



**ALKEM**

**ALKEM LABORATORIES LTD.**

**Regd. Office :** " ALKEM HOUSE", Senapati Bapat Marg,  
Lower Parel, Mumbai - 400 013. Phone : 022-3982 9999, Fax : 022-2495 2955  
Email : contact@alkem.com Website : www.alkemlabs.com  
CIN :- L00305MH1973PLC174201



10<sup>th</sup> November, 2017

<b>The Corporate Relationship Department BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001. <i>Scrip Code: 539523</i>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra East, Mumbai 400 051. <i>Scrip Symbol: ALKEM</i>
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Dear Sirs,

**Sub: Press Release and Analyst Presentation on Q2FY18 and H1FY18 Results**

With reference to relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith press release and analyst presentation on Q2FY18 and H1FY18 earnings and business updates and the same will be uploaded on the website of the Company.

Kindly take note of the same.

Sincerely,  
For **Alkem Laboratories Limited**

  
**Manish Narang**  
**President - Legal, Company Secretary & Compliance Officer**

Encl.: a/a



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## Press Release

### Alkem reports Q2FY18 and H1FY18 Results

**Mumbai, November 10, 2017:** Alkem Laboratories Ltd (Alkem) today announced its consolidated financial results for second quarter & six months ending September 30, 2017. These results were taken on record by the Board of Directors at a Meeting held in Mumbai today.

#### **Key highlights of Q2FY18 financial performance** (Refer Notes below)

- Total Revenue from Operations was Rs.18,649 million, year-on-year growth of 13.8%
  - India sales were Rs.14,056 million, year-on-year growth of 14.7%
  - International sales were Rs.4,385 million, year-on-year growth of 12.7%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.4,605 million, resulting in EBITDA margin of 24.7% vs. 19.0% in Q2FY17. EBITDA grew by 48.3% YoY
- R&D expenses for the quarter was Rs.901 million, or 4.8% of total revenue from operations compared to Rs.650 million in Q2FY17 at 4.0% of total revenue from operations
- Profit before tax (PBT) was Rs.4,321 million, a growth of 40.8% compared to Q2FY17
- Net Profit (after Minority Interest) was Rs.3,207 million, year-on-year growth of 13.4%

#### **Key highlights of H1FY18 financial performance** (Refer Notes below)

- Total Revenue from Operations was Rs.31,602 million, year-on-year growth of 1.3%
  - India sales were Rs.22,731 million, year-on-year decline of 2.4%
  - International sales were Rs.8,441 million, year-on-year growth of 12.8%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.5,548 million, resulting in EBITDA margin of 17.6% vs. 18.6% in H1FY17. EBITDA declined by 4.6% YoY
- R&D expenses for H1FY18 was Rs.1,602 million, or 5.1% of total revenue from operations compared to Rs.1,438 million in H1FY17 at 4.6% of total revenue from operations
- Profit before tax (PBT) was Rs.5,127 million, compared to Rs.5,732 million in H1FY17
- Net Profit (after Minority Interest) was Rs.3,922 million, compared to Rs.5,216 million in H1FY17

Notes: Post implementation of GST with effect from 1<sup>st</sup> July 2017 and as per Ind AS 18, Revenue from Operations is disclosed net of GST. Revenue from Operations for earlier periods included excise duty which is now subsumed under GST. Revenue from Operations for the six months ended 30 September 2017 includes excise duty up to 30 June 2017. Accordingly, Revenue from Operations for the quarter and six months ended 30 September 2017 are not comparable with those of previous period presented.

*Commenting on the results, Sandeep Singh, Managing Director, Alkem said, "Q2FY18 has been a robust quarter for the Company helped by post-GST channel filing in the India Business and a healthy double digit growth in the International Business. Amidst the changing regulatory and competitive landscape in our key markets of India and the US, we look to drive growth through new product launches, market share acquisition in our existing products, building market leading brands in India, investing in R&D to strengthen our product pipeline and focusing on executional excellence."*

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**Operational Highlights****Domestic Business**

Our Domestic sales for Q2FY18 grew by 14.7% YoY, recording a sales of Rs.14,056 million as compared to Rs.12,258 million for Q2FY17. For H1FY18, our Domestic sales was Rs.22,731 million compared to Rs.23,292 million in H1FY17. Adjusting for the impact of GST, like-to-like YoY growth was higher for the quarter and six months ended 30 September 2017.

As per IMS SSA MAT September 2017, for the quarter and six months ended 30 September 2017, we continue to rank amongst the top five companies in the India Pharma Market. We have maintained our leading positions in our established therapy areas of Anti-Infectives, Gastro Intestinal, Pain / Analgesic and Vitamins / Minerals / Nutrients, and have also further improved our market shares and rankings in our emerging therapy segments of Neuro / CNS, Derma, Cardiac and Anti-Diabetes.

The performance highlights of the key therapeutic segments in Q2FY18 and H1FY18 are as shown in the table below:

Key Therapy segment	Q2FY18				H1FY18			
	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)	Alkem Rank	YoY change in Rank*	YoY growth (Alkem)	YoY growth (IPM)
Anti-infectives	1	Unchanged	-18.1%	-13.5%	1	Unchanged	-13.5%	-8.6%
Gastro Intestinal	3	Unchanged	0.2%	-1.3%	3	Unchanged	2.3%	1.7%
Pain / Analgesics	3	Unchanged	2.4%	-3.0%	3	Unchanged	6.5%	-0.2%
Vitamins / Minerals / Nutrients	4	+1	8.1%	0.4%	4	Unchanged	7.3%	2.2%
Neuro / CNS	10	+1	5.5%	-0.7%	10	+1	8.6%	1.9%
Derma	17	Unchanged	17.2%	12.9%	18	Unchanged	20.1%	13.1%
Cardiac	29	+1	11.3%	3.4%	29	+1	15.4%	4.2%
Anti-Diabetic	25	+1	11.8%	11.2%	25	+2	14.1%	13.6%
<b>Total</b>	<b>5</b>	<b>Unchanged</b>	<b>-6.9%</b>	<b>-0.8%</b>	<b>5</b>	<b>Unchanged</b>	<b>-2.9%</b>	<b>2.0%</b>

\*Positive change in rank reflects improvement over same period previous year

Source: IMS SSA MAT September 2017

**International Business**

Our International sales for Q2FY18 grew by 12.7% YoY, recording sales of Rs.4,385 million as compared to Rs.3,892 million for Q2FY17. For H1FY18, our International sales grew by 12.8% to Rs.8,441 million compared to Rs.7,482 million in H1FY17.

- **US sales** for the quarter was Rs.3,042 million, recording a year-on-year growth of 0.6%. For H1FY18, US sales was Rs.6,004 million, up 4.6% compared to H1FY17.
- **Other International Markets sales** for the quarter were Rs.1,342 million, recording a year-on-year growth of 54.5%. For H1FY18, Other International Markets sales were Rs.2,437 million, up 40.1% compared to H1FY17.



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### R&D Investments

Our Revenue R&D expenses for the quarter were Rs.901 million, or 4.8% of total revenue from operations. Similarly for H1FY18, our Revenue R&D expenses were Rs.1,602 million, or 5.1% of total revenue from operations.

During the quarter, we filed 4 abbreviated new drug applications (ANDAs) with the US FDA and received 3 final approvals. For H1FY18, we filed 6 ANDAs with the US FDA and received 5 final approvals.

As on 30<sup>th</sup> September 2017, we have filed a total of 94 ANDAs and 1 new drug application (NDA) with the US FDA of which 38 are Para IV filings including first-to-files (FTFs). Of these, we have received approvals for 42 ANDAs (including 5 tentative approvals) and 1 NDA.

### Update on US FDA Inspections

During the quarter, the US FDA conducted an inspection at our Bioequivalence facility located at Taloja, India from 10 July 2017 to 14 July 2017. At the end of the inspection, no Form 483 was issued.

The US FDA also conducted an inspection at our manufacturing facility located at Baddi, India from 11 September 2017 to 15 September 2017. At the end of the inspection, the US FDA issued a Form 483 with two observations. We have replied to the US FDA within the stipulated timelines with detailed corrective and preventive measures to address the observations.



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**Q2FY18 and H1FY18 Conference Call at 5:00pm IST, November 10, 2017**

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, November 10, 2017 at 5:00 pm IST to discuss its Q2FY18 & H1FY18 financial results.

Alkem Laboratories Ltd. will be represented on the call by Mr. Sandeep Singh, Managing Director and the senior management team.

Motilal Oswal Securities Ltd. will host the call.

**Details of the conference call are as under:**

**Time:** 5:00 pm IST (GMT + 5:30) on Friday, November 10, 2017

**Dial in Details:**

India : +91 22 3938 1079

**International Toll Free**

USA : 1 866 746 2133  
UK : 0 808 101 1573  
Singapore : 800 101 2045  
Hong Kong : 800 964 448

You are requested to dial in 10 mins ahead of the scheduled start time. A transcript of this conference call will also be available on our website [www.alkemlabs.com](http://www.alkemlabs.com)

**About Alkem Laboratories Ltd.**

Established in 1973 and headquartered in Mumbai, Alkem (NSE: ALKEM, BSE: 539523, Bloomberg: ALKEM.IN, Reuters: ALKE.NS) is a leading Indian pharmaceutical company with global operations, engaged in the development, manufacture and sale of pharmaceutical and nutraceutical products. The Company produces branded generics, generic drugs, active pharmaceutical ingredients (APIs) and nutraceuticals, which it markets in India and International markets. With a portfolio of more than 700 brands in India, Alkem is ranked the fifth largest pharmaceutical company in India in terms of domestic sales (Source: IMS SSA MAT March 2017). The Company also has presence in more than 50 international markets, with the United States being its key focus market.

For more information on Alkem Laboratories Ltd., please visit [www.alkemlabs.com](http://www.alkemlabs.com)

**For further information or queries please contact**

**Gagan Borana**

Investor Relations – Alkem Laboratories Ltd.

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E-mail: [gagan.borana@alkem.com](mailto:gagan.borana@alkem.com)





**Alkem Laboratories Ltd.**

**Investor Presentation Q2FY18**

**10<sup>th</sup> November 2017**

# Safe Harbor Statement

This presentation contains forward-looking statements and information that involve risks, uncertainties and assumptions. Forward-looking statements are all statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “predicts”, “projects” and similar expressions. Risks and uncertainties that could affect us include, without limitation:

- General economic and business conditions in India and other key global markets in which we operate;
- The ability to successfully implement our strategy, our research and development efforts, growth & expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in the Indian and international interest rates;
- Allocations of funds by the Governments in our key global markets;
- Changes in laws and regulations that apply to our customers, suppliers, and the pharmaceutical industry;
- Increasing competition in and the conditions of our customers, suppliers and the pharmaceutical industry; and
- Changes in political conditions in India and in our key global markets.

Should one or more of such risks and uncertainties materialize, or should any underlying assumption prove incorrect, actual outcomes may vary materially from those indicated in the applicable forward-looking statements.

Any forward-looking statement or information contained in this presentation speaks only as of the date of the statement. We are not required to update any such statement or information to either reflect events or circumstances that occur after the date the statement or information is made or to account for unanticipated events, unless it is required by Law.

# Key Highlights For The Quarter

## Robust quarter – Strong revenue growth accompanied with improved EBITDA margins

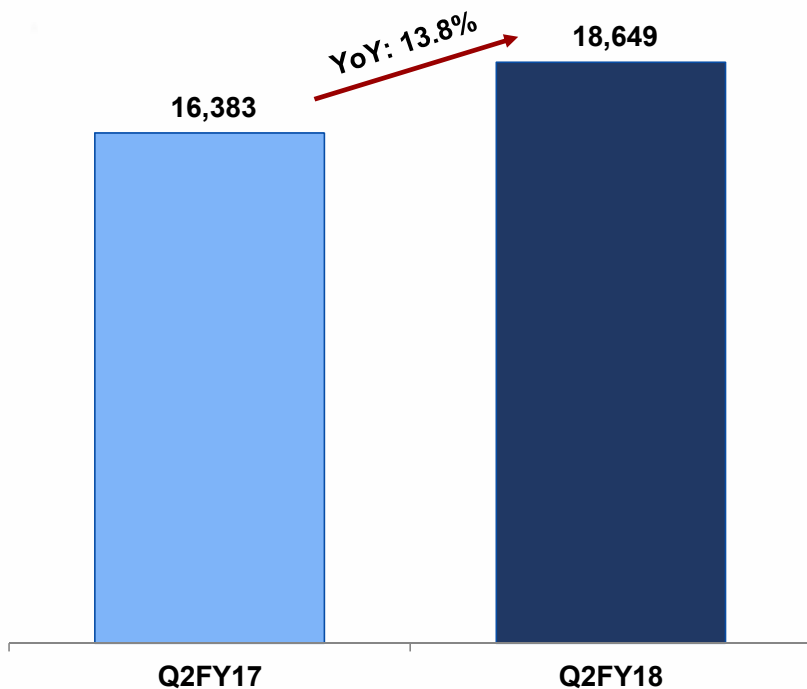
- **Strong growth in the India Business:**
  - Strong bounce back in Q2FY18 following a weak Q1FY18 performance helped by channel filling post the GST roll-out
  - Company's mega brands continued to deliver healthy growth. Also the Company's emerging therapy areas of Cardiac, Anti-Diabetes, Neuro / CNS and Derma reported market outperformance
- **Healthy double digit growth in the International Business:** Company's key select International markets registered healthy growth. Growth was even better in local currency terms
- **Continued investments in R&D:** R&D investments during the quarter was up 38.5% YoY. The Company filed 6 ANDAs and received 5 final approvals from the US FDA during the first half of the financial year
- **US FDA inspections:**
  - The Company successfully closed the US FDA inspection at its bioequivalence facility at Taloja, India without any Form 483 observations
  - For its manufacturing facility at Baddi, the Company received 2 observations, to which it has responded with a comprehensive corrective and preventive plan to the US FDA



# Key Financial Highlights - Q2FY18 (Consolidated)

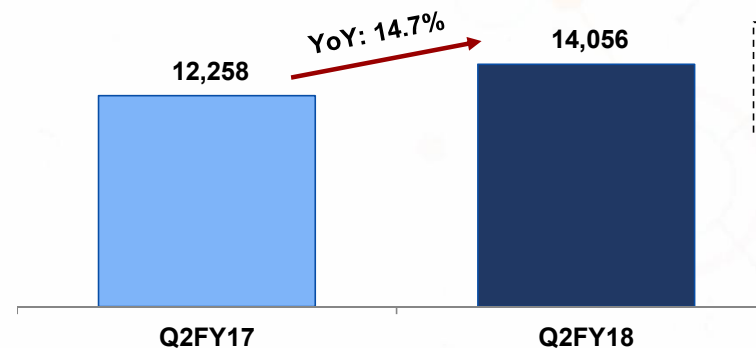
All figures in Rs mn

## Total Revenue from Operations



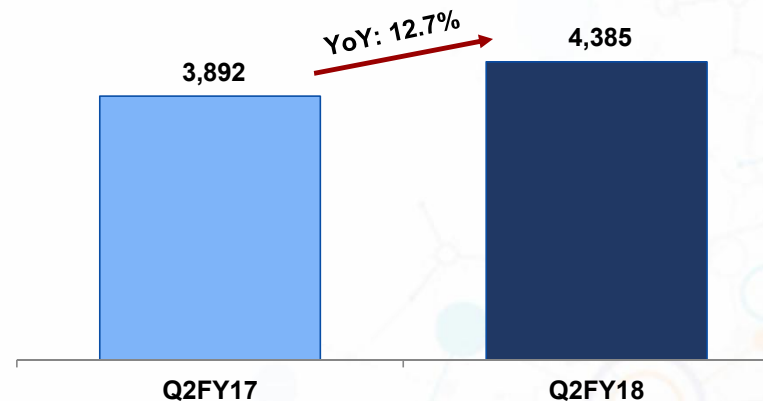
Notes: Post implementation of GST with effect from 1<sup>st</sup> July 2017 and as per Ind AS 18, Revenue from Operations is disclosed net of GST. Revenue from Operations for earlier periods includes excise duty. Accordingly, Revenue from Operations for the quarter and six months ended 30 September 2017 are not comparable with those of previous period presented.

## India sales



Adjusting for the impact of GST, YoY growth was higher

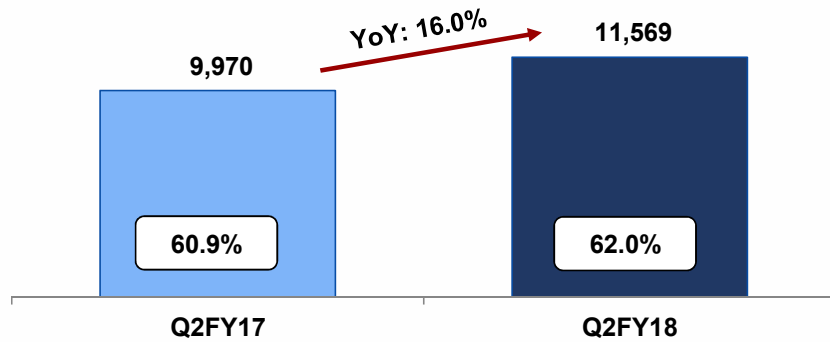
## International sales



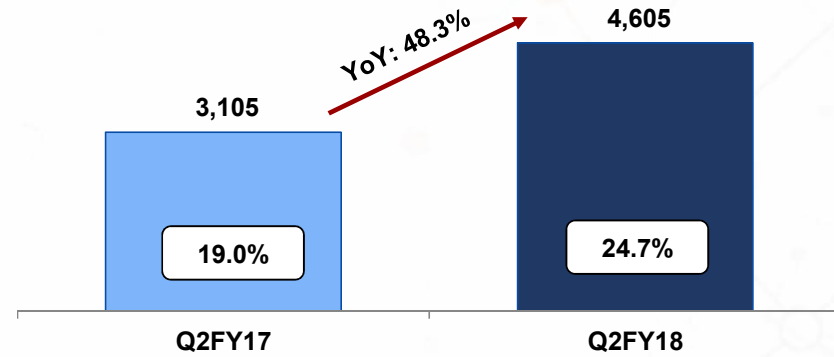
# Key Financial Highlights - Q2FY18 (Consolidated)

All figures in Rs mn

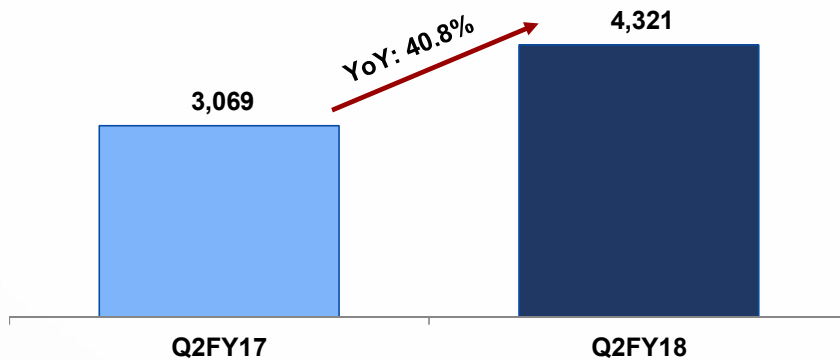
### Gross Profit and Gross Margin



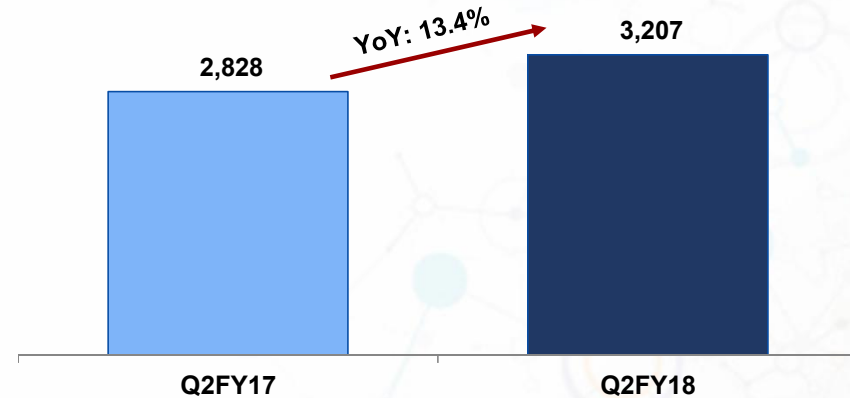
### EBITDA and EBITDA Margin



### PBT (before Minority Interest)



### PAT (after Minority Interest)



## Key Financial Highlights - H1FY18 (Consolidated)

Particulars (Rs mn)	H1FY18	H1FY17	YoY growth
Revenue from Operations	31,602	31,192	1.3%
Gross Profit	18,897	18,989	-0.5%
Gross Profit margin	59.8%	60.9%	
EBITDA	5,548	5,816	-4.6%
EBITDA margin	17.6%	18.6%	
PBT	5,127	5,732	-10.5%
PBT margin	16.2%	18.4%	
PAT (After Minority Interest)	3,922	5,216	-24.8%
PAT margin	12.4%	16.7%	
EPS (Rs / share)	32.80	43.63	-24.8%

YoY performance in H1FY18 was mainly impacted by significant level of destocking that took place in the domestic pharma market in Q1FY18 in the run-up to the implementation of GST on 1<sup>st</sup> July 2017

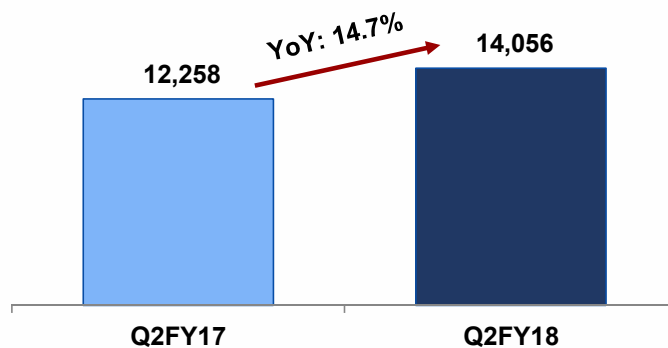
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# India Business

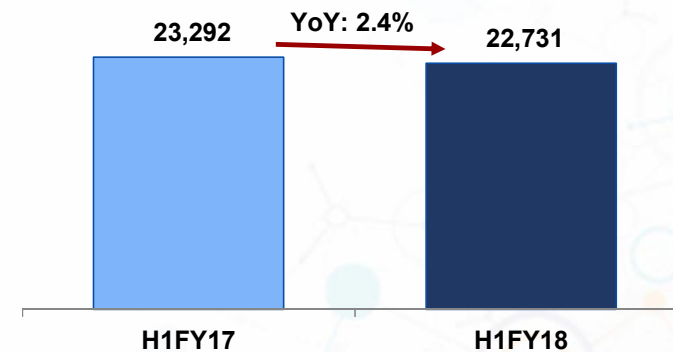
## India Business: Q2FY18 Sales of Rs.14,056 million (14.7% growth YoY)

- India sales contributed 76.2% to total sales in Q2FY18
- YoY growth during the quarter was helped by post-GST channel filling
- The Company maintained its leading positions in its established therapy areas of Anti-Infectives, Gastro-Intestinal, Pain Management and Vitamins / Minerals / Nutrients (Source: IMS TSA MAT September 2017)
- The Company also outperformed the market in its emerging therapy areas of Cardiac, Anti-diabetes, Neuro / CNS and Derma, thereby gaining market share and ranking (Source: IMS TSA MAT September 2017)
- The Company invested in brand building and promotional activities to build formidable brands in the OTC space

Q2FY18 – India Sales (Rs mn)



H1FY18 - India sales (Rs mn)

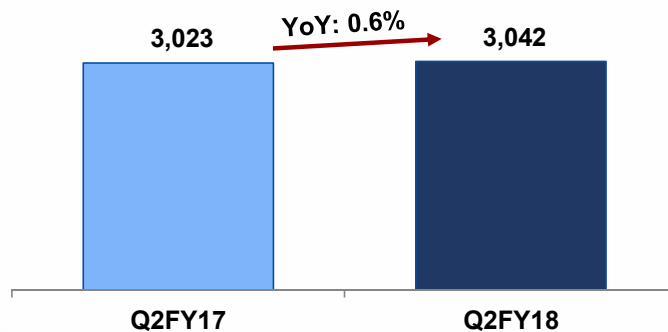


# US Business

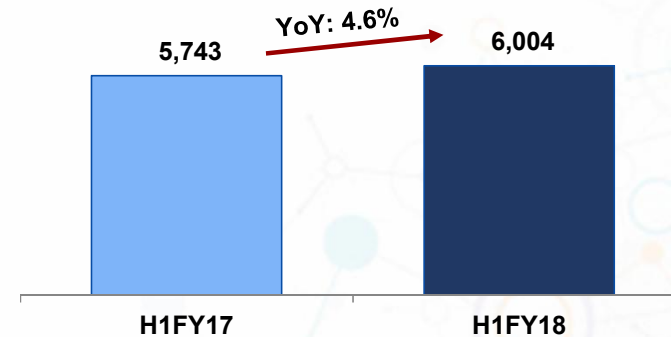
## US Business: Q2FY18 Sales of Rs.3,042 million (0.6% growth YoY)

- US sales contributed 16.5% to total sales in Q2FY18
- YoY growth during the quarter was partly impacted by adverse currency movement
- In Q2FY18, the Company filed 4 ANDAs with the US FDA and received 3 final approvals
- As on 30<sup>th</sup> September 2017, the Company has filed a total of 95 ANDAs (including 1 NDA) with the US FDA and has received 43 approvals (including 5 tentative approvals and 1 NDA)
- US FDA inspected the Company's bioequivalence facility at Talaja, India in July 2017. No Form 483 was issued
- US FDA inspected the Company's formulation manufacturing facility at Baddi, India in September 2017. Form 483 was issued with 2 observations. The Company has replied to the US FDA with comprehensive corrective and preventive measures

Q2FY18 – US Sales (Rs mn)



H1FY18 - US sales (Rs mn)



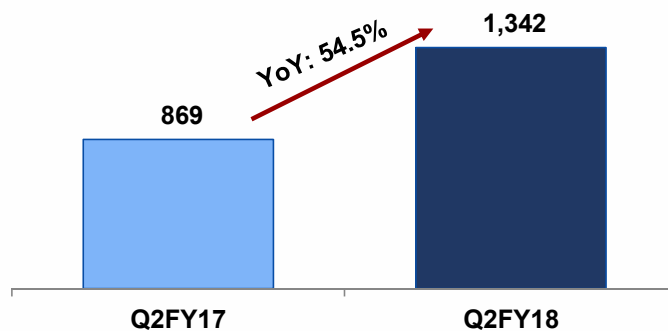


# Other International Business

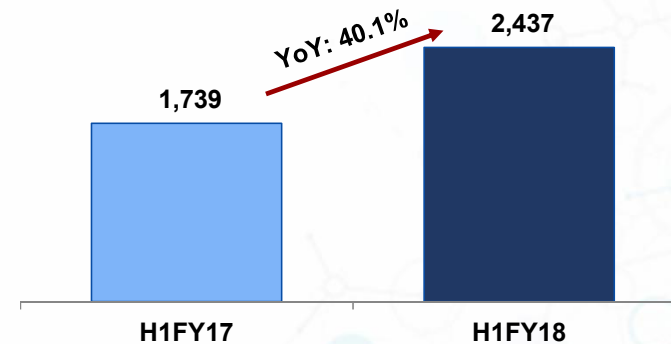
## Other International Business: Q2FY18 Sales of Rs.1,342 million (54.5% growth YoY)

- Other International Market sales contributed 7.3% to total sales in Q2FY18
- Company's key markets including Australia, Philippines, Chile and Kazakhstan recorded healthy growth
- YoY growth was higher in local currency

Q2FY18 – Other International Sales (Rs mn)



H1FY18 – Other International Sales (Rs mn)



# Consistent Strategy, Strong Execution

1

*India Sales: Consolidate Company's leadership position in the acute segment by driving growth in its mega brands*

2

*India Sales: Increase Company's market share in the chronic segment through market share acquisition and new product introductions*

3

*Improve field force productivity through SFE (Sales Force Effectiveness) initiatives*

4

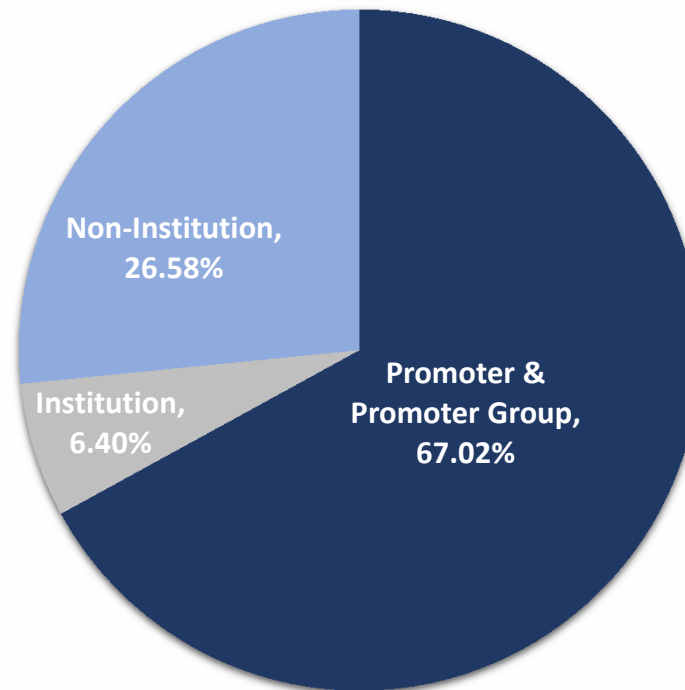
*Continued focus on R&D to accelerate ANDA filings for the US market and develop differentiated portfolio*

5

*Strategic partnerships / collaborations to enhance capabilities and product portfolio for focus markets*

# Latest Shareholding Pattern

Shareholding pattern as on 30<sup>th</sup> September 2017



*Institution – Mutual Funds, Alternate Investment Funds, Foreign Portfolio Investors, Financial Institutions / Banks*

*Non-Institution – Public, Other Bodies Corporates, Clearing Members, Non Resident Indians, Hindu Undivided Family and Trusts*

The background of the slide features a light blue header bar at the top. Below it, the main area is filled with a pattern of faint, stylized molecular diagrams. These diagrams consist of interconnected lines and circles in various colors, including blue, orange, and red, representing chemical structures. The text "Thank You" is centered in the middle of the slide in a bold, dark blue font.

**Thank You**