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Sequent – An Attractive Opportunity in Animal Health and Niche Human APIs

- Integrated pharmaceutical company operating in the domains of Animal Health API / formulations and Human Health API
- Strategic focus of the Animal health segment towards production animals
- 72%⁽¹⁾ owned by certain promoters of Strides Arcolab and their affiliates and listed on the Bombay Stock Exchange

Robust Pillars of Growth

Growing Animal Health APIs business

Established position in emerging market formulations business

Significant investments towards building a regulated market formulations business

Portfolio of niche Human APIs providing stable cash flows

Established relationships with global animal and human health companies

Supported by a Strong Foundation

Operations underpinned by well-invested manufacturing with strict adherence to quality and compliance

Strong focus on research and development to build a pipeline for consistent growth

Experienced management team led by CEO with 17 years of experience in the pharmaceutical sector

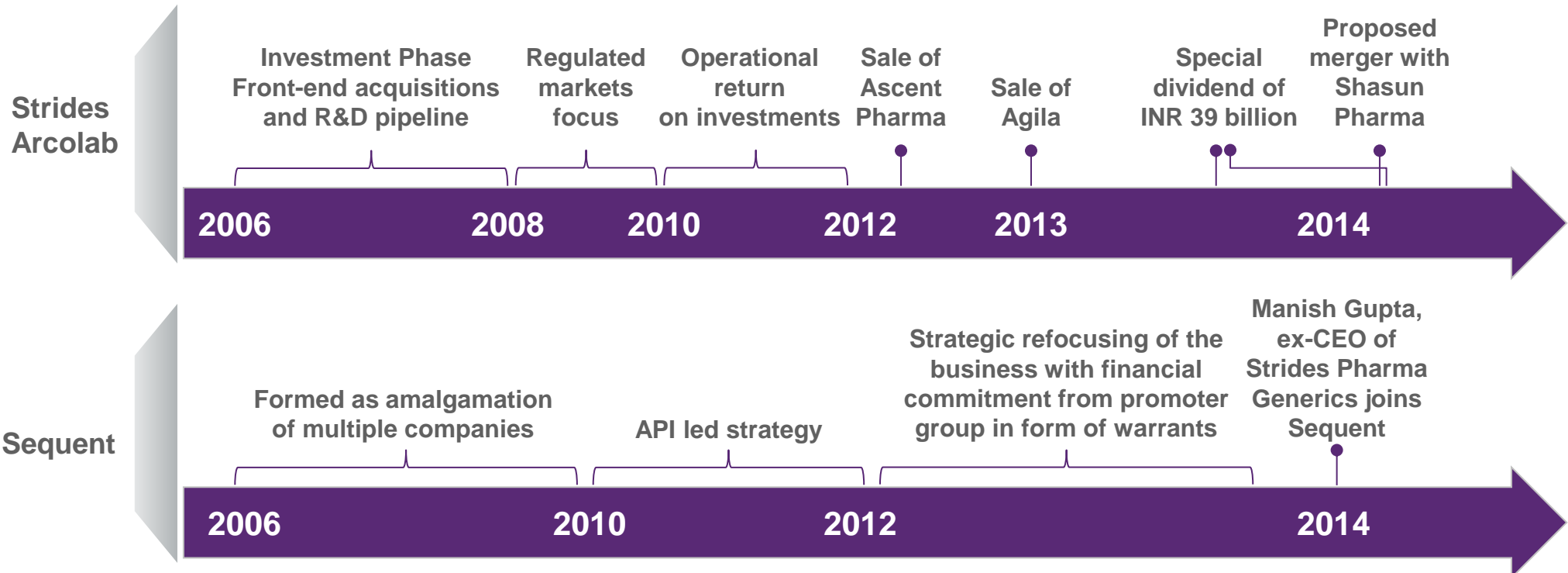
Well positioned to capitalize on the high growth animal health sector

(1) Shareholding on a fully diluted basis. Assumes conversion of outstanding warrants

Promoter Group – Demonstrated Track Record of Significant Value Creation

Business strategy and key focus areas for Promoter Group

- 1 Pick niche areas in pharma with limited competition and better margins
- 2 Focus on areas with presence of fewer Indian players
- 3 Continuous business evolution in line with changing regulatory landscape



Strategic Refocusing of the Business

Sequent then...

API led strategy

Volume driven

Emerging markets footprint

...and now

API and Formulations led strategy

Value driven

Emerging and Regulated markets footprint

VISION – ‘To be amongst the leading global animal health companies by 2018’

Key Strategic Initiatives

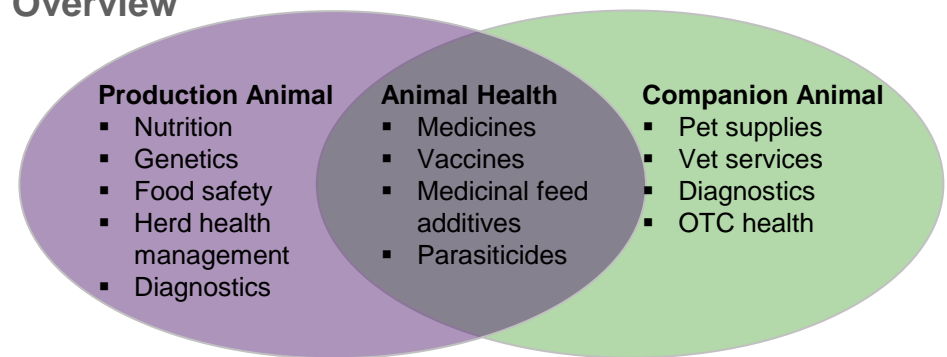
- Animal Health Business transferred to a subsidiary of the listed entity and re-branded as ‘Alivira’
- Acquisition of 60% stake in Turkish Animal Health company – ‘Provet’
- Acquired Animal Health API facility in Vizag
- Divestiture of specialty chemical business

Significant Financial Commitments

- Equity infusion commitment from Promoters of c.INR 2,900 million of which c.INR 1,845 million has already been infused
- Equity infusion of INR 1,200 million by Ascent Capital into ‘Alivira’, step-down subsidiary for animal health
- Preferential allotment to Mankekar family, value investors

Animal health – Large Growing and Diverse Sector

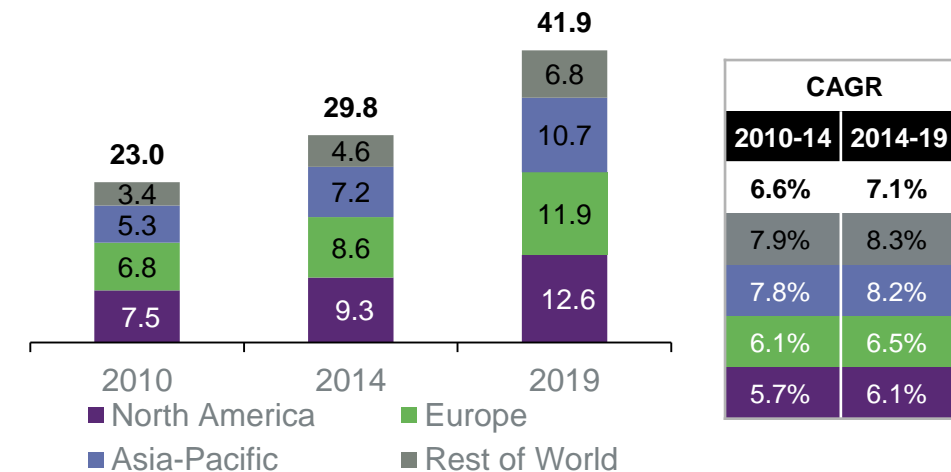
Overview



- Animal health sits at the intersection of two large and growing industry sectors: production and companion
- The global animal health sector is estimated to represent a market of approximately \$30bn in 2014

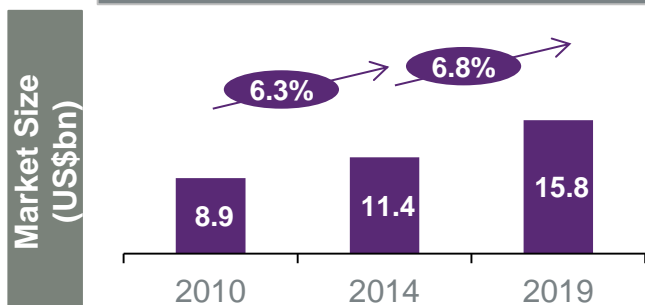
Source: Persistence Market Research.

Total Animal Health Market Size (US\$bn)



Source: Persistence Market Research.

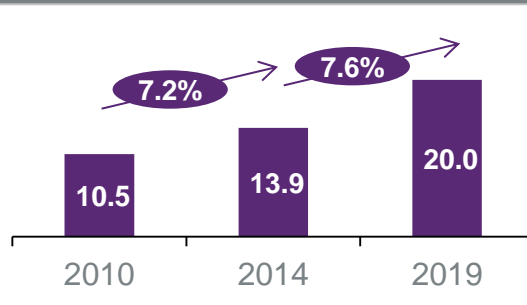
Animal Health Pharmaceuticals



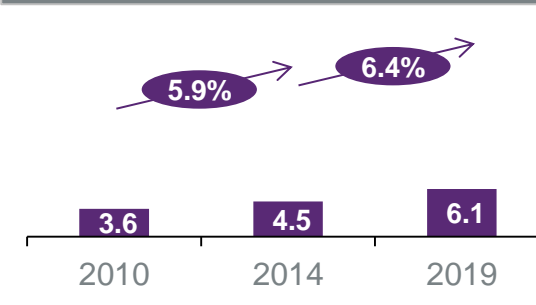
Sequent Presence



Feed Additives



Vaccines



Source: Persistence Market Research.

Compelling Underlying Trends Driving Global Demand

Production Animals



Companion Animals



Global population growth

Growing middle class and urbanisation, particularly in emerging markets

Increased demand for animal protein

Productivity improvements

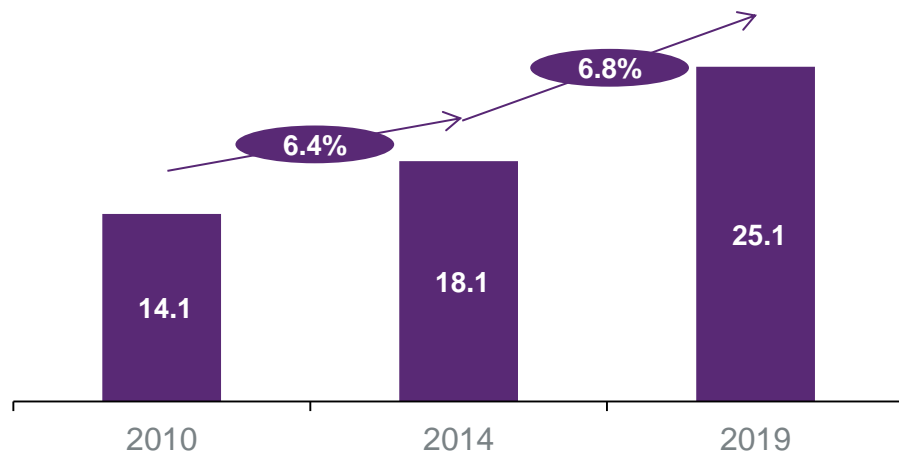
Heightened focus on food safety

Increased pet ownership

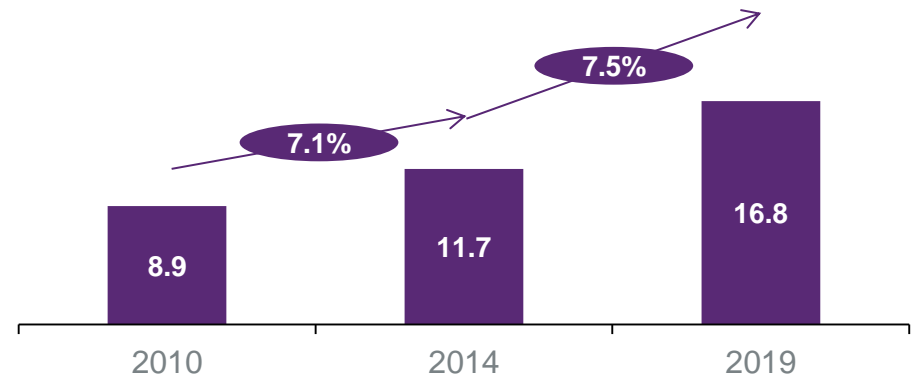
Increased medicalisation for pets

Unmet medical needs

Global Production Animal Health Market Growth



Global Companion Animal Health Market Growth



Source: Persistence Market Research.

Source: Persistence Market Research.

Focus area for Sequent

Animal Health – Attractive Industry Dynamics

Changing Industry Dynamics

- Emergence of standalone animal health companies
- Increasing oversight of regulatory compliance⁽²⁾

Distinct Product Portfolio

- Non-overlapping product portfolio of 'Top 10' companies⁽¹⁾

Limited Pricing Pressure

- Buyers are pet owners and animal farm owners, leading to self-pay nature of business, with little pressure of payors like insurance companies or Government
- Higher brand loyalty, especially following consolidation of farming industry leading to increased impact of veterinarian advice, based on quality, safety, and commercial concerns

Limited Competitive Intensity

- Market dominated by Big Pharma and a few European companies ⁽²⁾
- No India-based player with scale in animal health API & formulation segment ⁽²⁾
- Retail buyers (e.g. McDonalds, Wal-Mart) have specific preferences for food suppliers ⁽²⁾
- Increasing regulatory scrutiny forcing companies to seek compliant & dependable suppliers ⁽²⁾

Few products under patent /exclusivity

- Very few products are protected by patents ⁽¹⁾
- Limited R&D in the industry, keeping R&D cost low
- Most animal health drugs were originally developed for human health or crop protection ⁽¹⁾

Attractive global industry lacking a credible Indian company

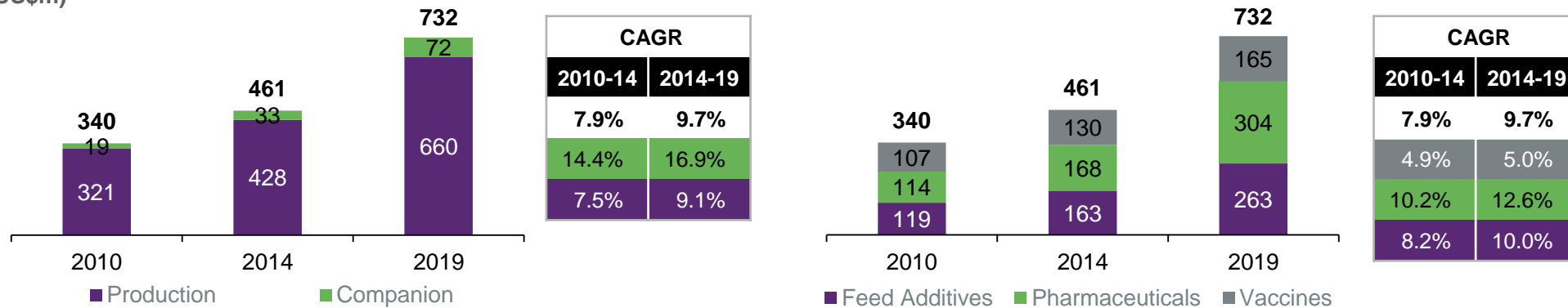
Source:

(1) USFDA

(2) Persistence Market Research

Well Positioned to Capitalize on the High Growth Animal Health Sector in India

The Indian market is subscale providing room for it to be the second-fastest growing market globally (US\$m)



Source: Persistence Market Research.

Sequent Strategy

Differentiation

- Custom made solution in poultry and dairy
- API to formulation integration

Focus on unmet needs

- Expensive products with significant cost effectiveness
- Tapped changing market opportunity in high value enzyme segments
- New conceptual products and services; focus towards education and creation of new market segment

Niche marketing

- Focus towards high value nutrition segment
- Brand augmentation through strategic tie-ups and in-licensing

Key Outcomes

- Strong growth in India business since its entry in Aug-12; achieved sales of INR 235 million in FY15
- In-licensing business contributes 22 % of total sale
- Premium pricing at par with top players
- Shift from API to Formulation: commercialization of 3 brands
- One brand over INR 50 million and two brands over INR 20 million in FY15
- Top five brands contributed 54% of sales in FY15

Growing Animal Health APIs business

Business Overview

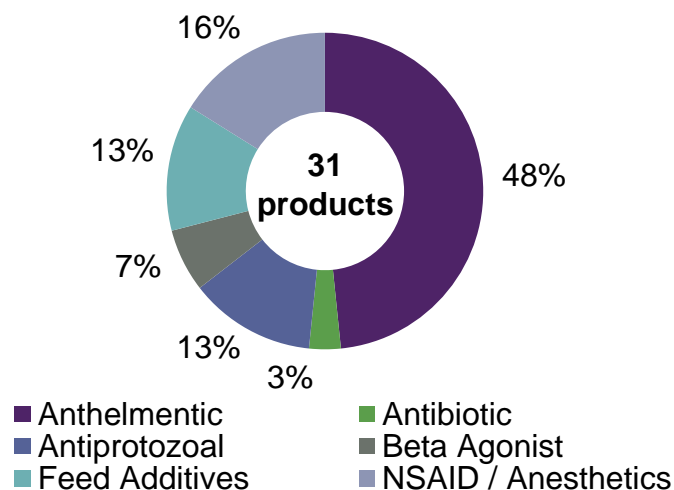
- Offers a wide range of products, predominantly in Anthelmintics
- Serves customers across US, Europe, LATAM & India with 14 products in Animal Health APIs
- Infrastructure with flexibility to manufacture small to large volume APIs for various markets

New Initiatives

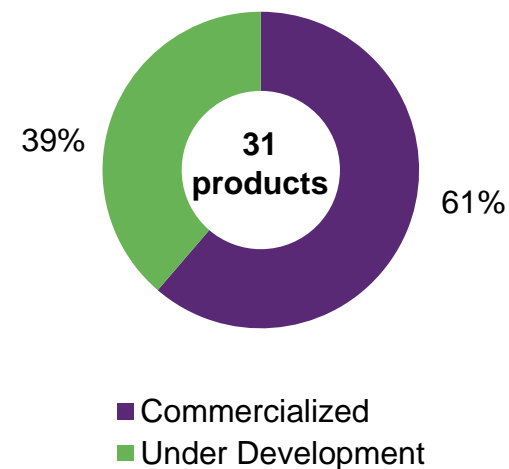
- Investments in R&D; launched 5 new products in last 18 months with another 12 under development
- Expanding portfolio into newer segments like NSAIDS, Beta Agonist, Feed Additives & Ecto-Parasiticides
- Business transitioned to the facility acquired at Vizag; the facility is CEP certified and has initiated EU supplies
- Leveraging key existing customer relationships to expand product basket across geographies

Product portfolio being extended

By Therapeutic Area



By Development Status



Significant Investments Towards Building a Regulated Market Focused Formulations Business

Overview

- Forayed into the formulation exports as a forward integration for animal health APIs in 2006
- Sales made through distributors primarily in Africa
- Launched formulation business in India in 2012 focusing on cattle and poultry segments with sales through own field force
- Manufacturing site at Ambarnath with capability for injectable granules and liquid formulations for Emerging markets

Provet Acquisition

Strategic Rationale

- Ranked as the third-largest company in Turkish veterinary market with a estimated market size of US\$220 million and expected to grow at CAGR of 7% from 2015-20 (Source: Persistence Market Research)
- Turkey's geographic position and favourable political environment provides market access to Europe, CIS as well as MENA countries
- Deep product portfolio of 100+ products across multiple therapy segments with focus on sterile injectable
- Provides platform for future expansion into the Regulated markets of EU, Canada, RSA & Australia

Capability

- Beta-Lactam injectable suspension
- Non-Beta Lactam injectable solution
- Intramammary injectable suspension
- Oral Solutions
- Aerosol and Pour On / Spot On

Regulatory Status

- EU-GMP inspection scheduled in near term

Significant Investments Towards Building a Regulated Market Focused Formulations Business (contd')

	India	Emerging Markets	Regulated Markets
Current Position	<ul style="list-style-type: none"> ■ Presence in cattle Rx, poultry nutrition and dairy nutrition segment ■ Demonstrated strong growth in first three years of business since its inception in Aug-2012 ■ Nutrition segment has been the key growth driver 	<ul style="list-style-type: none"> ■ Already established presence in Africa, MENA and Turkey ■ Provet acquisition provides market access to CIS and MENA countries 	<ul style="list-style-type: none"> ■ Provet acquisition provides access to manufacturing facility for future expansion into the regulated markets of EU <ul style="list-style-type: none"> - EU-GMP inspection scheduled in near term
Future Strategy	<ul style="list-style-type: none"> ■ Launch of new products including calf milk replacer ■ Direct to retail marketing for OTC / nutraceuticals ■ Own manufacturing unit to provide better quality assurance 	<ul style="list-style-type: none"> ■ Portfolio maximizations and new product development ■ Pursuing inorganic opportunities to enter Brazil, one of the fastest growing animal health market ■ Significant initiatives made to develop key markets like SE Asia and CIS ■ Feed supplement to drive growth in select markets 	<ul style="list-style-type: none"> ■ Portfolio of 90+ products for the regulated market with 27 products in FY16 ■ Evaluating partnerships/collaborations to tap US and ANZ markets ■ Exploring opportunities for acquisition of sales and marketing organizations in select EU markets ■ B2B in other regulated markets

Shift towards regulated market

Established Relationships with Global Animal Health Companies

Overview

- Supplying APIs to 8 out of top 10 global animal health companies
- Includes supplies to each of the top 5 animal health companies

Global Top 10 Animal Health ⁽¹⁾	
Company 1	<ul style="list-style-type: none"> ▪ Albendazole supply since last 6 years with ongoing supplies for 3 other APIs ▪ Ongoing discussions to supply 3 more APIs
Company 2	<ul style="list-style-type: none"> ▪ Supplying since past 12 years ▪ Currently supplying 4 APIs with discussions ongoing for 2 more APIs
Company 3	<ul style="list-style-type: none"> ▪ Currently supplying one API with discussions ongoing for one more API
Company 4	<ul style="list-style-type: none"> ▪ Supplying key API to US subsidiary
Company 5	<ul style="list-style-type: none"> ▪ Supplying one API since 2001 under supply contract for EU market
Company 6	<ul style="list-style-type: none"> ▪ Supplying Clorsulon since 2008 ▪ Ongoing supplies of 2 other APIs to its subsidiaries
Company 7	<ul style="list-style-type: none"> ▪ Supplying Diminazene since 2005 ▪ Ongoing supplies for 2 other APIs
Company 8	
Company 9	
Company 10	<ul style="list-style-type: none"> ▪ Supplying Toldimfos since 2012 ▪ Currently supplying one more API

(1) Source: Persistence Market Research.

Strong Focus on Research and Development to Build a Pipeline for Consistent Growth

Research center in Mangalore



- 122 scientists; including 12 PhDs and 110 Masters in Science
- 8 laboratories
- Expertise in carbohydrate chemistry and heterocyclic chemistry
- Recently commissioned pilot scale plant for faster product development
- Center recognized by DSIR, Government of India

Product portfolio and pipeline

- Capability to rapidly scale up the portfolio and successfully execute the regulatory filing strategy

	Animal API	Animal Formulations	Human API
No. of Products			
Current Portfolio	19	182	20
	+	+	+
Pipeline	12	35	14
	↓	↓	↓
Total Products	31	217	34

Operations Underpinned by Well-invested Manufacturing with Strict Adherence to Quality and Compliance

Significant investments in infrastructure and regulatory systems to ensure compliance with continuously increasing regulatory standards

Animal Health Formulations



**Polatli
TURKEY**

Animal health formulations

Injectable suspensions, granules for injections, oral solutions / suspension, aerosol and pour-on / spot-on

EU-GMP inspection scheduled in near term



**Ambernath
MH, INDIA**

Animal health formulations

Granules, liquids
cGMP facility

Animal Health API



**Vizag
AP, INDIA**

Animal health API manufacturing facility

CEP certified; EU supplies initiated

Near-term filings planned for US cGMP facility

224.6 kL reactor capacity

5 clean rooms

Intermediate Facility

Tarapur (MH, INDIA)

Human API



**Mangalore
KA, INDIA**

Large and small human APIs

TGA, USFDA, WHO-PQ approved, CEP certified

123.5 kL reactor capacity

6 clean rooms

Mahad (MH, INDIA)

CEP certified; EU supplies ongoing cGMP facility

Intermediate Facility

Mysore (KA, INDIA)

Proposed Additions

✓ Spot on / pour on and Aerosols in Turkey Facility

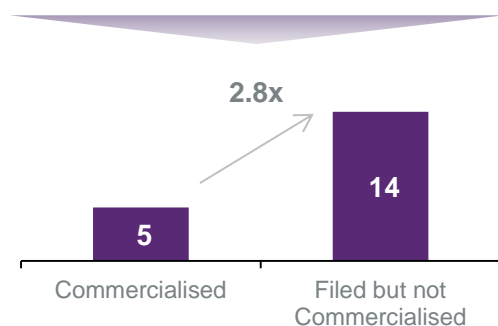
✓ Building / acquiring oral facility with capabilities in bolus / tablets, feed additives and liquids

✓ Set-up a new injectables facility in India / Turkey

Presence in Niche Human API Segment Providing Stable Cash Flows

Business Overview

- **Focus on mature APIs with availability issues and low volume / decreasing competition molecules**
- Limited competition; largely from expensive geography
- Technologically complex products with strong backward integration (4-5 steps)
- Long term supply agreements for two large volume APIs with two of the top global pharma companies
- Current commercialized products predominantly sold into markets requiring WHO pre-qualification
- Recent commercialization in US

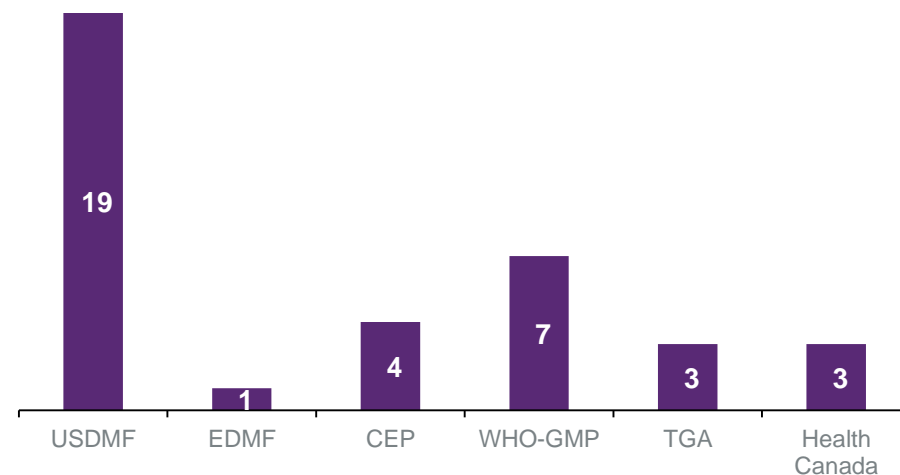


- Pipeline of 14 APIs under various stages of development

Recent Initiatives

- Long term licensing agreement with Gilead to make generic version of hepatitis C drug Sofosbuvir and Ledipasvir
- Entered into memorandum of understanding with Arch Pharma Labs to leverage their manufacturing and customers

Supplying to marquee clients across Regulated and Emerging markets



Multiple Levers to Support Growth Strategy

Launch of New Products

- ✓ Launch of niche opportunities in the human API space
- ✓ Expanded product range to service existing customer relationships in larger territories

New Capabilities and Process Enhancement

- ✓ Invest in product development for the regulated markets
 - Portfolio of over 90 products identified
 - Provet acquisition provides a platform to fast-track the development program
- ✓ Invest towards own feed additives manufacturing capabilities
- ✓ Investment in new larger regulated market focused formulation facility to complement Turkish facility

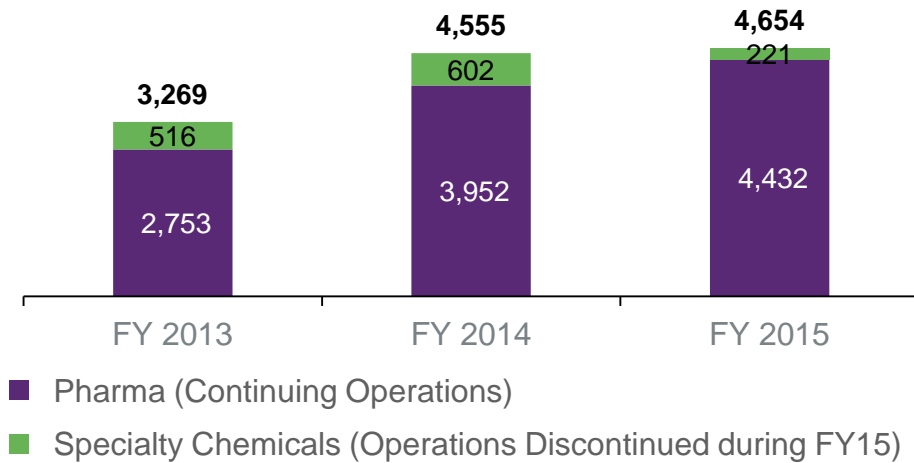
Entry into New Markets

- ✓ Evaluating partnerships/collaborations to tap US and ANZ markets
- ✓ Exploring opportunities for acquisition of sales and marketing organizations in select EU markets
- ✓ B2B in other regulated markets
- ✓ Pursuing inorganic opportunities to enter Brazil

Summary Financials

Net Sales from Operations

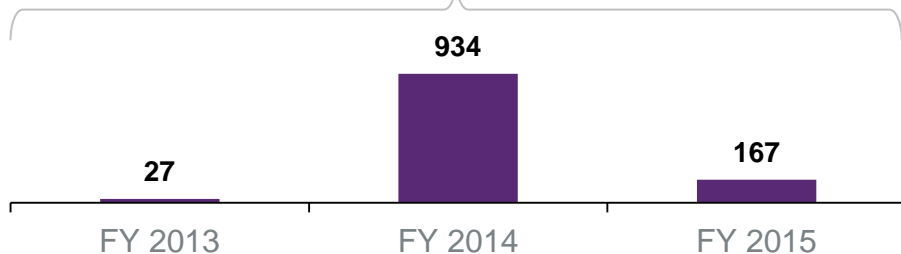
(INR million)



Exceptional Items to P&L

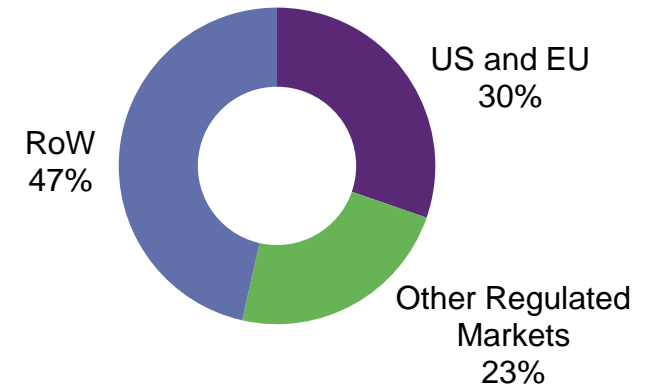
(INR million)

Exceptional hits of INR 1,127 million to P&L during FY13-15 on account of exit from certain projects, closure of Ambernath facility, exchange fluctuations, inventory/receivables and inventory write-off

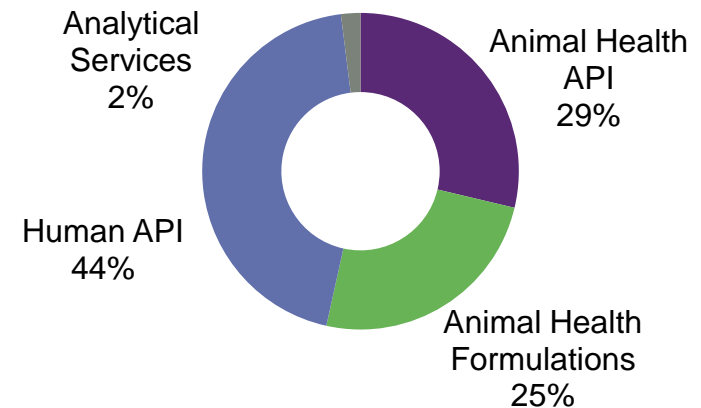


Q4-FY15 Revenue Split

By Geography

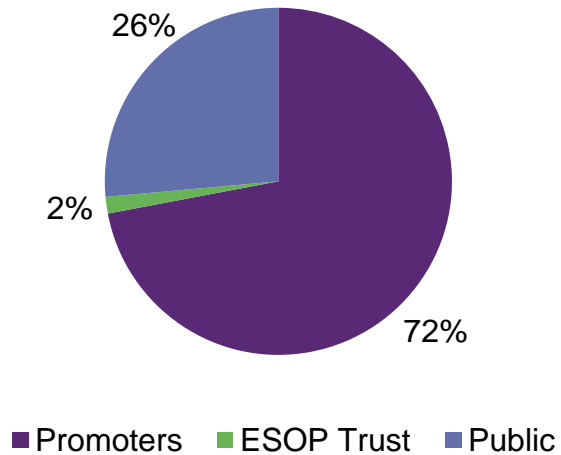


By Segment



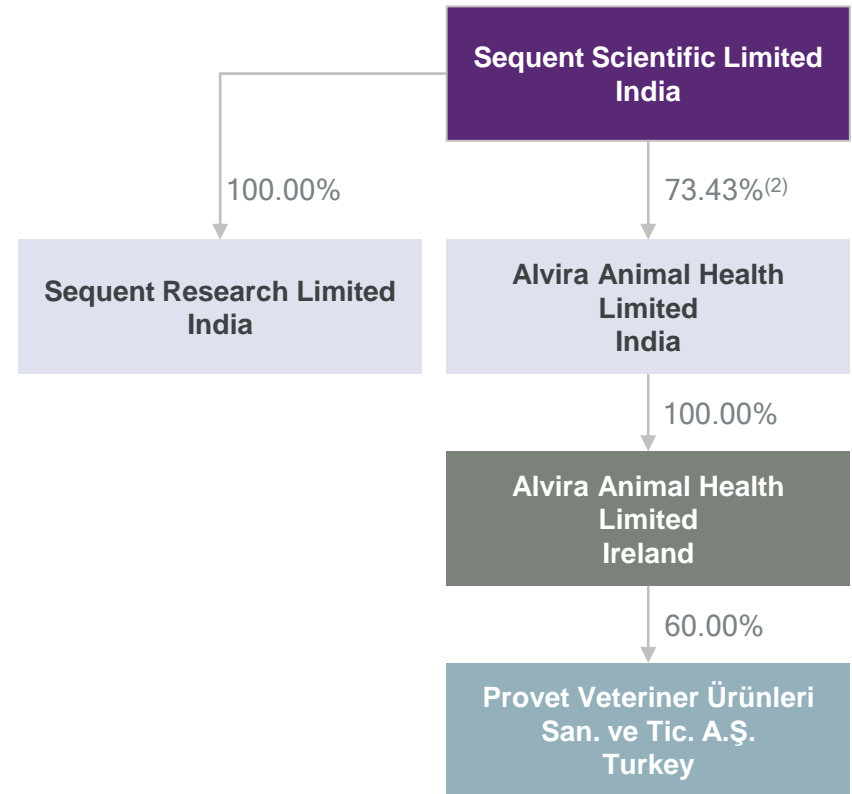
Shareholding Pattern and Corporate Structure

Shareholding Pattern⁽¹⁾ (As on March 31, 2015)



(1) Shareholding on a fully diluted basis. Assumes conversion of outstanding warrants

Corporate Structure



(2) Shareholding on a fully diluted basis. Assumes conversion of Ascent's preference shares

Sequent is Well Positioned to Capitalise on the Global Animal Health Opportunity

Market Characteristics	Sequent Advantage
Limited competitive intensity from India	<ul style="list-style-type: none">■ Amongst the few Indian players with critical mass in the animal health space
Partnerships critical for success in Regulated markets	<ul style="list-style-type: none">■ Long and established relationships with global animal health companies■ Evaluating partnerships/collaborations to tap US and ANZ markets
Importance of portfolio development	<ul style="list-style-type: none">■ R&D capabilities to enable Sequent to quickly roll out a broad portfolio of drugs for global markets
Growing sophistication of Emerging markets	<ul style="list-style-type: none">■ Portfolio of products for Emerging markets. Currently present in India, Turkey, Africa, MENA and expanding into Brazil and South-East Asia
Integrated manufacturing	<ul style="list-style-type: none">■ Established India manufacturing capability allows Sequent to emerge as a partner of choice for both API and FDF