



**DECISIVE  
MOVES.  
DRIVING  
VALUE.**

**INVESTOR PRESENTATION**

June 2014

# Disclaimer



This presentation and the accompanying slides (the "Presentation"), which has been prepared by Strides Arcolab Limited (the "Company"), has been prepared for information purposes only and is not, and is not intended to be, an offer, or solicitation of offer, or invitation or recommendation to buy or sell any securities of the Company, and shall not constitute an offer, solicitation or invitation or recommendation to buy or sell in any jurisdiction in which such offer, solicitation or invitation or recommendation is unlawful. No part, or all, of this Presentation shall form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities of the Company.

Nothing in the foregoing shall constitute and/or deem to constitute an offer or an invitation to an offer, to be made to the Indian public or any section thereof through this document, and this document and its contents should not be construed to be a prospectus in India. This document has not been and will not be reviewed or approved by any statutory or regulatory authority in India or by any stock exchange in India.

This Presentation is strictly confidential and may not be copied, published, distributed or transmitted to any person, in whole or in part, by any medium or in any form for any purpose. The information in this Presentation is being provided by the Company and is subject to change without notice. This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, and no reliance shall be placed on, the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. This Presentation may not be all inclusive and may not contain all of the information that you may consider material. Any liability in respect of the contents of, or any omission from, this Presentation is expressly excluded.

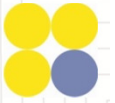
This Presentation contains statements about future events and expectations that are forward-looking statements. These statements typically contain words such as "expects" and "anticipates" and words of similar import. Any statement in this Presentation that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. None of the future projections, expectations, estimates or prospects in this Presentation should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the Presentation. The Company assumes no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

You acknowledge that you will be solely responsible for your own assessment of the market, the market position, the business and financial condition of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of the Company.

Neither the delivery of this Presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company.

The distribution of this Presentation in certain jurisdictions may be restricted by law and persons into whose possession this Presentation comes should inform themselves about and observe any such restrictions

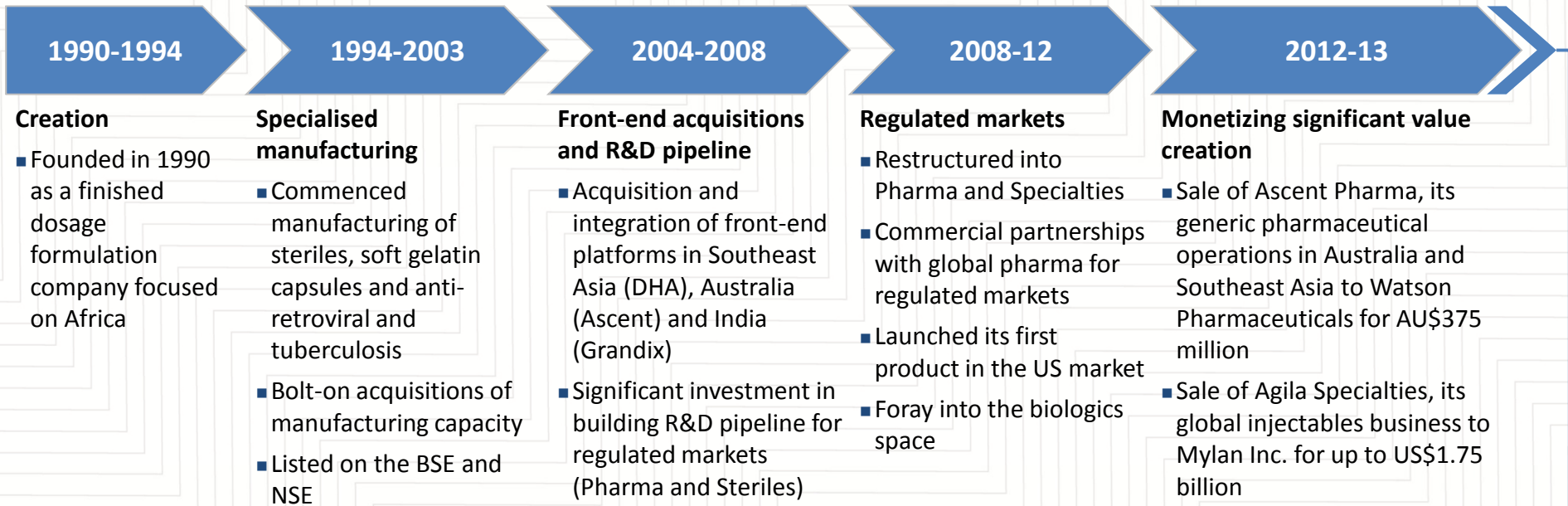
**DECISIVE MOVES. DRIVING VALUE.**



**HISTORY**

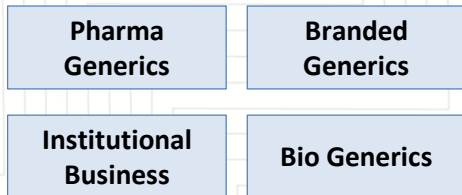


# Over 23 Years of Investment in Pharma



## Strides Arcolab Today

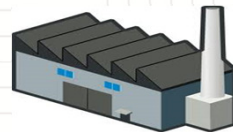
Operates in four business segments:



1,400+ employees



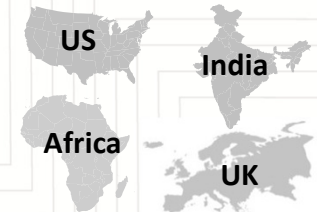
5 manufacturing facilities with presence in 75+ countries



2 Global R&D centers with 125 scientists

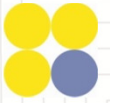


Front-ending across select geographies



After monetizing the significant value created at Ascent Pharmahealth and Agila Specialties, Strides is focused on growing its core pharma business and successfully executing its planned investments in biologics

**DECISIVE MOVES. DRIVING VALUE.**



**BUSINESS OVERVIEW**

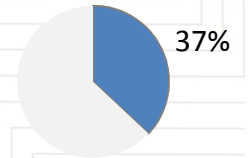


# Segments – Overview and Key Growth Drivers

*% Contribution to  
FY13-14 Revenue*

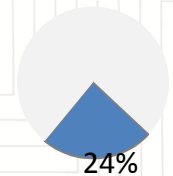
## Pharma Generics

- Leading generics platform focused on the regulated markets with strong partnerships and front-ending presence
- Two state-of-the-art manufacturing facilities approved by key global regulatory authorities including US FDA
- Strong R&D capabilities with pipeline focused on high entry barriers products



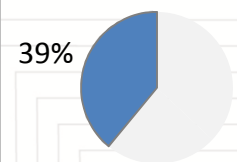
## Branded Generics

- Africa – Regional player with manufacturing, sales and marketing platform for branded generic pharmaceuticals and OTC medicines
- India – Established regional player in Southern India in niche branded pharmaceutical products
- “Renerve” is the flagship brand with leading market position



## Institutional Business

- Sales of antiretroviral and anti-Malaria medicines to African govt. programmes backed by large donor agencies providing highly visible and reliable funding
- Key supplier to programs funded by UNITAID, PEPFAR and the Global Fund via public tenders



## Bio Generics

- STELIS Biopharma marks the foray of Strides Arcolab into the biologics space
- Planned investments for setting up a next-generation biologics facility in Johor, Malaysia, and a 22,000 sq. ft. state-of-the-art R&D facility in Bangalore



# Led by Experienced Management Team



**Arun Kumar**  
*Founder and Group CEO*

*Founder & Group CEO  
Over 24 years of experience*



**Joe Thomas**  
*Chief Corp.  
Development Officer*

*Joined Strides in Jan-2012  
Over 31 years of experience*



**Sebi Chacko**  
*Chief Human  
Resources Officer*

*Joined Strides in Dec-2013  
Over 20 years of experience*



**Mohan Kumar**  
*CEO – Pharma*

*Joined Strides in May-2013  
Over 33 years of experience*



**Badree  
Komandur**  
*CFO and  
Company  
Secretary*

*Joined Strides in Mar-2010  
Over 20 years of experience*



**Dr. Anand  
P Iyer**  
*CEO - STELIS  
Biopharma*

*Joined Strides in Jan-2012  
Over 32 years of experience*



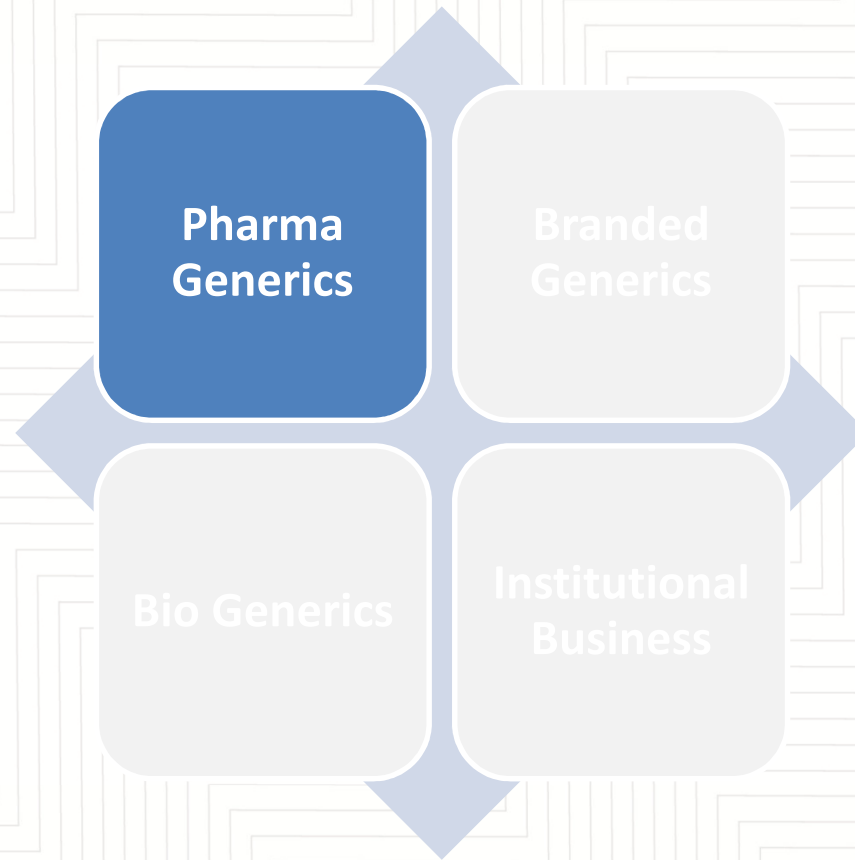
**Sinhue  
Noronha**  
*CEO - Africa  
Operations*

*Joined Strides in Apr-2010  
Over 34 years of experience*



**Subroto  
Banerjee**  
*President –  
Brands India*

*Joined Strides in Mar-2012  
Over 28 years of experience*







- Growing global footprint in IP led generics with efficient formulation development, complex manufacturing capabilities and operational flexibility
- Diversified portfolio comprises of 300+ products including nutraceuticals, Rx soft gelatin capsules, sachets, high potency drugs like immunosuppressants and oral solids in wide ranging therapies
- Two state-of-the-art US FDA approved manufacturing facilities in Bangalore, India and Milan, Italy
- Strong regulatory and registration capabilities for regulated markets of US, Europe, Australia, and South Africa
  - Strong track record with 45 ANDA filings in the US and 157 filings across other established markets
- Long term business partnerships with global pharmaceutical companies such as Aspen, Alvogen, Chanelle and Ascent Pharma, among others provide a stable revenue stream across geographies
- Front-ending through Strides Pharma Inc. in the US with focus on providing quality health care products with the Strides label

# State-of-the-art Manufacturing Facilities



**Bangalore, India**



**Milan, Italy**



<b>Approval</b>	US FDA, MHRA, THA, ANVISA, MCC, WHO, Uganda and Kenya
<b>Products</b>	Tablets, hard gelatin capsules, soft gelatin capsules, sachets, potent drugs

<b>Approval</b>	US FDA, EU
<b>Products</b>	Semi solids, ointments, creams

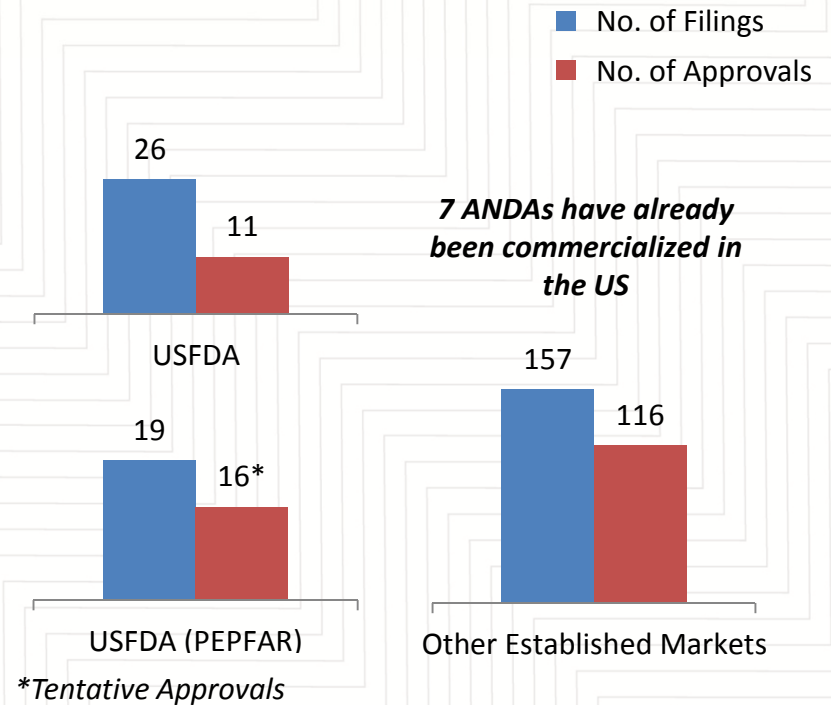
- State-of-the-art manufacturing facility with an annual production capacity of circa 3.5 billion units and approvals from major regulated market authorities
- One of the largest single-site production facilities in India with a strong IT enabled QA / regulatory systems
- Highest adherence to quality with “Zero” 483s



## Overview

- Capabilities in difficult-to-develop products in varied dosage formats including combipacks, bilayered tablets, modified release dosage forms, sachets and soft gels
- Focus on difficult to develop innovative / differentiated products including capabilities for
  - Developing non-infringing formulations for early entry into the regulated markets
  - Creating own patentable technologies for lifecycle management for out-licensing to innovators
- Exhaustive pipeline of generics across varied formats and domains
  - Pipeline of 20+ products to be commercialized in the next five years

## Strong Track Record of Filings and Approvals



- Strong R&D capabilities with a focus on development of IP-led, high-value complex generics
- Proficient regulatory framework capable of developing and filing products in major regulated markets
- Cutting edge modified-release technologies like sustained release and delayed release in various oral dosage forms

## Strategy and Growth Drivers



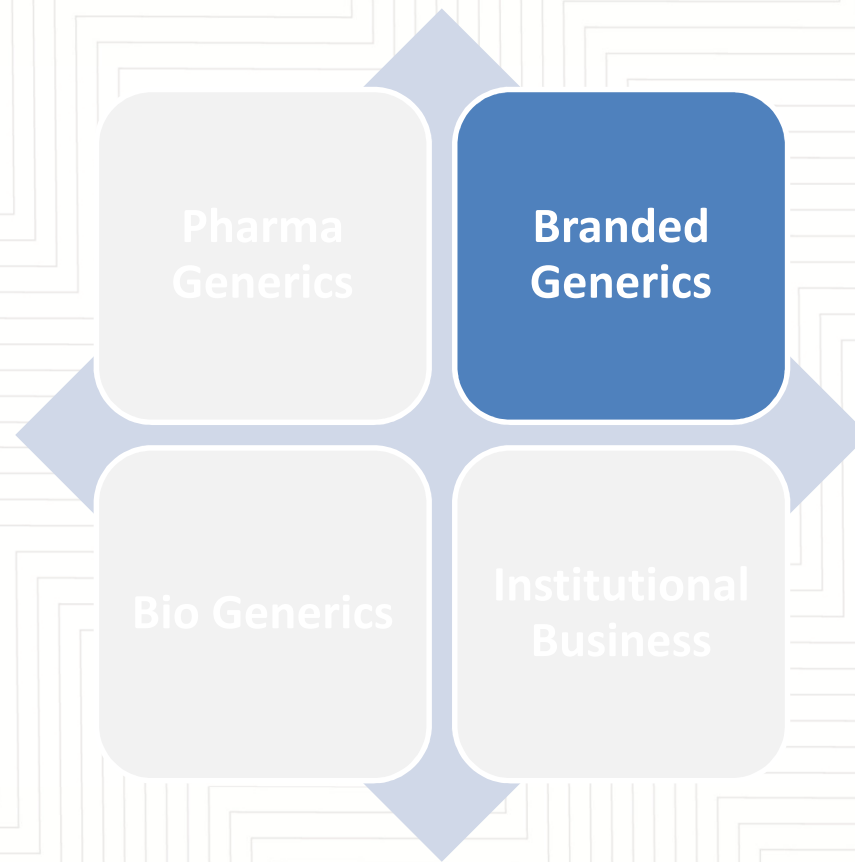
Focus on high quality manufacturing

IP-Led business model to maximize returns from regulated markets

Front-end operations in US and UK better positioned to seize new opportunities

Value creation through partnership in US and continued efforts in Europe and Australia

Achieve significant share from niche products with high value, low volume and high profitability



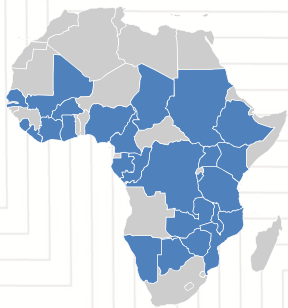
# Emerging Markets Overview



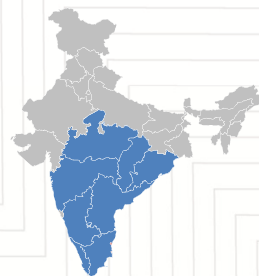
- Regional player known for marketing high-quality, locally relevant generic products
- Products supplied out of a regional manufacturing hub supports the strategy of local relevance and affordable pricing
- Focus on branding creates high recognition of Strides products among doctors and patients
- Ethical sales and marketing implemented through comprehensive compliance policies, employee training and monitoring programs
- Profitability focused field force

## Presence across markets

### Current presence



Africa



India

### Future markets



Russia/CIS



MENA / Turkey

# Business Overview

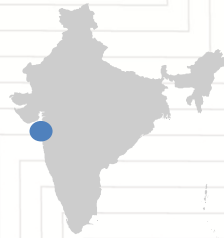


- Focus on building a regional company with a strong local manufacturing infrastructure and sales and marketing platform catering to 27 of the 30 semi-regulated markets in Africa
  - Strong presence particularly in Central Africa, with Nigeria and Cameroon representing the top two markets
  - Setting up new manufacturing and packaging facilities locally to facilitate regional play
- In July 2012 Proparco, a French development financing institution, acquired 20% equity stake for US\$12.5 million, thus funding the creation of additional manufacturing facilities
- Commercial platform with 350 employees and strong distributor relationships
- Proven track record of launching new products in all major markets of Sub-Saharan Africa through in-house regulatory affairs and business development capabilities
- Comprehensive portfolio of 900 product registrations with another 300 in the pipeline, underpinned by well-recognized corporate and product brands that are promoted to doctors and pharmacies

# Dedicated Manufacturing Facilities

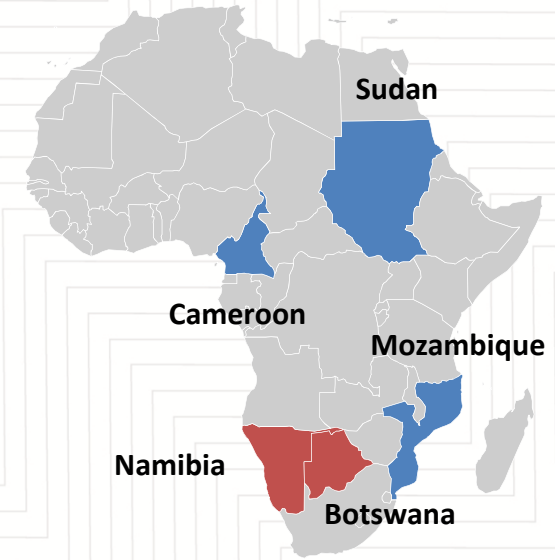


Lagos, Nigeria



Mumbai, India

Setting up additional regional infrastructure



■ Manufacturing ■ Packaging

Formulation	Annual Capacity
Tablets	240 million
Capsules	240 million
Ointments	4 million

Formulation	Annual Capacity
Tablets	400 million
Capsules	100 million

- Two dedicated manufacturing facilities catering to major markets in Africa
- Setting up a series of cGMP compliant manufacturing facilities in Sudan, Cameroon, and Mozambique and packaging facilities in Botswana and Namibia
  - When complete, almost 70% of sales in Africa will come from products locally manufactured in Africa



## Strategy and Growth Drivers



Highly attractive market opportunity as the African healthcare market size is expected double to US\$45 billion by 2020

Strategic local manufacturing facilities to serve critical zones – “in Africa, for Africa”

Launch the robust pipeline of over 300 products at various stages of approvals

Stable Generics business provides footprint, visibility and generates cash to fund the growth in high-margin high-recognition Brands business

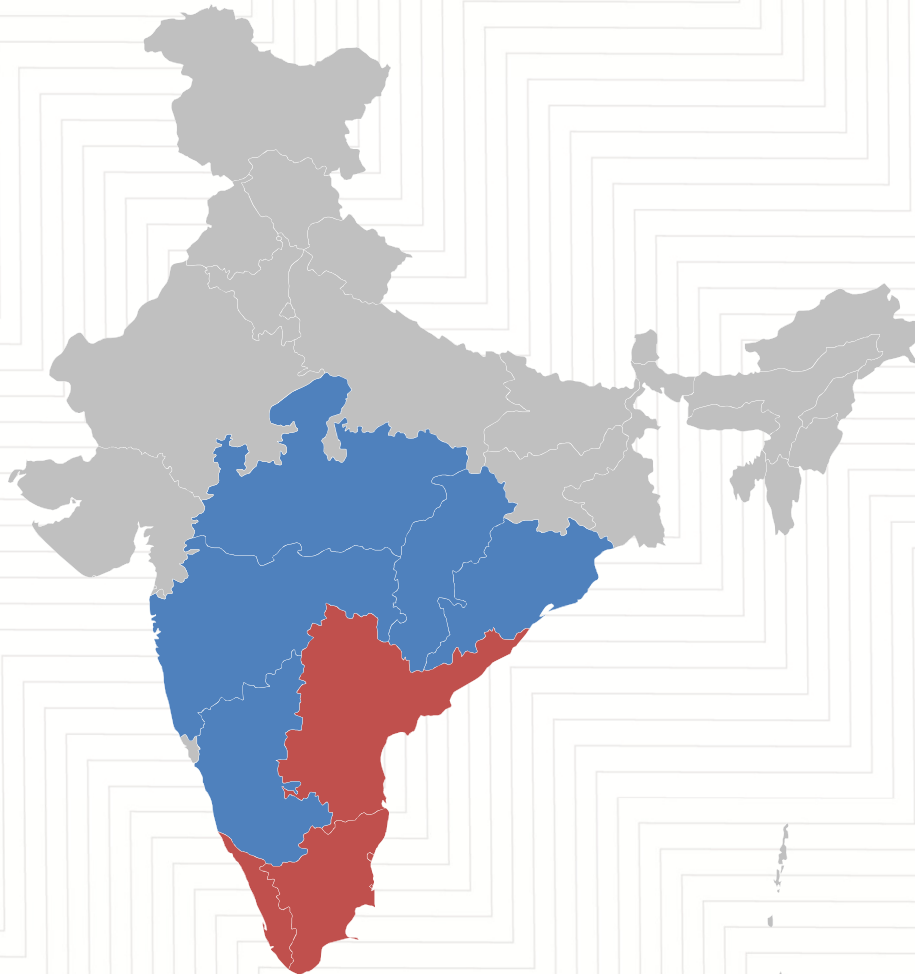


- Regional presence across 8 states in Southern and Central India
- Caters to multiple therapeutic categories such as CNS care, diabetes care, cardiovascular care, women’s health, and pain management
  - Flagship brand, “ReNerve”, a vitamin B12 supplement in soft gelatin capsules and injection forms, is among the fastest growing brands in India
  - “Renerve Plus”, as per IMS ORG is the largest selling brand by value in Vitamin B1-B6-B12 category with 50%+ market share

## Key Therapeutics Areas and Brands

Therapeutics Areas					
Top Brand					

# Strong Footprint in India with an Extensive Coverage



Strong  
Coverage

- ✓ Present across 8 states in Southern and Central India
- ✓ 400+ strong sales force reaches out to specialist doctors, hospitals, retailers and patients
- ✓ Wide network catering to over 700 stockists and 50,000 retail outlets

 Presence  Dominant position

## Strategy and Growth Drivers

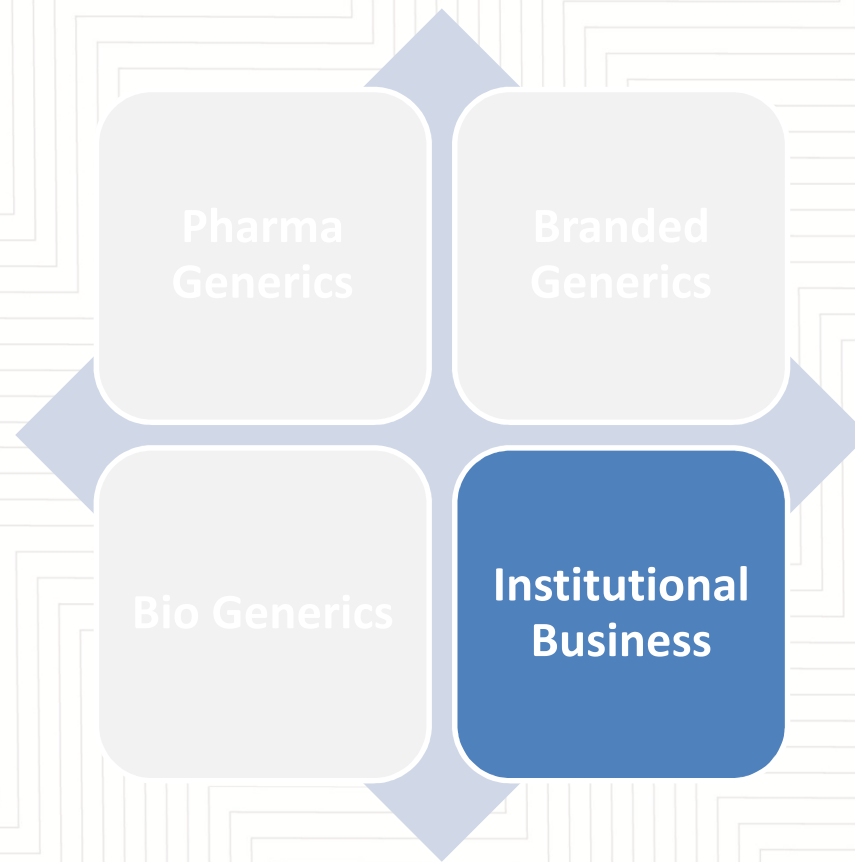


Focus on high quality manufacturing

Leverage niche product portfolio and branding to expand further in existing and new states

Create additional brands around the “ReNerve” flagship product

Maximize prescriptions through high level of employee engagement





- Develops and manufactures antiretroviral and anti-malaria medicines
- Approved supplier to Institutionally-funded aid projects and Global Procurement Agencies like UNITAID, Global Drug Facility, PEPFAR and Clinton Foundation
- Partners include leading procurement agencies like PFSCM, IDA, UNICEF, WHO, AMFm, GIZ, PAHO and MSF
- Filed over 555 dossiers globally, with 360 product registrations in more than 50 countries in Africa, LATAM and Asia
- Oral dosage facility in India – pre-qualified by WHO for the manufacture of anti-retroviral drugs and anti-malarial drugs, and also qualified by US FDA for antiretrovirals under the PEPFAR program

## Products distributed in more than 65 countries

### Anti-retrovirals



Focus on production and supply of newer anti-retroviral drugs that are difficult to manufacture

### Anti-Malaria



Supplies WHO Pre-Qualified Artemether + Lumifantrine (AL) tablets and Artemether inj

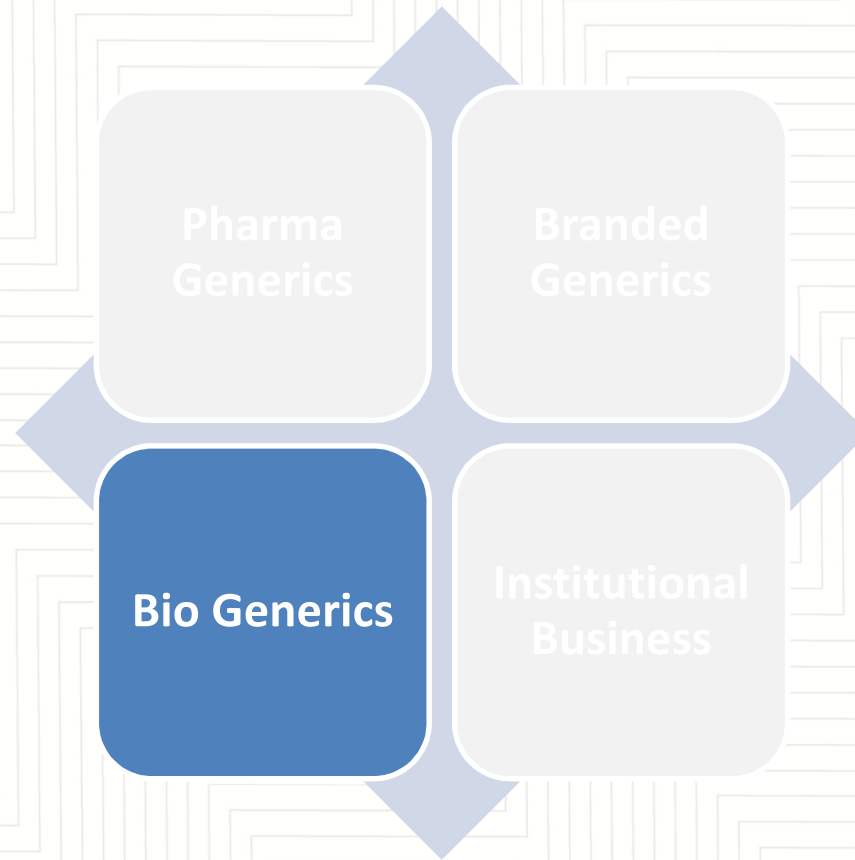
## Strategy and Growth Drivers



Move towards efficient sourcing and focus on value added markets of “Voluntary Licenses”

Selective participation in tenders resulting in improved margins and timely collections

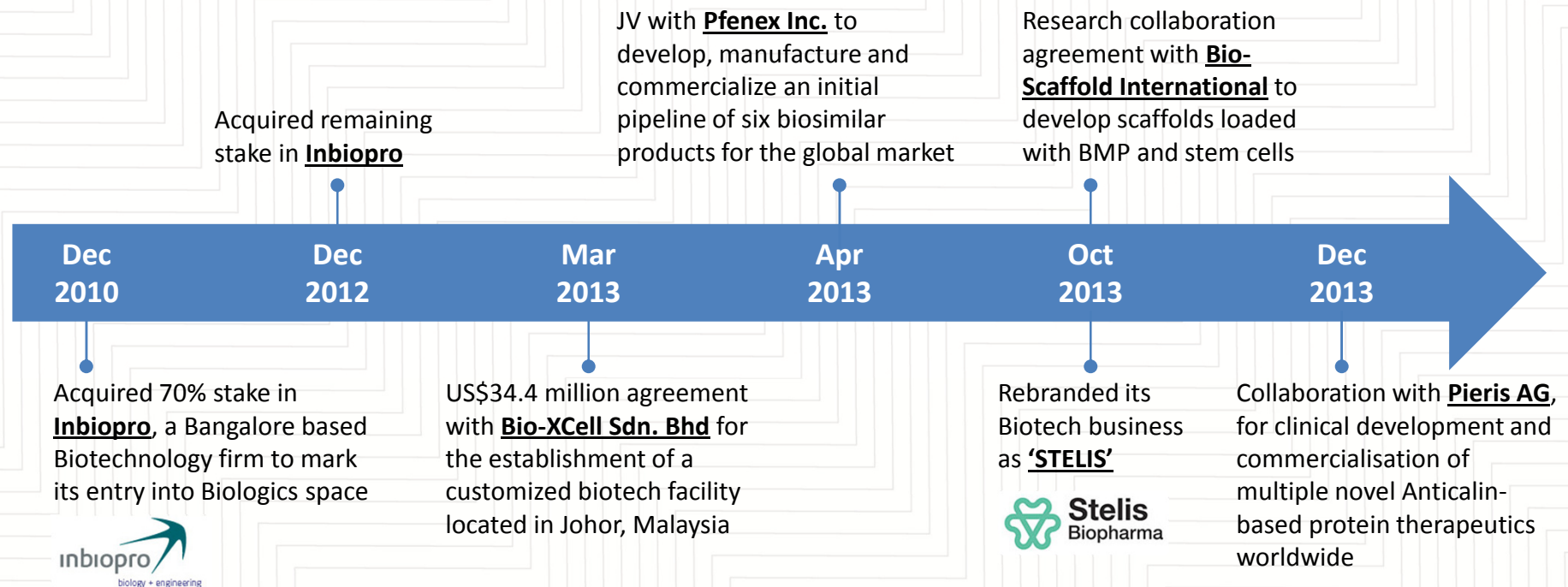
Constantly adding newer molecules and fixed-dose combinations to the therapeutic range of products







- STELIS Biopharma is the fully-owned subsidiary of Strides set up in 2013
- Consolidates and augments the R&D activities of Inbiopro, which was fully acquired in 2012 and extends the value chain to manufacturing and commercialization of the product pipeline
- Product development progressing as per schedule for commercialization in 2015



# State-of-the-art Infrastructure



## Manufacturing Facility Johor, Malaysia



- Partnered with Malaysian Bio-XCell Sdn. Bhd., to set up an advanced bio-therapeutic manufacturing facility
  - It will have capability to produce simple and complex bio-therapeutics using microbial and mammalian systems and fill-finish capability in a variety of formats

## R&D facility Bangalore, India



- State-of-the art R&D facility in Bangalore dedicated to bio-pharmaceuticals, catering to an internal pipeline as well as partnering activities
  - Advanced facility will house 60 scientists
  - It will incorporate the latest bio-process engineering and bio-analytical techniques and support process development in both microbial and mammalian expression systems

## Strategy and Growth Drivers



Biologics represent the fastest growing market segment in Pharma accounting for 6 out of top 10 selling global drugs, with patents on \$67 billion first generation biologics expiring by 2020

Develop both 'biosimilars' and 'novel biotherapeutics' to a regulated market (US/EU) standard for global markets

Develop an internal pipeline of biosimilars, utilizing the latest bacterial and mammalian expression systems

Offer high-quality bio-pharmaceuticals at affordable prices in high-growth emerging markets

**DECISIVE MOVES. DRIVING VALUE.**

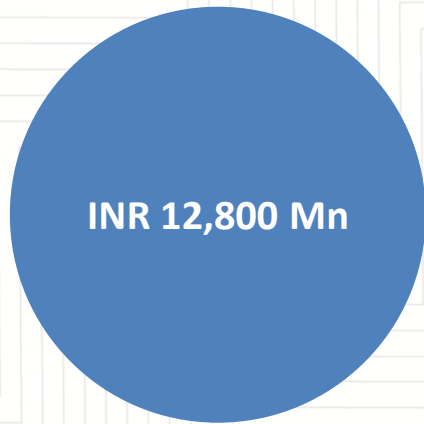


**FINANCIAL SNAPSHOT**

# Pharma Business – Meets 15 Month Guidance



**FY13-14\* Guidance**  
**Consolidated Revenue**



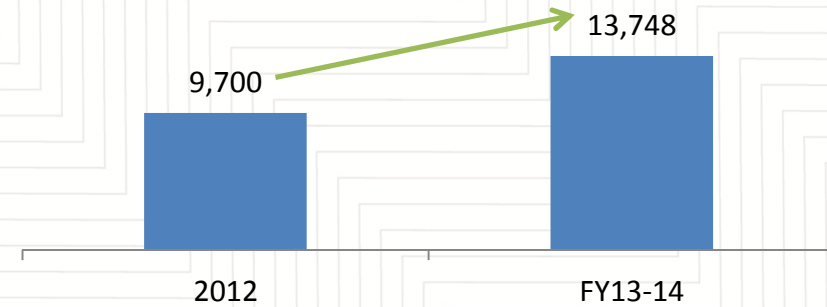
**Consolidated EBITDA**



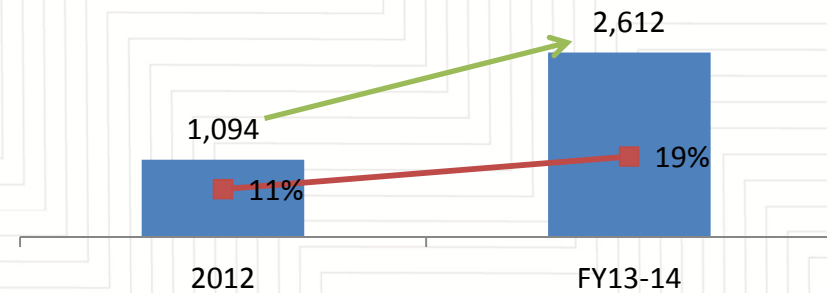
INR millions

**FY13-14\* vs. 2012 - Actuals**

**Revenue**



**EBITDA and Margins (%)**



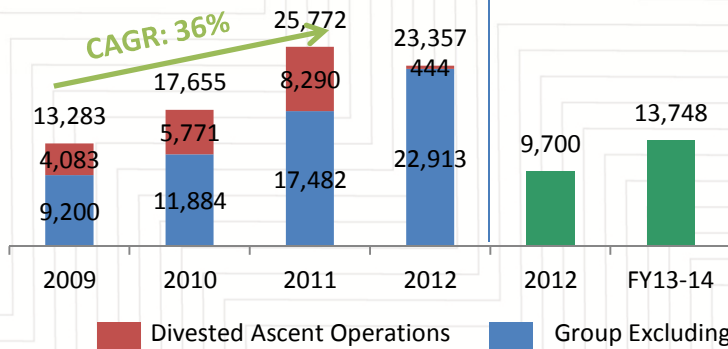
\* FY13-14 was of 15 months ended Mar'14

# Key Performance Indicators

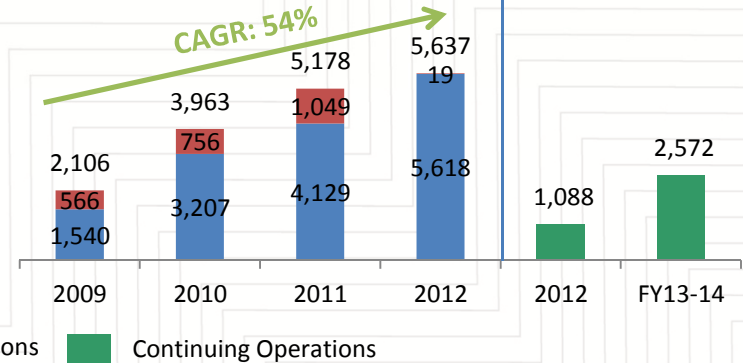


INR millions

## Revenue from operations

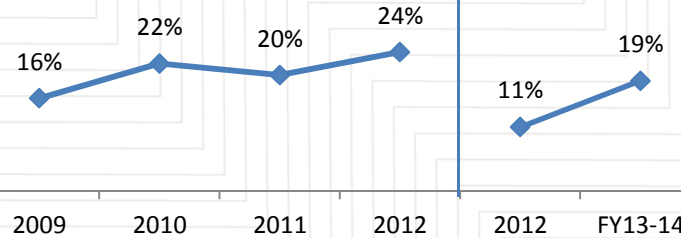


## Operational EBITDA

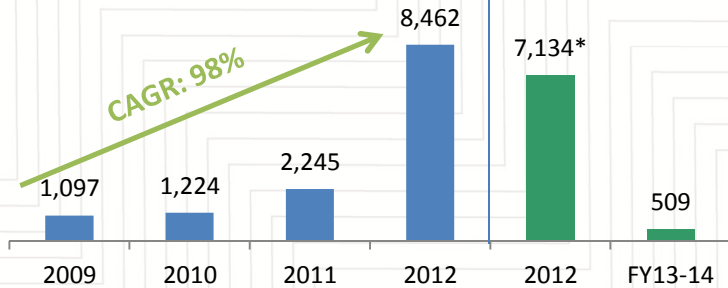


Note: CAGR excluding divested Ascent operations

## Margin trend

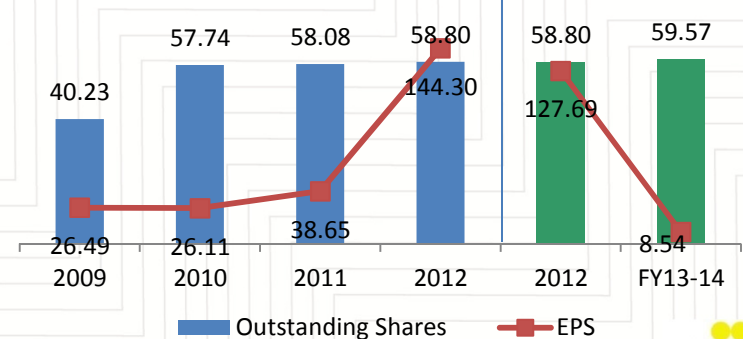


## Profit after tax



\* Includes Profit on sale of Ascent Australasia operations

## EPS



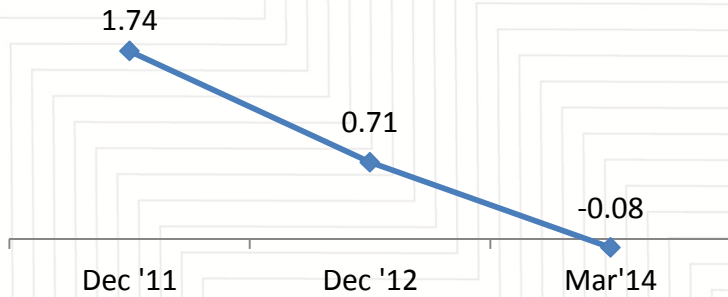
# Strengthened Balance Sheet

Net Debt/Equity negative at 0.08 in Mar '14 vs 1.74 in Dec '11

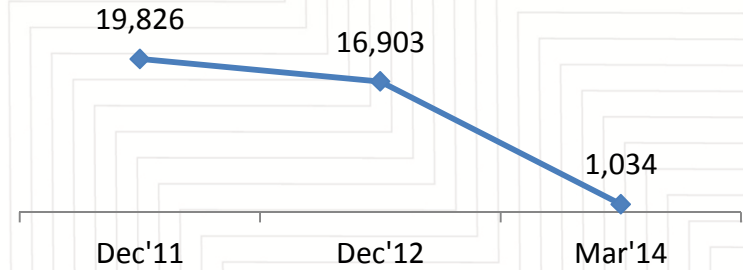


INR millions

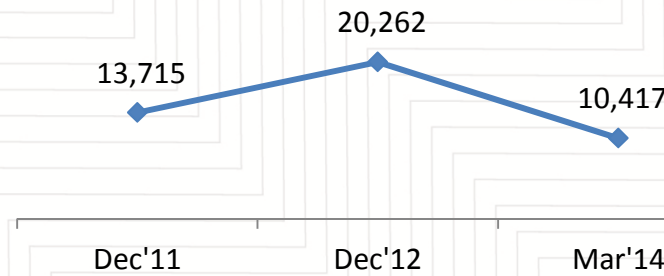
## Net Debt / Equity



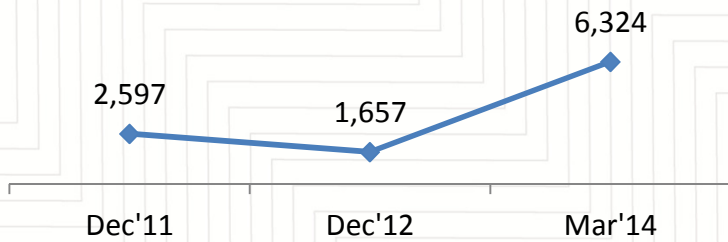
## Goodwill



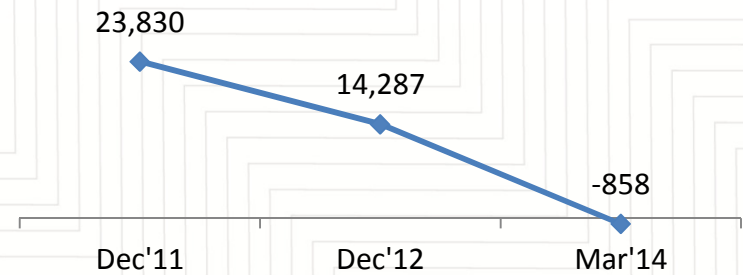
## Equity



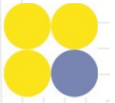
## Cash & Cash Equivalents



## Net Debt



**DECISIVE MOVES. DRIVING VALUE.**



**ANNEXURES**



# 2012: Ascent Sale Unlocked Significant Value for the Group



## Transaction Overview

- On 24 January 2012, Strides Arcolab sold Ascent Pharmahealth, its generic pharmaceutical operations in Australia and Southeast Asia, to Watson Pharmaceuticals
- All-cash transaction valuing Ascent at an enterprise value of AU\$375 million
- Simultaneous signing and closing of the transaction fully de-risked the transaction
- Achieved valuation at the top end of the very best transactions in the industry

## Company Overview

- **Australia**
  - Top 5 generic pharmaceutical company with the second largest pharmacy field force
  - Robust portfolio of marketed and pipeline products across generics, OTC, skin care and dermatology as well as established off-patent brands on behalf of global innovator companies
- **Southeast Asia**
  - Leading generic pharmaceutical company in Singapore (Drug Houses of Australia) with local manufacturing
  - Scalable platform across Malaysia, Hong Kong, Vietnam, Thailand, Myanmar and Brunei

- Strides had created significant value addition to Ascent since its initial investment in 2008
- Proceeds used to reduce debt, thus significantly improving capital structure
  - Improvement in Net Debt / Equity ratio from 1.68 as of December-2011 to 0.63 as of March-2012
- Significantly improved the EBITDA margins of the remaining pharma business

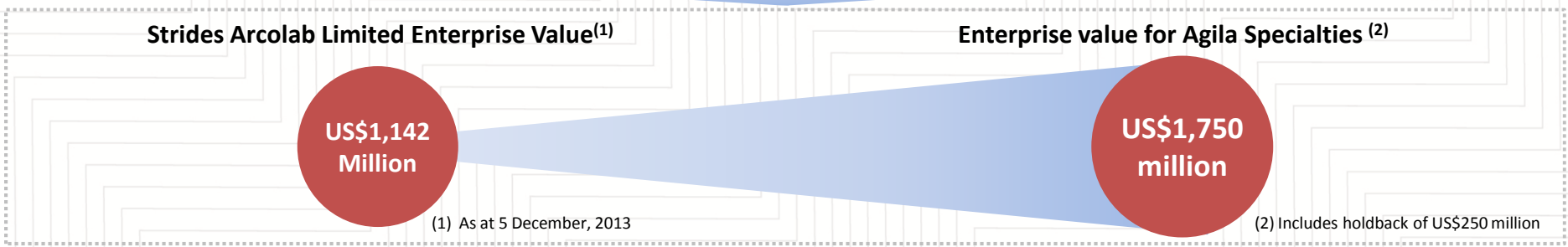
# 2013: Crystallizing Significant Value Created at Agila



## Creation of a global leader in generic injectables

Building knowledge base 1996-2000	Investment in infrastructure 2001-2007	Accelerated filings and approvals 2008-2011	Growth and profitability 2012-onwards
<ul style="list-style-type: none"> <li>Opened first sterile facility</li> <li>Focus on contract manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Defocused contract manufacturing</li> <li>Target regulated markets</li> <li>Strong investments in R&amp;D</li> <li>Joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>Large value niche sterile and oncology products</li> <li>Market-leading track record of filings and approvals</li> <li>US FDA facility approvals</li> <li>Big Pharma partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Stable cash flows</li> <li>Amongst the largest generic injectables pipelines</li> <li>Best-in-class infrastructure providing platform for future growth</li> </ul>

### Value Crystallisation



- Proceeds used to reduce debt and incur costs related to the satisfaction of certain contingent conditions
- Proceeds used to pay out a special dividend of INR 500 per share, resulting in a pre-tax distribution of US\$525 million, thus returning 88% of the free cash available with the company
- Retained US\$75 million for growth capital. US\$50 million of long term debt in its continuing pharma business

# Corporate Governance



## Governance @ Strides

- Five out of Eight Board Members are Independent and Non-Executive
- Strategic themes across the Group are driven by Global Leadership Committee Comprising of
  - Group CEO
  - Group CHRO
  - Chief Development Officer
- Empowered Business Management team with end to end accountability
- Integrated Management Review from Operations to External Reporting
- Annual Report received consecutive recognitions for disclosure and presentation of financials.

## Eminent Independent Directors



### **Deepak Vaidya – Chairman of the Board**

Was Country Head of Schroder Capital Partners (Asia) Pte. Ltd.  
Currently he is Chairman of Arc Advisory Services Pvt Ltd.

### **S Sridhar - Chairman of the Audit Committee**

Was Chairman & MD of Central Bank of India  
Member of the Board of Management of the Indian Institute of Foreign Trade



### **P.M. Thampi**

Was Chairman and Managing Director of BASF India  
Active member of Indo German Chamber of Commerce, and has served as its President

### **A.K Nair**

Was ED & MD of KSIDC, MD of Kerala Chemicals and Proteins Limited, now known as Nitta Gelatin India Limited



### **Sangita Reddy**

Executive Director of Apollo Hospitals Group  
Member of World Economic Forum

# Shareholding Pattern

as of 31<sup>st</sup> March 2014

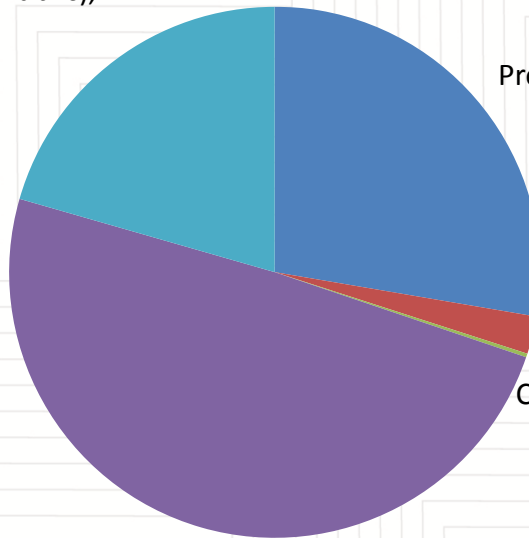


Other (Companies,  
NRIs, Indian Public),  
21%

Promoters, 28%

Mutual Funds, 2%  
Insurance  
Companies & Banks,  
0%

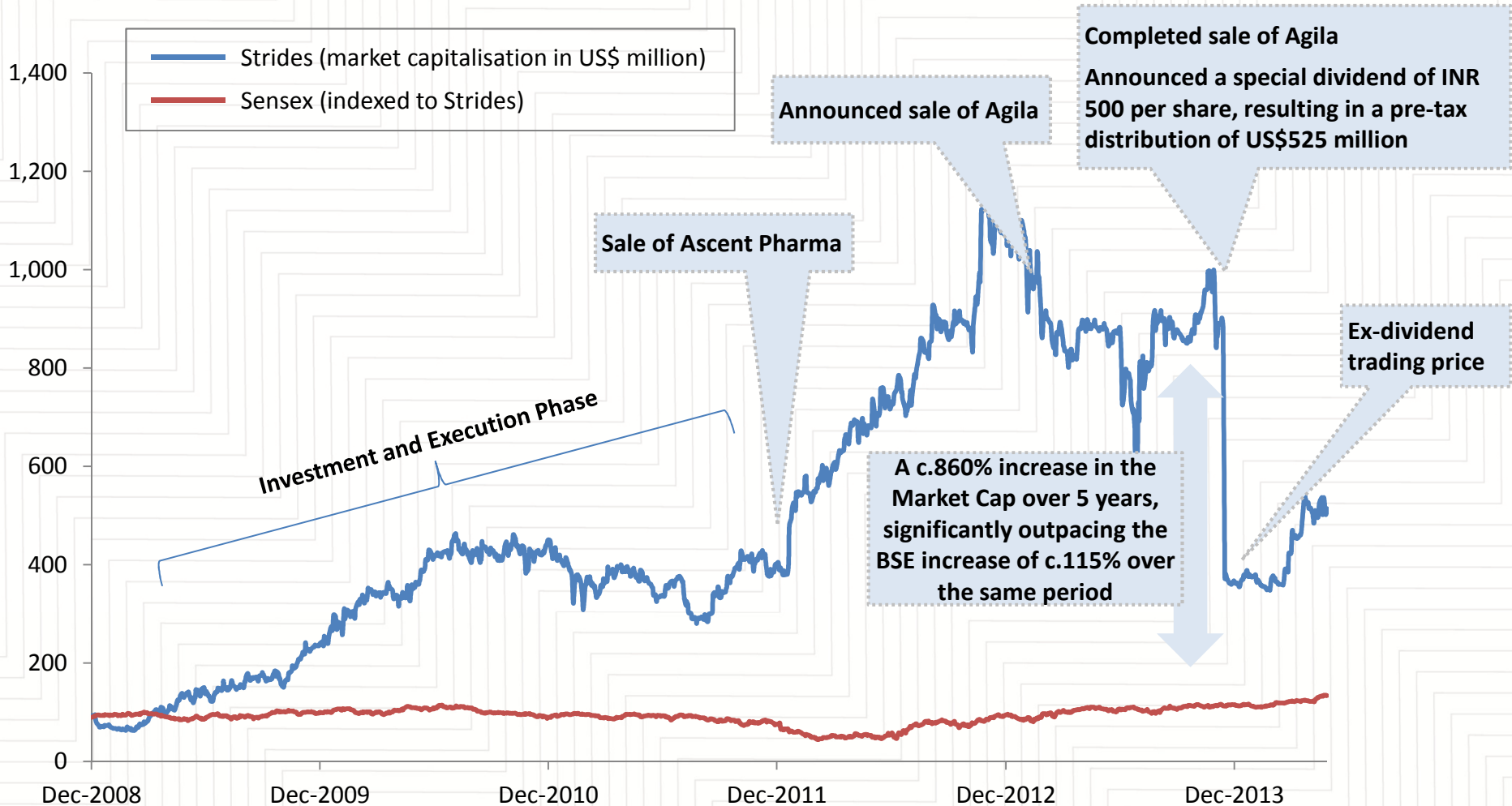
Foreign Institutional  
Investors, 49%



# Strides has Delivered Attractive Return for its Shareholders



Value creation for the shareholders by returning 88% of the free cash available by way of a special dividend



Source: CapIQ.

**DECISIVE MOVES. DRIVING VALUE.**



**THANK YOU**

**For further information, please contact:**  
[investors@stridesarco.com](mailto:investors@stridesarco.com)