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India's No. 1 animal health company



**Q1'19 Presentation for the Investors | August 9, 2018**

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# Q1'19 Performance Review



# A robust beginning of the financial year



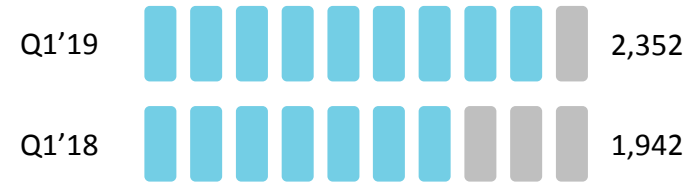
**Manish Gupta**  
MD, Sequent



We delivered robust growth in revenue with our improved operating leverage leading to a 300 basis point improvement in the margins. The performance would have been even better had we not witnessed the currency headwinds in Turkey (-17%) and Brazil (-10%) coupled with regulatory changes in Turkey which impacted our primary sales.

Our recent Bremer acquisition in Germany has helped us shape a valuable injectables strategy for regulated markets. With 12 API filings in US, we have the largest filings for any generic companies in US. We stay confident of delivering the strategic and financial outcomes for FY19 as our API business gains momentum and Europe gains further traction driven by ~25 new launches planned across geographies.

## Revenues (₹ mn)



QoQ

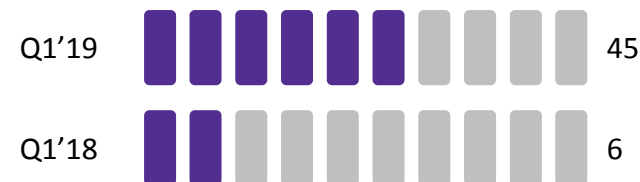
**21.1%**

## EBITDA (₹ mn)



**300<sub>bps</sub>**

## Profit After Tax (₹ mn)

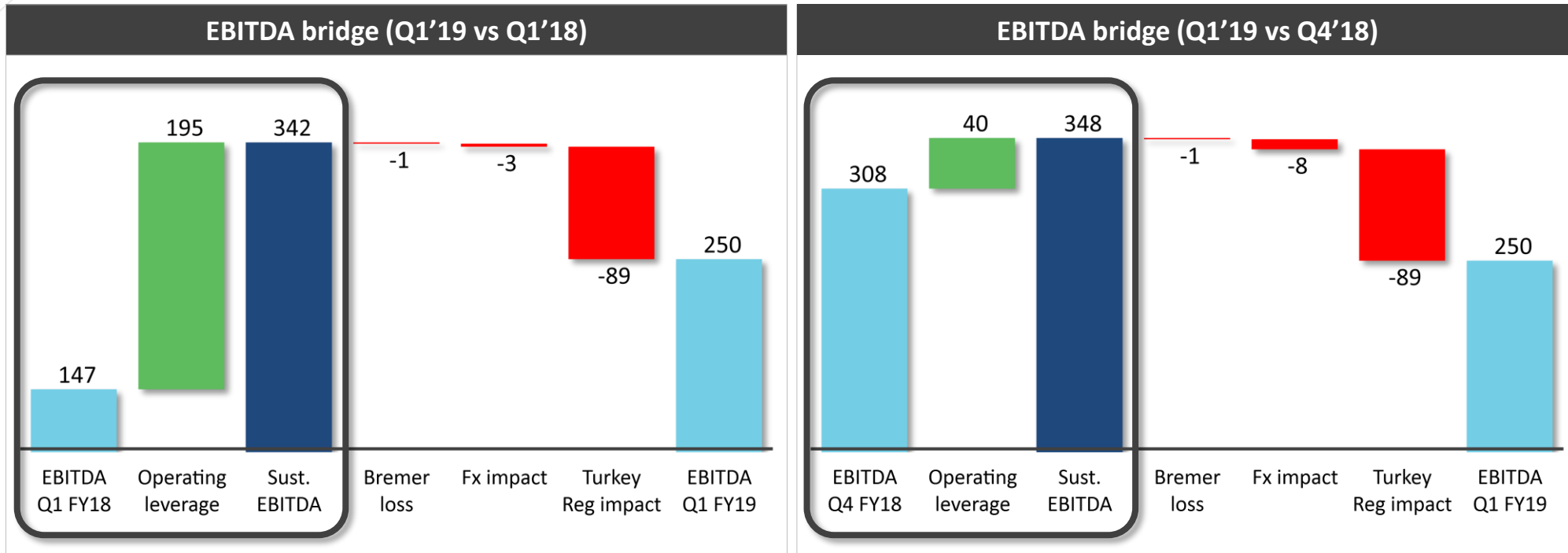


**7.5x**



# 1.7x EBITDA growth despite currency headwinds

All values in ₹ mn



## Key Highlights

- Improved performance across all businesses resulting in an expansion of ~700bps in operating margins over Q1'18
  - Sustainable EBITDA now ~₹345 mn
  - Sustainable operating margins now at 14.7%
- Sustainable operating margins expand ~150bps over Q4'18



# Significant ramp up in Europe and key EMs

All values in ₹ mn

Geography-wise Sales	Q1'19	Q1'18	YoY%	YoY% (Constant currency)
<b>APIs</b>	<b>602</b>	<b>521</b>	<b>15.5%</b>	<b>12.3%</b>
<b>Formulations</b>	<b>1,750</b>	<b>1,422</b>	<b>23.1%</b>	<b>18.2%</b>
Europe	927	720	28.7%	14.2%
Turkey	243	245	-0.9%	16.2%
Emerging Markets	374	265	40.6%	37.6%
LATAM	206	190	8.3%	17.1%
<b>Global Sales</b>	<b>2,352</b>	<b>1,942</b>	<b>21.1%</b>	<b>17.1%</b>

## Key Highlights

- Overall business has grown by 14.5% over Q1 FY18, without considering Bremer
  - API Business grew by 15.5%
  - Formulations business grew by 12.9% (without Bremer), significantly ahead of 6% industry growth
- All businesses/geographies on target except Turkey
  - Turkey sales flat on account of twin impact of currency depreciation and regulatory changes





# Business Highlights for the quarter (Q1'19)



# Investments in Vizag API bearing fruits

Revenue Growth(%)

15.5

Growth to top 5 players

4x

US filings in quarter

02

CEP Approvals in quarter

02

## Largest filings amongst Generic Companies in US

	US	CEPs	Other Reg	Total validated
Q1FY19	2	-	1	3
Cumulative	12	10	23	24

## API business Key Highlights

- API Business gains further traction with a growth of 15.5%
- Strategy of being partner of choice for Global 'Top 5' paying off
  - Global 'Top 5' companies now account for 30% of API biz, as against 10% in FY15
  - Four-fold increase in sales to Global 'Top 5' in the period
- EIR received from USFDA for Vizag site for the recent inspection in March 2018
- Initiated validation supplies of 2 new NSAID's for US companion market, both with no generics in the market
- 2 filings in US and 2 CEP approvals during the quarter





# R&D to drive value creation in FDF business

Revenue Growth(%)

New products launched

23.1

10+

Under Development

Market Coverage

30+

95+

## Global R&D program Highlights

- 3 new product validations completed – including 1st injectable
- Portfolio of injectable developments finalised, 8 in phase-1 to leverage Bremer site

## FDF business Key Highlights

- Robust growth across geographies, led by Europe (14%+), Latam (17%+) and Emerging Markets (31%+)
- Turkey sales up by 16%+ on constant currency, new measure to control abuse of anti-microbials impact sales

### Update on new markets

- Alivira France – Largest Animal health market in Europe
  - Launch with 4 companion animal product
  - Commercial operation to commence in Q3'19
- Alivira Ukraine – 9th largest poultry market in the world
  - First registrations achieved - 5 products registered
  - Commercial operations to start Q2'19

### Global Formulation R&D program gains momentum

- 30+ products in development in India and Spain for the regulated markets of US, EU and ANZ
- Includes 5 products for US with first filing in Q1'20
- Commercialisation leveraging the robust front-end platform across key markets





## Establish Bremer as an injectable site for Regulated Markets (EU & USA)

- Emphasis on high value injectable products backed by the R&D, leveraging the Group's experience in the space
- 8 injectable products shortlisted for development in phase 1
- 1st validation batch planned in Q3'19



## Site Enhancements Initiated

- Enhance site injectable manufacturing capacities for mid-term goals
- Extending range of pack type & size range to meet market requirements



## Near term visibility

- Business in emerging market to drive breakeven by Q4'19



- World over, regulations being introduced for judicious use of anti-microbials in production animals including veterinarian supervision
- Turkey has taken the lead in terms of global practices given their large focus on production animals, with two new initiatives – E-Prescription (ER) and Veterinary Pharmaceutical Product Tracking (ITS)
- Resultant slow-down in primary sales in Q1 as market adjust to the new system, normalization expected in H2

## Changes by Authority

- Introduction of E-Prescription (“ER”) for the veterinary clinics and Veterinary Pharmaceutical Product Tracking (“ITS”) for the manufacturers and the distributors, applicable from March 2018
- Purpose of the system is to control residues in the food producing animals

## Impact on Veterinarian

- ER stipulates veterinarian should introduce all pharmaceutical products for tag of animals through front end connecting to ministry website
- ITS covers the entire manufacturing and sales cycle starting from API sourcing, manufacturing to product sales

## Impact on Business

- Veterinarians and the distributors took time to introduce inventory to ITS while the manufacturers were on board mandatorily as the manufacturing was tracked from the import of the API
- The market experiencing a period of low primary sales





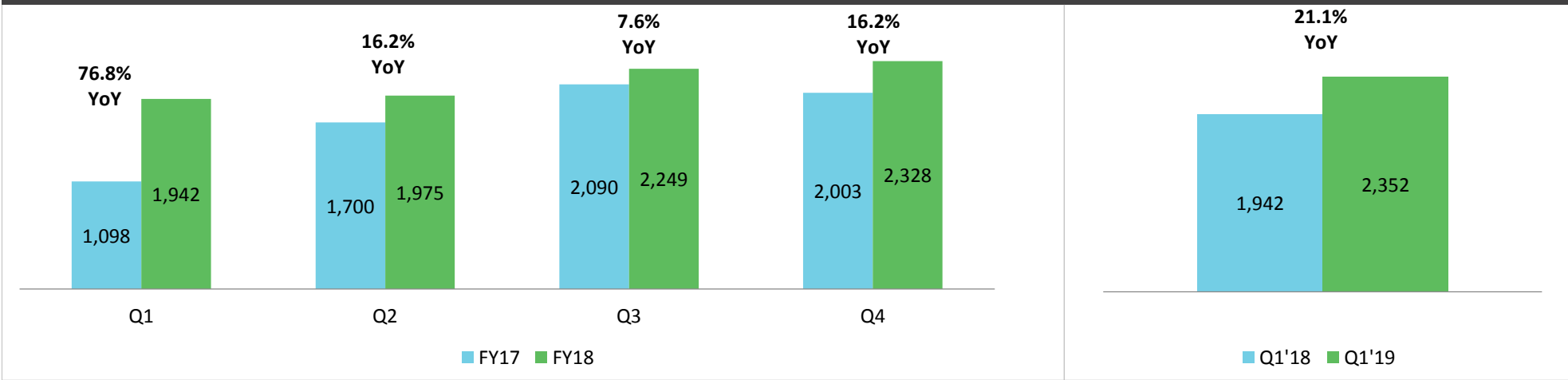
**Continued focus on execution and  
strong fundamentals**



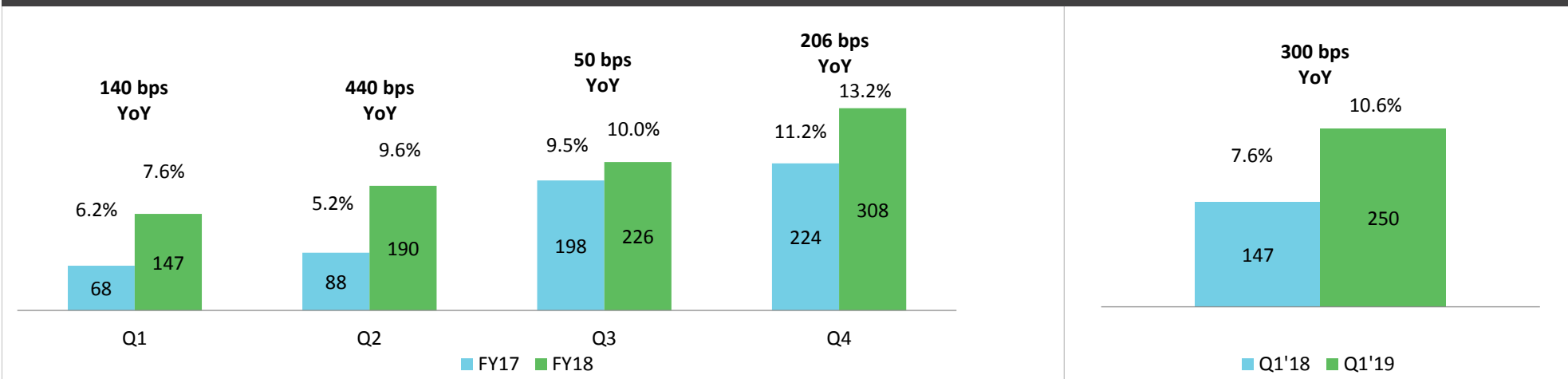
# Strong Execution Continues

All values in ₹ mn

## Revenue growth



## EBITDA growth



# Consolidated Income Statement

All values in ₹ mn

FY18 Audited	PARTICULARS	Q1'19 Unaudited	Q4'18 Audited	Q1'18 Unaudited
8,494	Revenue from Operations	2,352	2,328	1,942
(4,625)	Material Consumption	(1,265)	(1,235)	(1,061)
<b>3,870</b>	<b>Gross Margin</b>	<b>1,086</b>	<b>1,093</b>	<b>881</b>
45.6%	%	46.2%	46.9%	45.4%
(2,999)	Operating Expenses	(837)	(785)	(735)
<b>871</b>	<b>EBITDA</b>	<b>250</b>	<b>308</b>	<b>147</b>
10.3%	%	10.6%	13.2%	7.6%
(41)	Exchange Gain / (Loss)	(25)	(6)	4
166	Other Income	18	29	36
(331)	Finance Cost	(78)	(97)	(61)
(413)	Depreciation	(96)	(95)	(101)
(15)	Exceptional Items	-	(15)	-
<b>236</b>	<b>Earnings Before Tax</b>	<b>69</b>	<b>125</b>	<b>25</b>
(135)	Taxes	(24)	(41)	(19)
<b>102</b>	<b>Earnings After Tax</b>	<b>45</b>	<b>84</b>	<b>6</b>
93	Minority Interest	12	52	0
<b>9</b>	<b>Earnings post minority</b>	<b>33</b>	<b>33</b>	<b>6</b>
4,206	Earnings from discontinued ops	-	3,963	17
<b>4,216</b>	<b>Earnings for the year</b>	<b>33</b>	<b>3,995</b>	<b>22</b>

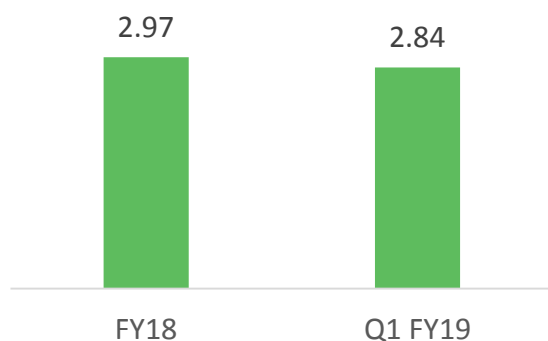


# Key Balance Sheet items

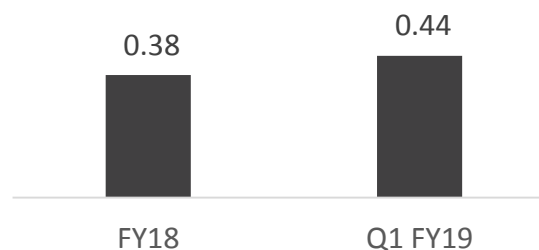
All values in ₹ mn

Particulars	30-Jun-18	31-Mar-18	Remarks
Shareholders' funds	5,815	6,476	Fair valuation of Strides shares
Minority Interest	384	370	
Borrowings	3,092	3,046	Currency impact on \$/€ loans
Cash	527	598	Bremer acquisition
Investments	1,446	2,217	Fair valuation of Strides shares
Tangible Assets	2,292	2,269	
Intangible Assets	2,757	2,671	
Working Capital	2,559	2,483	Bremer acquisition

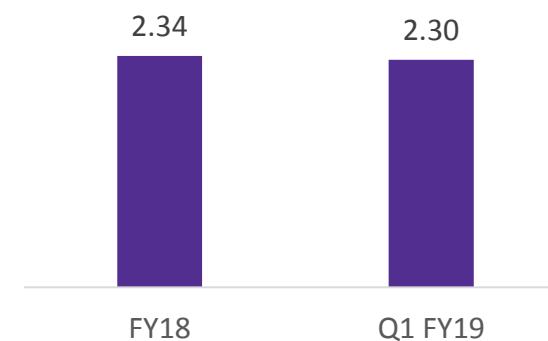
### Net debt to EBITDA



### Net Debt to Equity



### Current ratio





## API business

- API business to accelerate by further commercialisation in US



## Formulations

- Maintain above industry growth across geographies
- Commercialisation in France and Ukraine
- Turkey to remain sublime in Q2, normalisation in H2
- Bremer to achieve breakeven by Q4'19



## R&D

- **API:** 4 new products to be validated, more filings in both US and EU
- **Formulations:** 5 product validations planned (including 2 injectables).

**Business on track to achieve FY19 objectives**





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**Thank You**

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