

Press Release

**Strides Shasun announces Q3 FY16 results,
Q3 FY16 Pharma Revenues INR 8,547 Mn, Pharma EBITDA at INR 1,628 Mn,
Strong Margin performance, Pharma EBITDA margin at 19%
Announces two strategic acquisitions, Reaffirms H2 FY16 Guidance**

Bengaluru, February 8, 2016: Strides Shasun (BSE: 532531, NSE: STAR) today announced its Q3 FY16 results for the combined entity.

Pharma Performance Highlights – Q3 FY16 & 9M FY16

This is the first combined quarterly reporting post-merger between Strides Arcolab and Shasun Pharmaceuticals. Beginning this quarter the performance of the pharmaceutical business segment will be reported in the following four key business divisions – **Regulated Markets, Emerging markets, Institutional business and Pharmaceutical Services and Active Ingredient business (PSAI)**.

Global Pharma

INR Mn

	Q3 FY15	Q3 FY16	YoY Growth %	9M FY15	9M FY16	YoY Growth %
Revenues	6,526	8,547	31%	18,441	21,740	18%
EBITDA	1,031	1,628	58%	2,683	3,798	42%
EBITDA %	16%	19%	300bps	15%	17%	200bps
Adj Pharma EPS*		8.87			20.23	

*Excluding Merger & due diligence costs of INR 57 Mn and Biotech cost of INR 77 Mn for Q3 FY16

*Excluding Merger & due diligence costs of INR 134 Mn and Biotech cost of INR 197 Mn for 9M FY16

*Q3 FY15 and 9M FY15 numbers have been re-aligned to the current year reporting structure for comparative purposes

Arun Kumar, Executive Vice Chairman and Managing Director, stated “Considering the volatile external environment, we had a strong quarter with margins in line with guidance. We believe that we have laid a strong foundation for building the business of size and scale through organic and inorganic strategies.”

Revenue Composition by Business - Global Pharma

INR Mn

	Q3 FY15	Q3 FY16	YoY Growth %	9M FY15	9M FY16	YoY Growth %
Regulated Markets	1,470	3,186	100%+	4,514	7,194	59%
Emerging Markets	1,167	1,159	(1%)	3,228	3,148	(2%)
Institutional Business	1,320	1,703	29%	2,959	3,880	31%
PSAI	2,569	2,500	(3%)	7,740	7,518	(3%)
Total Revenues	6,526	8,547	31%	18,441	21,740	18%

*Q3 FY15 and 9M FY15 numbers have been re-aligned to the current year reporting structure for comparative purposes

Regulated Markets Business

- Revenues at INR 3,186 Mn in Q3 FY16, representing 37% of total revenues
- First full quarter consolidation of Arrow Pharmaceuticals business in Australia. The business has been integrated efficiently and is operating to its potential.
- Received two product approvals from USFDA during the quarter - Dutasteride softgel capsule (market size of USD 470 million) and Carisoprodol Tablets (market size of USD 38 million)
- Growth in revenues and margin expansion in North America driven by market share gain for existing products and new product launch

Emerging Markets Business

- Revenues flat at INR 1,159 Mn in Q3 FY16, representing 14% of total revenues
- Delivered a steady quarter in Africa amidst volatile currency environment and sluggish distribution environment
- Investments in manufacturing infrastructure and ramp up in medical representative head count on track for next phase of growth across emerging markets

Institutional Business

- Revenues at INR 1,703 Mn in Q3 FY16, representing 20% of total revenues
- Strong quarterly performance driven by continued momentum in procurement of Anti-Malarial's by global funding agencies and an improved market share for the funded business. Business has a strong order book in place for Q4 FY16.
- Received approval from Drug Controller General of India (DGCI) for manufacturing generic version of Sofosbuvir (Gilead's Sovaldi) used for treatment of Hepatitis C. Currently marketing the product under the brand name "**Virso**" in select emerging markets
- Backward integration of institutional portfolio to help scale up business and deliver sustainable growth

Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues at INR 2,500 Mn in Q3 FY16, representing 29% of total revenues
- API revenues during the quarter impacted due to incessant rains in state of Tamil Nadu.
- Focussed on re-alignment of API portfolio to formulations strategy
- CRAMS business continued turnaround delivering another steady quarter

Pharma R&D – Building the future product pipeline

- API and formulations R&D functions aligned with a focus to backward integrate key formulations products and building a strong pipeline of integrated products for regulated market and Institutional business
- R&D spend for Q3 FY16 at INR 216 Mn, against INR 145 Mn in Q3 FY15. Company on track to meet H2 FY16 product filing guidance
- 43 cumulative ANDA filings (non-PEPFAR) with USFDA including 1 product filed during the quarter
- 20 ANDA filings pending approval from USFDA, 2 product approval received during the quarter
- 18 cumulative PEPFAR filings with 17 tentative approvals

Corporate Updates

Merger with Shasun Pharmaceuticals Limited

- Merger became effective on November 19, 2015 with appointed date as April 1, 2015
- Mr Abhaya Kumar, Founder and managing director of erstwhile Shasun Pharmaceuticals joined the Board of Strides Shasun Limited as an Executive Director.

Other Updates

Qualified Institutional Placement (QIP)

- In Q3 FY16, the company raised ~USD 167 million through a Qualified Institutional Placement by issuing 8.63 million shares at INR 1278/- per share.
- The Issue was subscribed by marquee FIIs and domestic long term investors including Sovereign wealth funds, Insurance companies, Pension Funds, reflecting a well-diversified investor base
- Out of the total QIP proceeds, up to USD 100 million have been earmarked for acquisitions and organic expansion plans for the group. Remaining funds will be utilized towards repayment of debt.

Executing a Focused Strategy

The company continues to focus on consolidating its position by selectively pursuing accretive inorganic opportunities in regulated and emerging markets.

Australia

Acquisition of strategic stake in Generic Partners Holdings – Consolidating position down under

- The company has signed a definitive agreements to acquires 51% in Generic Partners Holding Co. Pty Ltd, an Australian pharmaceutical supply and research company
- The acquisition provides immediate access to 47 commercialised marketing authorizations making Arrow the second largest generic pharmaceutical products company in Australia with a portfolio of over 180 molecules
- The acquisition also provides access to 22 registrations pending approval with TGA and strong pipeline of 32 molecules including host of drugs going off patent in future.
- Going forward Arrow will consolidate its R&D initiatives for the Australian market under Generic Partners, leveraging its strong product development and registration capabilities.
- Generic Partners, currently is a B2B suppliers of generic pharmaceuticals. The business will continue to work independently with all its existing supply partners/customers and will leverage on companies strong manufacturing platform to derive supply chain efficiencies.
- This is an all cash deal for an upfront consideration of AUD 15 Million and a commitment of AUD 10 Million to fund future R&D.
- Generic Partners reported revenues of AUD 38.9 million and an adjusted EBITDA of AUD 7.1 million for the 12 month period ending June 2015. The transaction enhances Arrow's competitive abilities across the value chain in the Australian generic pharmaceutical market
- The current management team of Generic Partners led by its CEO and Managing Director Sanjiv Puri will continue to manage the business independently

- The transaction is subject to statutory approvals & customary closing conditions and expected to be close by Q1 FY17

Africa

Acquisition of controlling stake in Nairobi based Universal Corporation – “In Africa for Africa”

- Universal is a pharmaceutical manufacturing and marketing company in East Africa with a front-end business and has access to supply contracts from key donor agencies.
- Universal owns one of the only two WHO Pre-Qualified sites in Sub-Saharan Africa. The facility has capability to produce tablets, capsules, ORS, creams, ointments and liquids
- The acquisition provides the company with a strong foothold in the key East African markets
- Company plans to transfer several strategic institutional products to this facility as Donor & government procurement agencies have a preference for “Made in Africa” products
- This is an all cash deal to acquire 51% stake, with an initial pay out of USD 11 Million and a performance related earn out capped at USD 3 Million for achieving an EBITDA of USD 2.95 million for 2015.
- Universal Corporation reported revenues of USD 22.4 million for the 12 month period ending December 2015. The Acquisition will be EPS accretive immediately.
- The transaction is subject to statutory approvals & customary closing conditions and expected to be close by Q1 FY17

Updated on recent acquisitions

- Completed acquisition of CNS divisions of erstwhile Ranbaxy from Sun Pharma, brands portfolio from Johnson & Johnson and majority stake in domestic branded business of Medispan.
- These acquisitions strengthen the company’s presence in fast growing segments of CNS, Probiotics, pain management and women wellness portfolio. The company will leverage on its footprint in emerging markets to drive growth in the acquired brands portfolios.

Biotech

- R&D spend during the quarter at INR 61 Mn, against INR 10 Mn in Q3 FY15
- Successfully completed pilot clinical study in limited subjects for our first biosimilar, focus to scale up the asset for pivotal clinical study
- Scale up of second biosimilar initiated, bio-compatibility studies to commence post scale up
- Received FIPB approval for GMS Pharma (Singapore) Private Limited’s proposal to acquire 25.1% of the share capital of Stelis Biopharma Private Limited for a consideration of US\$ 21.9mn
- Commenced construction activities of bio-pharmaceutical facility at Doddaballapur, Bangalore

Consolidated Financial & Performance Highlights (Pharma & Biotech)

	INR Mn					
	Q3 FY15	Q3 FY16	YoY Growth %	9M FY15	9M FY16	YoY Growth %
Revenues	6,526	8,547	31%	18,441	21,740	18%
EBITDA	1,021	1,567	53%	2,630	3,649	39%
EBITDA %	16%	18%	200bps	14%	17%	300bps
Adj PAT*		645			1,429	
Adj EPS*		7.92			17.78	

*Excluding Merger & due diligence costs of INR 57 Mn and Biotech cost of INR 77 Mn for Q3 FY16

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Annexure:

EBITDA Computation:

	Q3 FY 2016	9M FY16
SEBI Results	Column 1	Column 6
Profit from ordinary activities before finance cost & Exceptional Items as per SEBI reporting	1,220	3,149
Less: Interest, Dividend income, Gain on sale of securities	65	605
Add : Depreciation and Amortization	413	1,104
Consolidated EBITDA as per press release	1,567	3,649
Add: Biotech R&D Spend	61	150
Global Pharma EBITDA as per press release	1,628	3,798

About Strides Shasun

Strides Shasun, listed on the Bombay Stock Exchange Limited (532531) and National Stock Exchange of India Limited (STAR), is a vertically integrated global pharmaceutical Company headquartered in Bangalore. The Company has four business verticals, viz., Regulated Markets, Emerging Markets, Institutional Business and Pharmaceutical Services & Active Ingredients.

The Company has global manufacturing foot print with 12 manufacturing facilities spread across three continents including 6 US FDA approved facilities and 6 facilities for the emerging markets. The Company has two dedicated R&D facilities in India with global filing capabilities and a strong commercial footprint across 85 countries Additional information is available at the Company's website at www.stridesarco.com

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