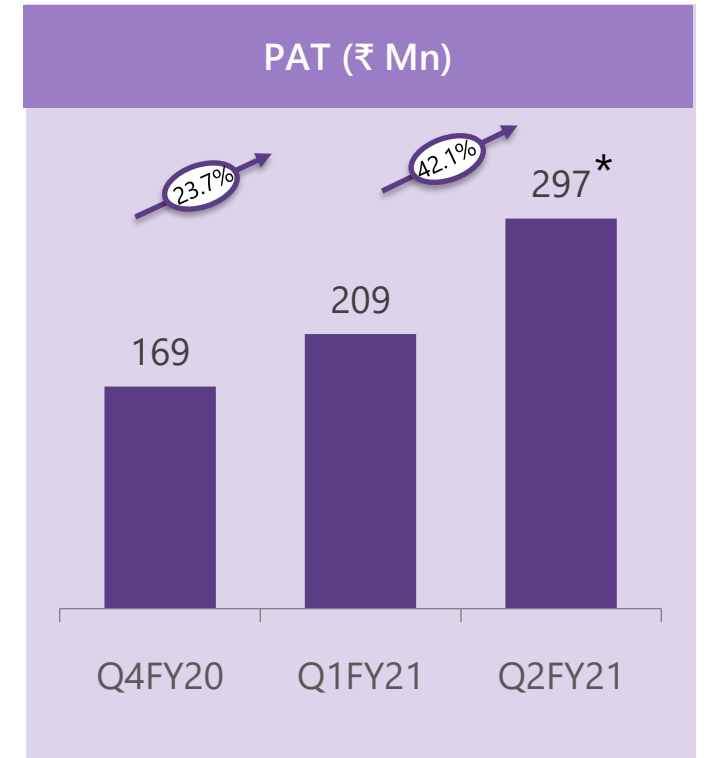
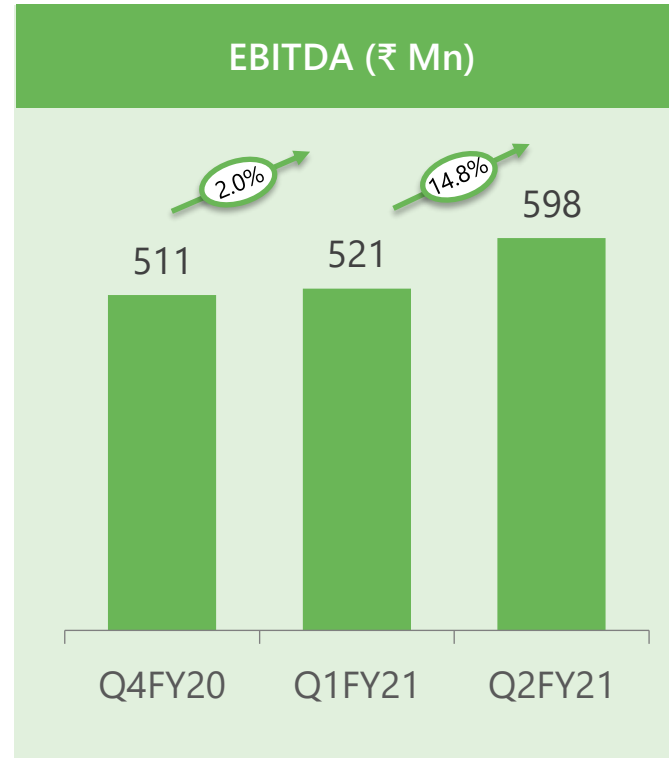
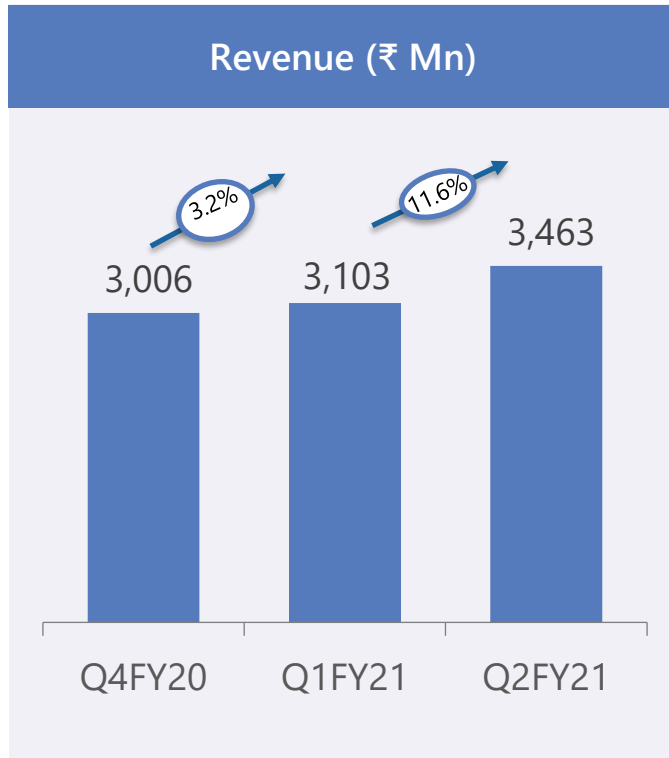
- ⑥ Prioritisation of plant operations by diverting technical resources from R&D to QC operations
- ⑥ Building safety inventories for possible supply chain disruptions
- ⑥ Bremer capex plans deferred to next year due to execution challenges

Other Location

- ⑥ All operations continue unaffected in both Brazil and Turkey with sound safety measures in place



... while delivering strong financials

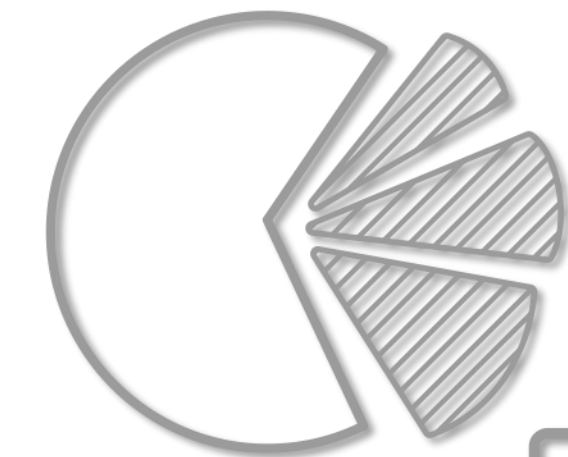


*Adjusted PAT accounting for one-off cost





Q2 FY21 and H1 FY21 Performance Review



Another quarter of Revenue and Margin momentum...

	Q2 FY21		YoY	H1 FY21		YoY
Revenues	Q2 FY21	3,463	21.8%	H1 FY21	6,565	16.8%
	Q2 FY20	2,842		H1 FY20	5,622	
EBITDA	Q2 FY21	598	58.2%	H1 FY21	1,119	46.7%
	Q2 FY20	378		H1 FY20	763	
Adjusted PAT*	Q2 FY21	297	39.4%	H1 FY21	506	28.8%
	Q2 FY20	213		H1 FY20	327	
Cash from Operations	Q2 FY21	607	2.8x	H1 FY21	1,016	3.3x
	Q2 FY20	218		H1 FY20	306	

*Adjusted PAT accounting for one-off cost



Strong performance across businesses drives new revenue peak

All values in ₹ Mn

Revenue Distribution	Q2'21	Q2'20	YoY%	YoY% (Constant currency)	H1'FY21	H1,FY20	YoY%	YoY% (Constant currency)
Formulations	2,263	1,869	21.1%	24.7%	4,264	3,743	13.9%	16.5%
<i>Europe</i>	952	844	12.8%	1.6%	2,028	1,726	17.5%	7.7%
<i>Turkey</i>	400	325	23.1%	48.5%	757	668	13.3%	28.9%
<i>Emerging Markets</i>	558	429	30.0%	25.2%	7942	837	(5.3%)	(8.2%)
<i>LATAM</i>	353	271	30.3%	67.3%	687	512	34.2%	70.5%
APIs	1,200	973	23.3%	18.3%	2,301	1,880	22.4%	20.2%
Global Sales	3,463	2,842	21.8%	22.5%	6,565	5,622	16.8%	17.8%

Key Highlights

Revenues breach ₹3.4bn (+22.5%), up 10% over previous peak

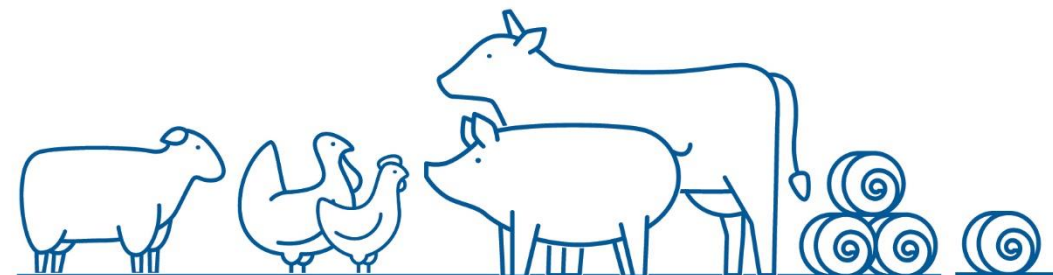
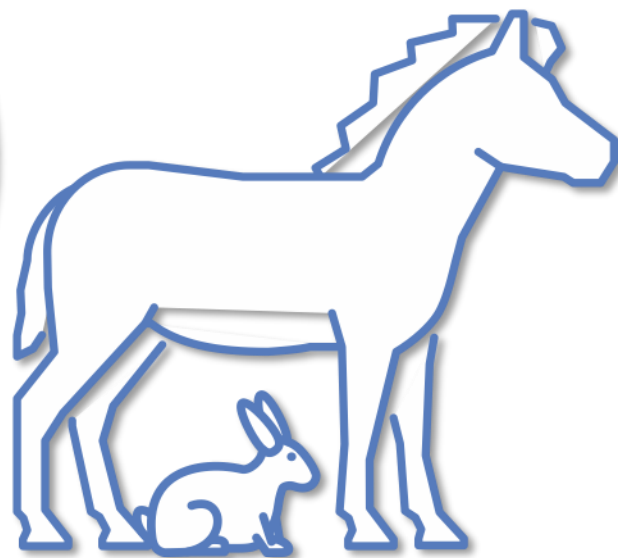
- Formulations drives growth for the quarter, +24.7%
- Strong performance across key geographies of Latam and Turkey
- India drives strong recovery in Emerging Markets
- API Business: Highest quarterly sales of ₹1,200Mn, +18.3%

Note: All growth % are in constant currency





Q2 & H1FY21 Business Review



Formulations Continue to Create Value...

Highlights

- ⦿ Outperformance continues in Brazil and Turkey with new product launches coupled with market share gains for existing products
- ⦿ Benelux drives EU, Spain subdued in the quarter
- ⦿ Strong recovery in India, commercialised Zoetis products in India, achieve 2x scale
- ⦿ Cautious approach continue for rest of Emerging markets
- ⦿ EU approvals received for:
 - ⦿ World's largest injectable filing within 11 months of filing
 - ⦿ 3 products approvals from Spain's R&D development
 - ⦿ Commercialisation to drive H2 performance

All values in ₹ Mn

Q2FY21	Q2FY20	YoY% (cc)	H1 FY21	H1 FY20	YoY% (cc)
2,263	1,869	24.7%	4,264	3,743	16.5%

FDFs

1000+

Manufacturing facilities

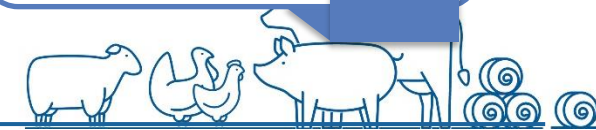
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Sales to regulated markets

65%+

Countries with marketing presence

80+



... While APIs scale the Capability Curve

Highlights

- ⦿ Highest quarterly sales of ₹1,200Mn with a growth of 18.3%
- ⦿ CDMO model initiated with one of the largest AH player – 2 products under execution
- ⦿ 1 USVMF filing in the quarter, 20 US filings in total,
- ⦿ Enhanced production capacity at Mahad, Vizag expansion to be completed in Q4

All values in ₹ Mn

Q2FY21	Q2FY20	YoY% (cc)	H1 FY21	H1 FY20	YoY% (cc)
1,200	973	18.3%	2,301	1,880	20.2%

Commercial APIs

27

Manufacturing facilities

3

Sales to regulated markets

75%+

Asset turnover ratio

2.5x



Formulations

Products Under Development

35+

R&D Centres

4

Injectables

38%

New filings in US next 3 years

10

API

Molecules in pipeline

14+

R&D Centre

1

US Filings

20

CEP Filings

11



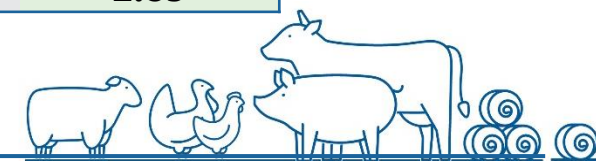


Financials



Strong Consolidated Financials trend continues ...

PARTICULARS	Q2 FY21 Unaudited	Q1 FY21 Unaudited	Q2 FY20 Unaudited	H1 FY21 Unaudited	H1 FY20 Unaudited	FY20 Audited
Revenue from Operations	3,463	3,103	2,842	6,565	5,622	11,792
Material Consumption	(1,807)	(1,594)	(1,508)	(3,401)	(2,939)	(6,051)
Gross Margin	1,656	1,508	1,335	3,164	2,684	5,742
%	47.8%	48.6%	47.0%	48.2%	47.7%	48.7%
Operating Expenses	(1,058)	(987)	(957)	(2,045)	(1,921)	(3,984)
EBITDA	598	521	378	1,119	763	1,758
%	17.3%	16.8%	13.3%	17.0%	13.6%	14.9%
Exchange Gain / (Loss)	(34)	(11)	(6)	(45)	(7)	(55)
Other Income	26	15	60	42	73	101
Finance Cost	(74)	(76)	(78)	(150)	(168)	(357)
Depreciation	(133)	(130)	(125)	(263)	(245)	(506)
Exceptional Items	(90)	-	-	(90)	-	-
Earnings Before Tax	293	319	228	612	416	941
Taxes	(80)	(74)	16	(154)	(19)	(120)
Earnings After Tax	214	245	245	458	398	820
Minority Interest	1	36	32	37	70	121
Earnings after Minority Interest	213	209	213	422	327	699
Earnings per share ₹	0.86	0.85	0.87	1.70	1.34	2.85



...adjusted PAT for one-off cost

Excluding the one-time non-recurring expenses, the Normalised PAT is:

PARTICULARS	Q2 FY21 Unaudited	Q1 FY21 Unaudited	Q2 FY20 Unaudited	H1 FY21 Unaudited	H1 FY20 Unaudited	FY20 Audited
Reported PAT (including exceptional items)	213	209	213	423	327	699
Non-recurring expenses (net of tax)	84	-	-	84	-	-
Adjusted PAT	297	209	213	506	327	699

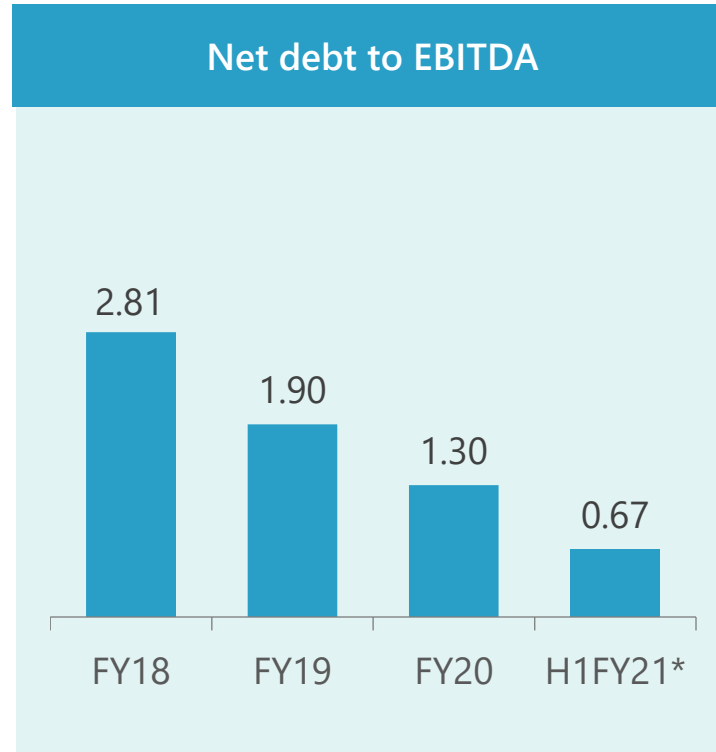
Break-up of Non-recurring expenses:	Amount
One-time Bonus to employees & Accelerated vesting of ESOPs on change of control	52.1
Alivira France operations discontinued due to adverse business environment	38.3
Total	90.4



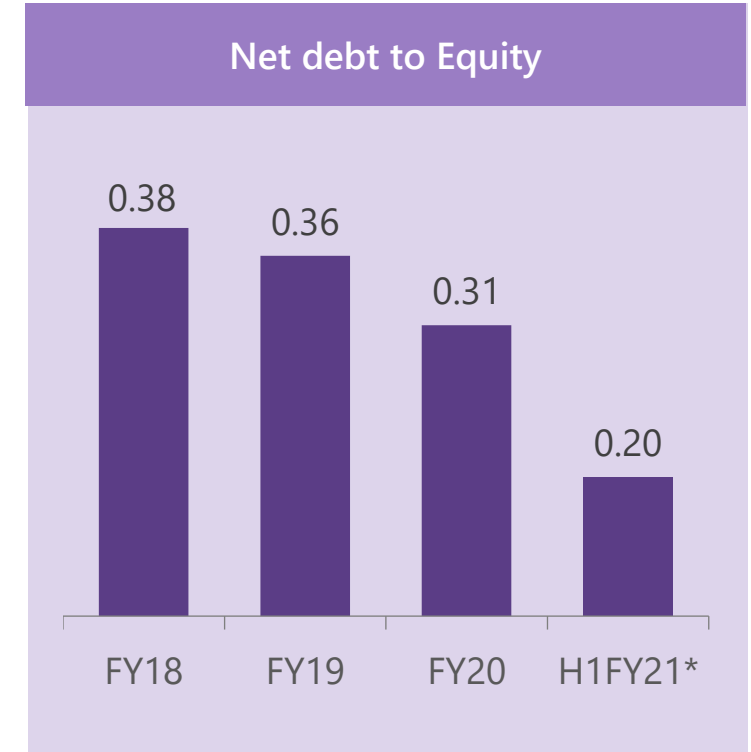
... resulting in a strong Balance Sheet, and

All values in ₹Mn

Particulars	Sep-20	Mar-20
Shareholders Funds	7,483	7,428
Minority Interest	478	447
Net Debt*	1,496	2,282
Investments	594	1,313
Tangible Assets	3,375	3,560
Intangible Assets	2,737	2,897
Working Capital	3,042	3,127



*H1 Annualized

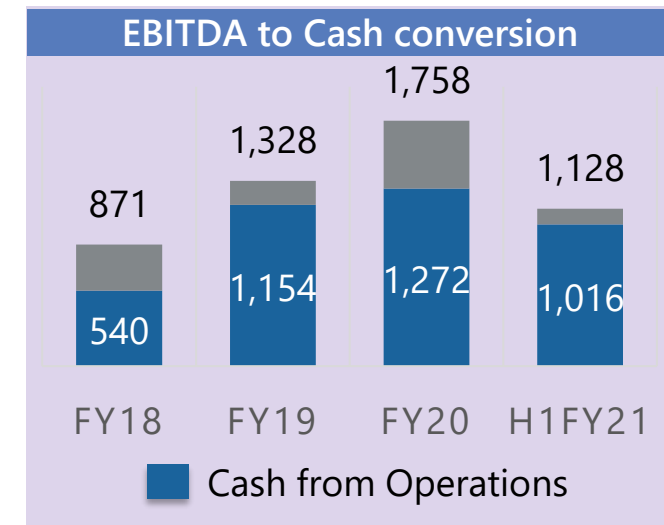
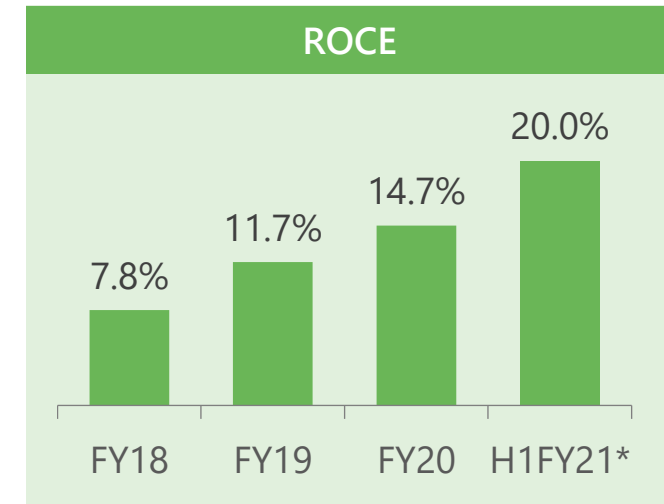


*Net Debt considers payout for consolidation of Turkey



Balance Sheet Highlights

- Focus on profitability resulting in strong cash flow from operations
- Cash flow generation aids net debt reduction and lower gearing
- Well integrated acquisitions with a focus on front end formulation business leading to higher return ratios
- Judicious capital allocation leading to scale up in ROCE

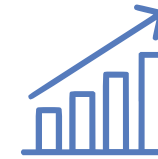


FY21 Delivering on guidance



FY21 Outlook

- High-teen revenue growth
- 200+ bps margin expansion



H1FY21 status

- 16.8% revenue growth
- 340 bps margin expansion



Thank You



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