Earnings Presentation

Q4 & FY23

24th May 2023

Disclaimer

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Sequent announces Q4 FY 23 results.

Company to restructure European operations

In Q4 FY23, we have continued to make structural adjustments, so that we are present and ready to win in the most attractive markets and customer segments. Our recent actions are showing results. Despite the headwinds in some markets , the overall formulation business has grown at 9.9% on CC basis for the full year. While the devastating earthquake in Turkey did not damage our facilities, it has impacted the demand in the Turkey market since the clinic and distribution infrastructure is yet to be restored.

In continuation with our strategy to improve profitability , the manufacturing operations in our plant in Germany have been discontinued and will move to alternative low cost sites. We expect to see the benefit in the coming quarters.

While the overall market for Vet APIs was subdued in Q4 FY 23, we continue to receive over 70% of our API revenues from customers in regulated markets and anticipate a gradual pickup in the coming quarters. The focus remains on deepening our engagement with top animal health companies worldwide. During the year FY 23, we accelerated our filings , registering 5 VMFs and 3 CEPs Our API business has started a significant initiative to improve long term competitiveness. We have invested in additional capacity for new business and expanded our R&D team to meet the requirements of new partnerships with leading Animal Health companies.

The results of the quarter reflect a one time charge on the closure of manufacturing in Germany and the impact of recent events on Turkey. This sets up the company for stronger , sustained growth and profitability.

Rajaram Narayanan, Managing Director

FY 23 : Overall growth of 2% in a challenging year

Sequent
Proven Ability In Life Sciences
ALIVIRA

~10% cc growth for Formulations.

Business restructuring in Europe

Emerging Markets delivered robust growth of 16% cc, driving overall Formulations

Subdued sales of APIs

Mahad site awarded the EcoVadis Sustainability Silver Medal

API : Focus on Top 10 AH customers. Regulated markets contribute to 72% of sales

New comprehensive cost reduction and process efficiency improvement program

APIs - Accelerating new product pipeline :

8 new filings (5 USVMF + 3 CEPs

Revenue performance by Geography

All values in ₹ Mn

Revenue Distribution	Q4 FY23	Q3 FY23	QoQ Gr%	QoQ Gr% (In cc)	Q4 FY22	YoY Gr%	YoY Gr% (In cc)	FY23	FY22	YoY Gr%	YoY Gr% (In cc)
Formulations	**2,559**	**2,588**	***(1.1%)***	***(6.3%)***	**2,493**	***2.6%***	***2.9%***	**10,009**	**9,686**	***3.3%***	***9.9%***
Europe	1,146	1,050	*9.1%*	*4.1%*	1,024	*11.9%*	*7.0%*	4,147	4,205	*(1.4%)*	*1.7%*
Emerging Markets	1,201	1,252	*(4.1%)*	*(10.5%)*	1,253	*(4.1%)*	*(0.8%)*	4,807	4,461	*7.8%*	*15.9%*
India	213	286	*(25.7%)*	*(25.7%)*	217	*(2.0%)*	*(2.0%)*	1,055	1,021	*3.4%*	*3.4%*
APIs	**941**	**1,072**	***(12.1%)***	***(12.2%)***	**1,273**	***(26.1%)***	***(31.8%)***	**3,808**	**4,314**	***(11.7%)***	***(15.4%)***
Other Sales	10	25	*NM*	*NM*	70	*NM*	*NM*	102	128	*NM*	*NM*
Global Sales	**3,511**	**3,685**	***(4.7%)***	***(8.4%)***	**3,837**	***(8.5%)***	***(10.2%)***	**13,920**	**14,128**	***(1.5%)***	***2.2%***
Adjustment* - Ind AS 29	156	69						289	-		
Reported Sales	**3,667**	**3,753**	***(2.3%)***	***(8.0%)***	**3,837**	***(4.4%)***	***(9.9%)***	**14,209**	**14,128**	***0.6%***	***2.2%***

Following strong growth in Q3, Q4 revenue was lower by 8% cc vs. Q3 FY23.Despite multiple headwinds across geographies, in FY23, recorded a growth of 2.2% y-o-y in cc terms

- **Formulations Business :-**
  - Europe clocked 7% yoy growth in Q4. FY23 was relatively flat with growth of 1.7% over FY22. Implemented strategic initiatives to streamline operations and optimize cost structures.
  - Emerging Markets segment continues its growth trajectory despite a muted LATAM sales during Q4 FY 23. In FY23, the region delivered a robust 15.9% cc growth despite major headwinds in Turkey.

- **API business** : Top 10 customers continue to contribute ~58% of sales. Comprehensive margin and operations improvement program underway. New investment in capacity expansion and R&D capability

cc - Constant Currency **Adjustment on account of hyperinflation in Turkey as per Ind AS 29* *NM – Not Material*

Formulations : Sustaining growth momentum.

Key Updates

EUROPE-

- Return to growth with launch of new Phyto range. Structural adjustments to improve margins
- Manufacturing in Germany discontinued and operations to shift to alternative low cost locations.
    - Margin accretive from Q3 FY 24

EMERGING MARKETS –

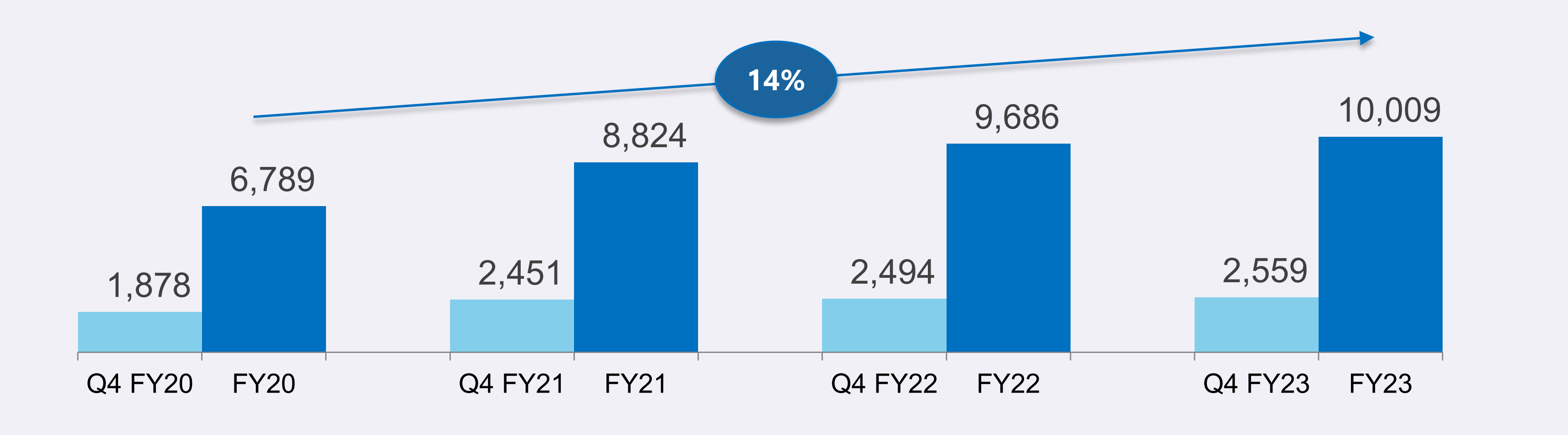
- Nourrie integration completed in Brazil . New platform created for companion animals. Turkey business impacted by inflationary pressures and the recent earthquake.

INDIA –

- Cattle business continues to grow by ~10% despite challenges in rural markets. Expansion of team for accelerated growth in FY 24

Revenues

All values in ₹ Mn



FDFs **1000+**

Manufacturing facilities **6**

R&D Centres **4**

Countries with marketing presence **80+**

cc- Constant Currency

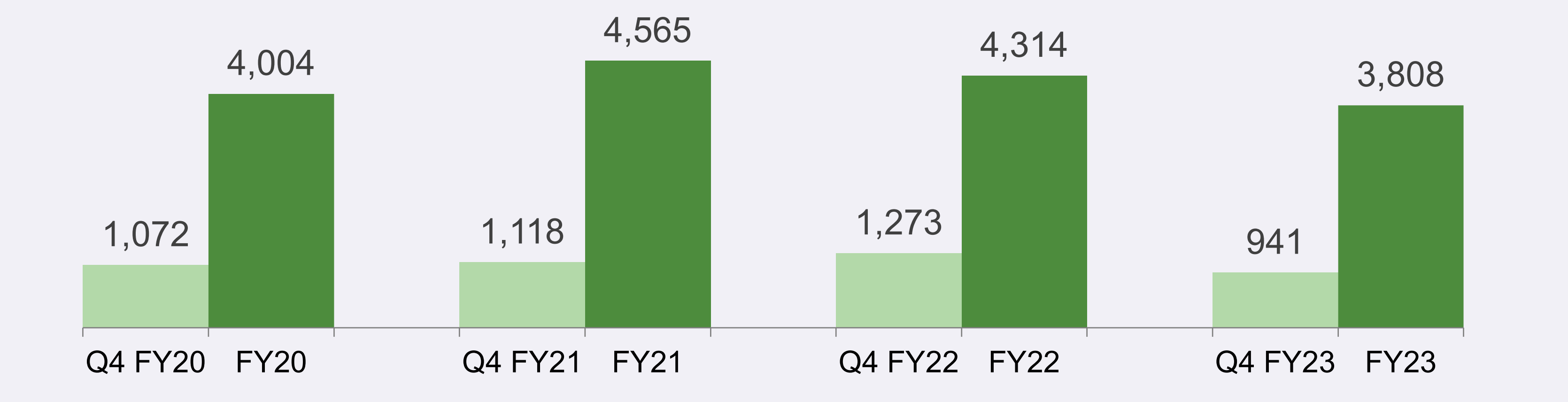
API : Continued strength in regulated markets

Key Updates

- Pricing pressures and currency challenges in some markets had an adverse impact on demand
- Regulated markets contribute ~ 72% of the revenue
- Strong portfolio- 8 fillings during the year . (5 USVMF + 3 CEPs)
- API business now has total 29 USVMFs + 18 CEPs
- New investment in capacity expansion for leading AH customers
- R&D capacity expansion
- Comprehensive margin and operations improvement program (Project Pragati) underway. Benefits to kick in from Q2 FY 24.

Revenues

All values in ₹ Mn



Commercial APIs	30+
Manufacturing facilities	3
R&D Centre	1
Sales to Regulated Markets	70%+

Financials

Consolidated Financials

All values in ₹ Mn

Particulars	Q4 FY23 Unaudited	Q3 FY23 Unaudited	Q4 FY22 Unaudited	FY23 Audited	FY22 Audited
Revenue from Operations	3,667	3,753	3,837	14,209	14,128
Material Consumption	(2,217)	(2,174)	(2,188)	(8,338)	(7,930)
Gross Margin	**1,449**	**1,579**	**1,649**	**5,871**	**6,198**
%	*39.5%*	*42.1%*	*43.0%*	*41.3%*	*43.9%*
Employee Benefit Expenses	(570)	(580)	(519)	(2,230)	(1,985)
Operating Expenses	(751)	(722)	(744)	(2,886)	(2,791)
EBITDA (pre ESOP)	**128**	**277**	**386**	**756**	**1,423**
%	*3.5%*	*7.4%*	*10.1%*	*5.3%*	*10.1%*
ESOP cost	(76)	(89)	(53)	(354)	(329)
EBITDA	**52**	**188**	**333**	**402**	**1,094**
%	*1.4%*	*5.0%*	*8.7%*	*2.8%*	*7.7%*
Exceptional Items / Acquisition cost*	(616)	(10)	-	(658)	-
IndAS 29 Adjustment	(56)	(28)	-	(158)	-
Exchange Gain / (Loss)	(30)	(46)	23	(114)	63
Other Income	17	29	15	64	45
Finance Cost	(109)	(97)	(60)	(355)	(158)
Depreciation	(147)	(137)	(125)	(557)	(515)
Earnings Before Tax	**(888)**	**(102)**	**186**	**(1,377)**	**529**
Taxes	(36)	4	(86)	157	(83)
Earnings After Tax	**(924)**	**(98)**	**100**	**(1,220)**	**446**
Minority Interest	11	(9)	11	(8)	38
Earnings after Minority Interest	**(936)**	**(89)**	**90**	**(1,212)**	**408**

- Impact on gross margin due to reduction in Inventory
- OPEX controlled despite inflationary pressure
- Exceptional items driven by closure of plant in Germany and impact of recent events in Turkey

* Q3 FY23 ₹10 Mn acquisition related cost

Adjusted EBITDA at ₹ 110 crs

Amt in Rs Mn

Particulars	FY23
Revenue	**14,209**
EBITDA (Pre ESOP)	**756**
One offs	102
Improvement in Inventory days	60
Business restructuring	29
Turkey earthquake impact	13
Hyper inflation	28
Discontinued Operations in Germany	217
Adjusted EBITDA	**1103**

Key Balance sheet Items

All values in ₹ Mn

Particulars	Mar-23*	Dec- 22*	Mar-22``
Shareholders Funds	6,981	7,715	6,919
Minority Interest	500	482	480
Net Debt	3,561	3,631	2,542
Investments	0	0	368
Tangible Assets	3,622	3,780	3,263
Intangible Assets	3,085	3,186	2,498
Working Capital	4,261	4,804	4,222
Put / Buyout Liabilities	-	-	^159

Balance Sheet Highlights

- Operational initiatives - working capital days reduced by 11 days
- Net Debt is marginally down

**Mar'23 & Dec'22 reported numbers are adjusted for impact of hyperinflation accounting in Turkey as per IndAS 29 - 'Accounting for Hyperinflationary economies'*

^ Buyout Liabilities of ₹ 159 Mn in Mar'22 paid on account of Nourrie acquisition

`` Mar'22 restated on account of Nourrie amalgamation

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Thank You