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

ALKEM VISION

To achieve value driven leadership in Indian Health Care Industry and beyond...
Through
Quality that is infinite
Service that cares
Hardwork that endures

9th February, 2018

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

Dear Sirs,

Sub: Press Release and Analyst Presentation on Q3FY18 and 9MFY18 Results

With reference to relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith press release and analyst presentation on Q3FY18 and 9MFY18 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 Q3FY18 and 9MFY18 Results

Mumbai, February 9, 2018: Alkem Laboratories Ltd (Alkem) today announced its consolidated financial results for third quarter & nine months ending December 31, 2017. These results were taken on record by the Board of Directors at a Meeting held in Mumbai today.

Key highlights of Q3FY18 financial performance (Refer Notes below)

- Total Revenue from Operations was Rs.17,405 million, year-on-year growth of 17.4%
  - India sales were Rs.12,567 million, year-on-year growth of 22.0%
  - International sales were Rs.4,660 million, year-on-year growth of 7.8%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.3,598 million, resulting in EBITDA margin of 20.7% vs. 18.1% in Q3FY17. EBITDA grew by 34.2% YoY
- R&D expenses for the quarter was Rs.927 million, or 5.3% of total revenue from operations compared to Rs.851 million in Q3FY17 at 5.7% of total revenue from operations
- Profit before tax (PBT) was Rs.3,324 million, a growth of 30.1% compared to Q3FY17
- Net Profit (after Minority Interest) was Rs.1,716 million, compared to Rs.2,334 million in Q3FY17. Tax expenses in Q3FY18 includes one-off charge of Rs.449 million on account of significant changes to the US corporate income tax system

Key highlights of 9MFY18 financial performance (Refer Notes below)

- Total Revenue from Operations was Rs.49,180 million, year-on-year growth of 6.9%
  - India sales were Rs.35,297 million, year-on-year growth of 5.1%
  - International sales were Rs.13,101 million, year-on-year growth of 11.0%
- Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) was Rs.9,146 million, resulting in EBITDA margin of 18.6% vs. 18.5% in 9MFY17. EBITDA grew by 7.6% YoY
- R&D expenses for 9MFY18 was Rs.2,529 million, or 5.1% of total revenue from operations compared to Rs.2,289 million in 9MFY17 at 5.0% of total revenue from operations
- Profit before tax (PBT) was Rs.8,451 million, a growth of 2.0% compared to 9MFY17
- Net Profit (after Minority Interest) was Rs.5,639 million, compared to Rs.7,550 million in 9MFY17

Notes: Post implementation of GST with effect from 1st July 2017 and as per Ind AS 18, revenue from operations is disclosed net of GST. Revenue from operations for the quarter and nine months ended 31 December 2016 and for the year ended 31 March 2017 included excise duty which is now subsumed under GST. Revenue from operations for the nine months ended 31 December 2017 includes excise duty up to 30 June 2017. Accordingly, revenue from operations for the quarter and nine months ended 31 December 2017 are not comparable with those of previous period presented.

Commenting on the results, Sandeep Singh, Managing Director, Alkem said, "Q3FY18 has been a strong quarter for the company. Amidst the challenging regulatory environment and competitive landscape, we have not only achieved robust revenue growth but have also complimented it with improvement in our profit margins. We are continuously investing in our capabilities, people and infrastructure to build newer avenues of growth."

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Operational Highlights

Domestic Business

Our Domestic sales for Q3FY18 grew by 22.0% YoY, recording a sales of Rs.12,567 million as compared to Rs.10,298 million for Q3FY17. For 9MFY18, our Domestic sales grew by 5.1% YoY to Rs.35,297 million compared to Rs.33,590 million in 9MFY17. Adjusting for the impact of GST, like-to-like YoY growth was higher for the quarter and nine months ended 31 December 2017.

As per IMS TSA data, for the quarter ended 31 December 2017, we rank amongst the top five companies in the India Pharma Market (IPM) and have outperformed the IPM across all the major therapy segments listed in the table below. 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. We also feature amongst the top ten companies in India in the Neuro / CNS segment, thereby highlighting our efforts to grow our chronic business.

The performance highlights of the key therapeutic segments in Q3FY18 and 9MFY18 are as shown in the table below:

Key Therapy segment	Q3FY18				9MFY18			
	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	19.5%	10.5%	1	Unchanged	-2.4%	-2.5%
Gastro Intestinal	3	Unchanged	11.4%	9.4%	3	Unchanged	5.8%	4.2%
Pain / Analgesics	3	Unchanged	13.3%	7.7%	3	Unchanged	10.4%	2.5%
Vitamins / Minerals / Nutrients	4	+2	23.8%	9.7%	4	+1	10.3%	4.8%
Neuro / CNS	8	+2	15.0%	5.8%	9	+1	10.7%	3.2%
Derma	17	Unchanged	26.7%	16.6%	17	Unchanged	22.1%	14.4%
Cardiac	28	Unchanged	16.1%	6.8%	28	+1	15.7%	5.1%
Anti-Diabetic	24	+4	31.6%	9.8%	25	+2	19.8%	12.2%
Total	**5**	**+2**	**18.2%**	**10.4%**	**6**	**-1**	**4.4%**	**4.8%**

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

Source: IMS TSA data

International Business

Our International sales for Q3FY18 grew by 7.8% YoY, recording sales of Rs.4,660 million as compared to Rs.4,324 million for Q3FY17. For 9MFY18, our International sales grew by 11.0% to Rs.13,101 million compared to Rs.11,806 million in 9MFY17.

- **US sales** for the quarter was Rs.3,592 million, recording a year-on-year growth of 6.1%. For 9MFY18, US sales was Rs.9,596 million, up 5.1% compared to 9MFY17.
- **Other International Markets sales** for the quarter were Rs.1,068 million, recording a year-on-year growth of 13.7%. For 9MFY18, Other International Markets sales were Rs.3,505 million, up 30.9% compared to 9MFY17.

R&D Investments

Our Revenue R&D expenses for the quarter were Rs.927 million, or 5.3% of total revenue from operations. Similarly for 9MFY18, our Revenue R&D expenses were Rs.2,529 million, or 5.1% of total revenue from operations.

During the quarter, we filed 3 abbreviated new drug applications (ANDAs) with the US FDA and received 7 approvals (including 1 tentative approvals). For 9MFY18, we filed 8 ANDAs with the US FDA and received 12 approvals (including 1 tentative approvals).

As on 31st December 2017, we have filed a total of 96 ANDAs and 1 new drug application (NDA) with the US FDA of which 41 are Para IV filings including first-to-files (FTFs). Of these, we have received approvals for 48 ANDAs (including 6 tentative approvals) and 1 NDA.

Status on US FDA Inspections at our facilities

Facility	Scope	Last Inspection Date	Update
St. Louis (US)	Formulations	October 2017	EIR Report received
Baddi (India)	Formulations	September 2017	EIR Report received
Ankleshwar (India)	API	December 2016	EIR Report received
Daman (India)	Formulations	September 2016	EIR Report received
Mandva (India)	API	September 2015	EIR Report received
California (US)	API	May 2015	EIR Report received

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Q3FY18 and 9MFY18 Conference Call at 4:00pm IST, February 9, 2018

Alkem Laboratories Ltd. will organize a conference call for investors and analysts on Friday, February 9, 2018 at 4:00 pm IST to discuss its Q3FY18 & 9MFY18 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: 4:00 pm IST (GMT + 5:30) on Friday, February 9, 2018

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

About Alkem Laboratories Ltd.

Established in 1973 and headquartered in Mumbai, Alkem (NSE: ALKEM, BSE: ALKEM, 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

For further information or queries please contact

Gagan Borana

Investor Relations – Alkem Laboratories Ltd.

Tel: +91 22 3982 9960 / Mobile: +91 98190 56333

E-mail: gagan.borana@alkem.com

ALKEM LABORATORIES LTD.

Investor Presentation Q3FY18 – 9th February 2018

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

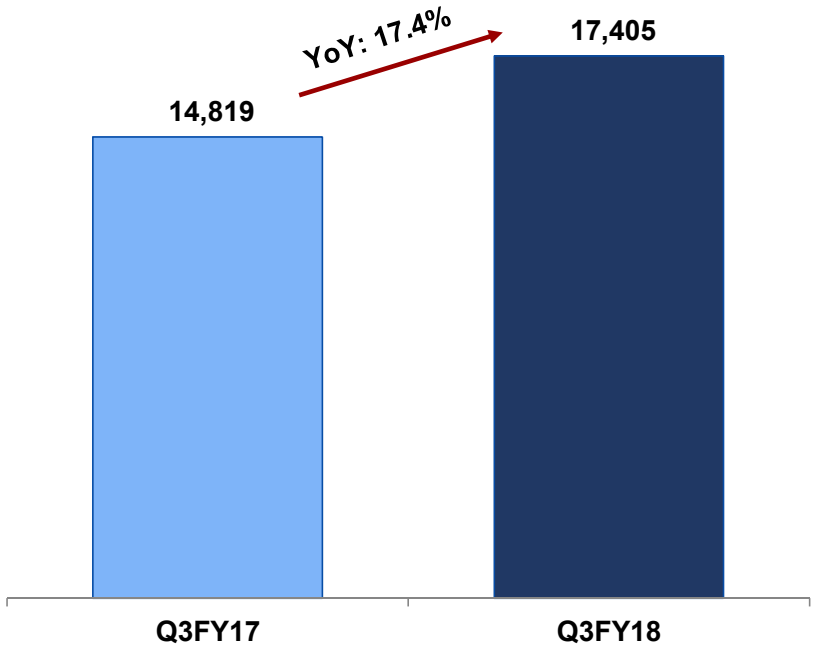
Robust quarter – Strong revenue growth accompanied with improvement in EBITDA margins

- **India Business reported 22% YoY growth**: Company maintained its leading positions in the acute therapy areas while improving its presence in the chronic therapy segments
- **Healthy growth in the International Business:** Company's key select International markets including US registered a healthy growth. Growth was even better in local currency terms
- **EBITDA margins improve by 260bps YoY to 20.7%:** Despite the challenging regulatory environment and competitive landscape in the key markets of India and US, the Company delivered YoY improvement its EBITDA margins driven by better product mix and operating leverage
- **7 ANDA approvals in Q3FY18:** Company filed 3 ANDAs and received 7 approvals from the US FDA during Q3FY18. On-track to meet its guidance of 12-15 ANDA filings per year with 8 ANDA filings in 9MFY18
- **US FDA inspections**: All the 6 manufacturing facilities catering to the US market have an EIR with no pending observations in any of them
- **Reported Net Profit after tax** for Q3FY18 and 9MFY18 impacted by one-off charge of Rs.449 million (part of tax expenses) due to significant changes to the US corporate tax system

Key Financial Highlights – Q3FY18 (Consolidated)

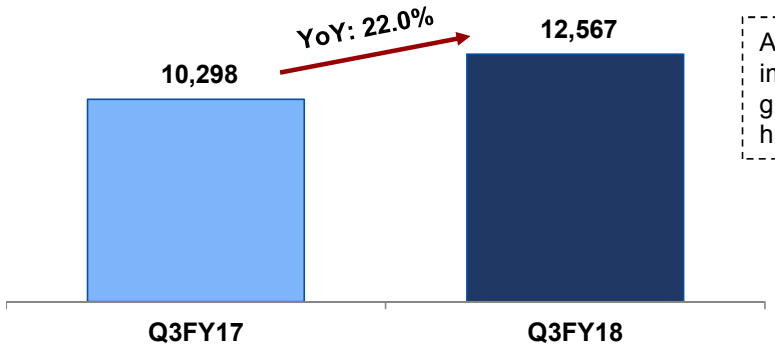
All figures in Rs mn

Total Revenue from Operations



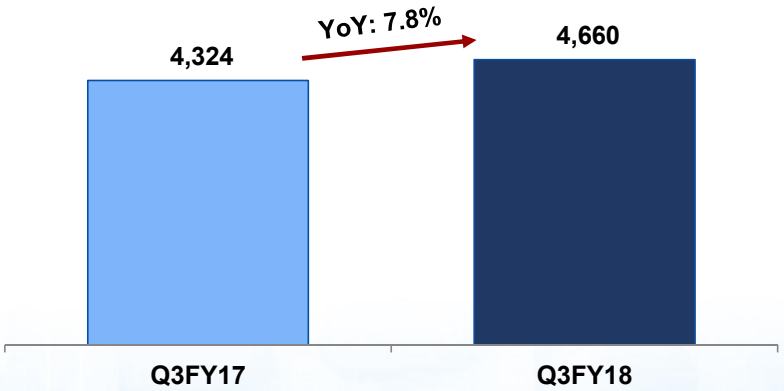
Notes: Post implementation of GST with effect from 1st July 2017 and as per Ind AS 18, Revenue from Operations is disclosed net of GST. Revenue from Operations for earlier periods includes excise duty. Accordingly, Revenue from Operations for the quarter and nine months ended 31 December 2017 are not comparable with those of previous period presented.

India sales



Adjusting for the impact of GST, YoY growth was even higher

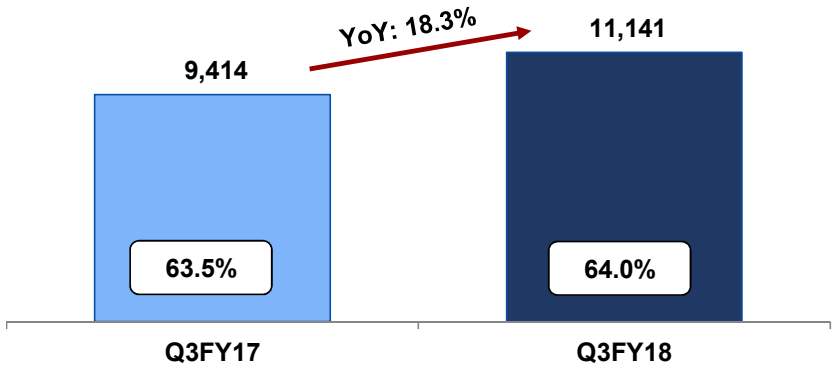
International sales



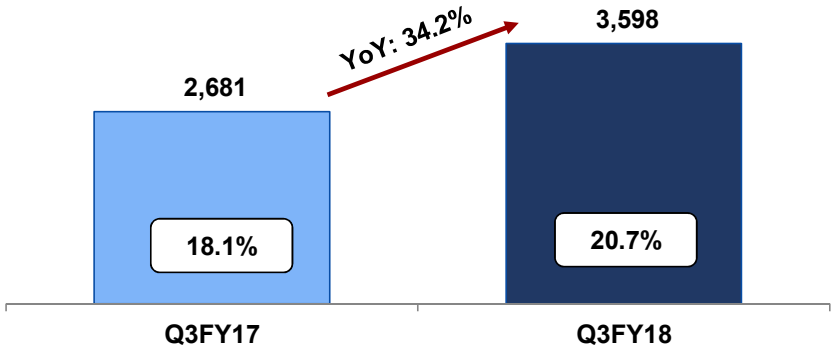
Key Financial Highlights – Q3FY18 (Consolidated)

All figures in Rs mn

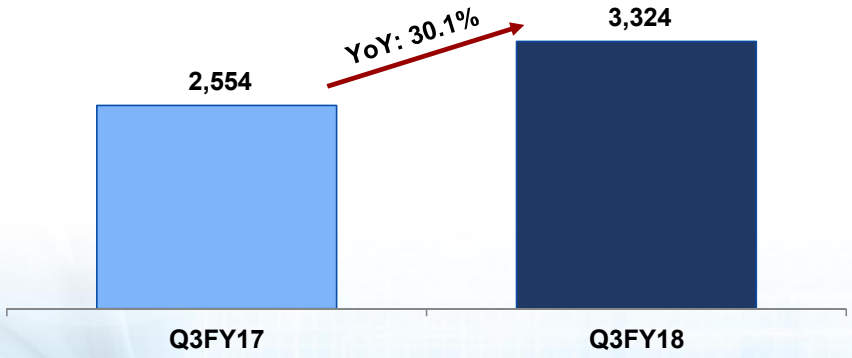
Gross Profit and Gross Margin



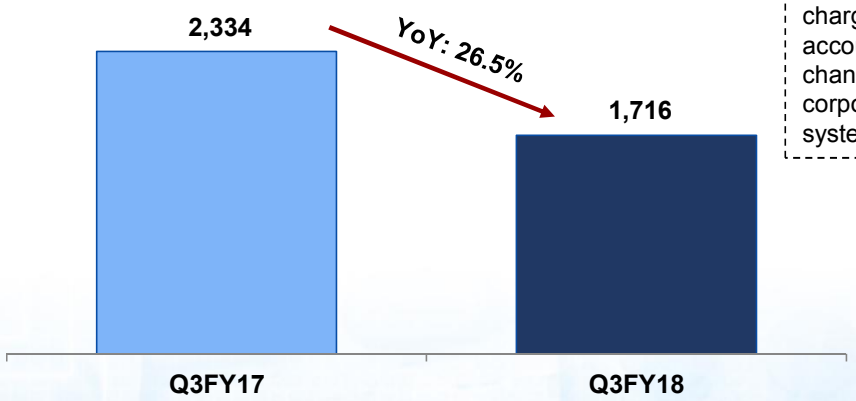
EBITDA and EBITDA Margin



PBT (before Minority Interest)



PAT (after Minority Interest)



Reported Net Profit after tax impacted by one-off charge of Rs.449mn on account of significant changes to the US corporate income tax system

Key Financial Highlights – 9MFY18 (Consolidated)

Particulars (Rs mn)	9MFY18	9MFY17	YoY growth
Revenue from Operations	49,180	46,011	6.9%
Gross Profit	30,211	28,404	6.4%
Gross Profit margin	61.4%	61.7%	
EBITDA	9,146	8,497	7.6%
EBITDA margin	18.6%	18.5%	
PBT	8,451	8,286	2.0%
PBT margin	17.2%	18.0%	
PAT (After Minority Interest)	5,639	7,550	(25.3)%
PAT margin	11.5%	16.4%	
EPS (Rs / share)	47.16	63.15	(25.3)%

Notes: Post implementation of GST with effect from 1st 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 nine months ended 31 December 2017 are not comparable with those of previous period presented.

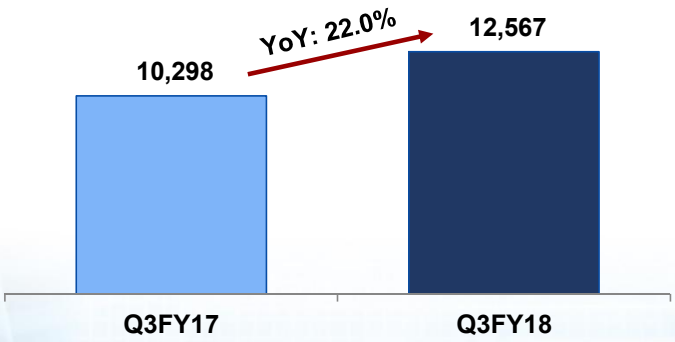
- Adjusting for the GST impact, the YoY revenue growth in 9MFY18 was higher
- Growth in the International Business was impact by adverse currency movement
- EBITDA margins improved despite challenging regulatory environment and competitive landscape in key markets of India and US
- PAT (after minority interest) impacted by one-off charge of Rs.449 million (part of tax expenses) due to significant changes to the US corporate tax system

India Business

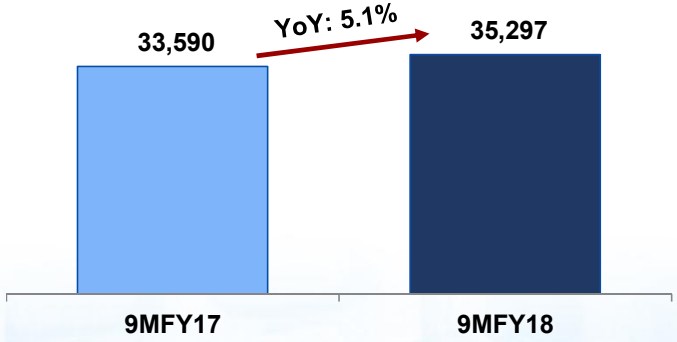
India Business: Q3FY18 Sales of Rs.12,567 million (22.0% growth YoY)

- India sales contributed 73.0% to total sales in Q3FY18
- Adjusting for the GST impact, YoY growth during the quarter and nine months ending 31st December 2017 was even higher
- The YoY growth during the quarter was majorly driven by volume growth along with contribution from new product launches
- During the quarter, the Company outperformed the IPM across all the major therapy segments. (Source: IMS TSA data)
- The Company improved its market share and rankings in chronic therapy areas of Cardiac, Anti-diabetes, Neuro / CNS and Derma. The Company now ranks 8th (YoY improvement of 2 ranks) in the CNS / Neuro segment for Q3FY18. (Source: IMS TSA data)

Q3FY18 – India Sales (Rs mn)

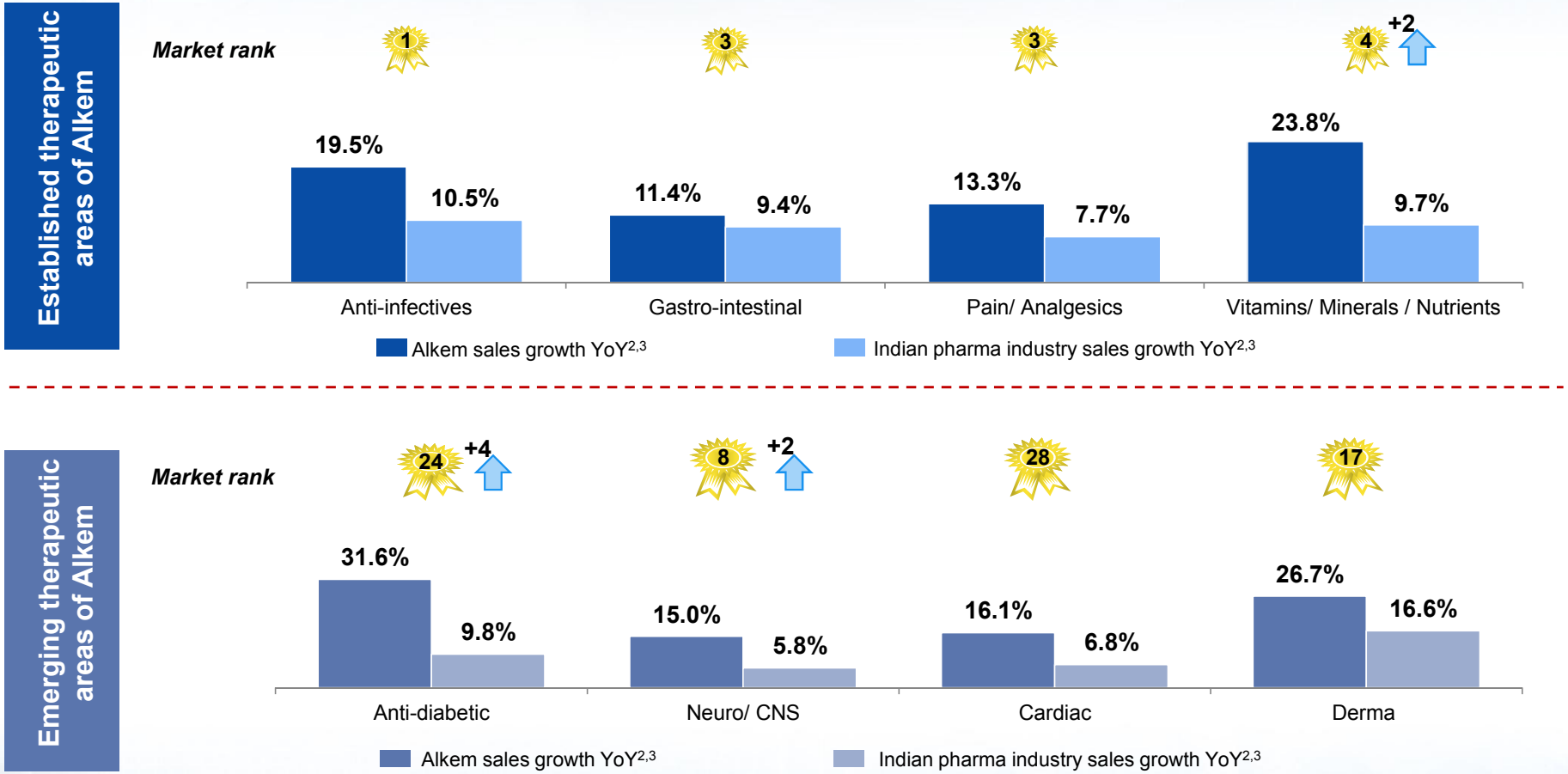


9MFY18 - India sales (Rs mn)



India Business – Secondary Sales Performance

Outperformance across all the major therapeutic areas in Q3FY18



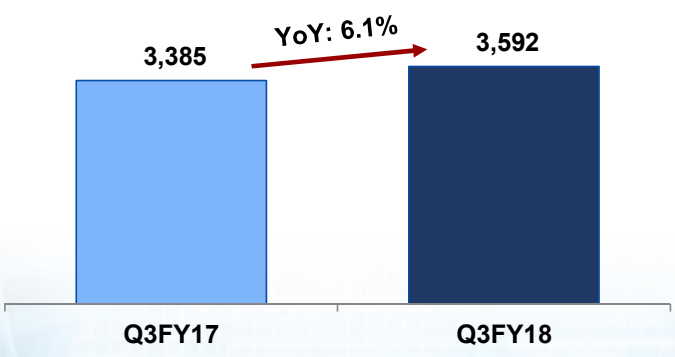
Source: IMS TSA data [2] Domestic formulations sales; [3] For 3 months ended December 2017

US Business

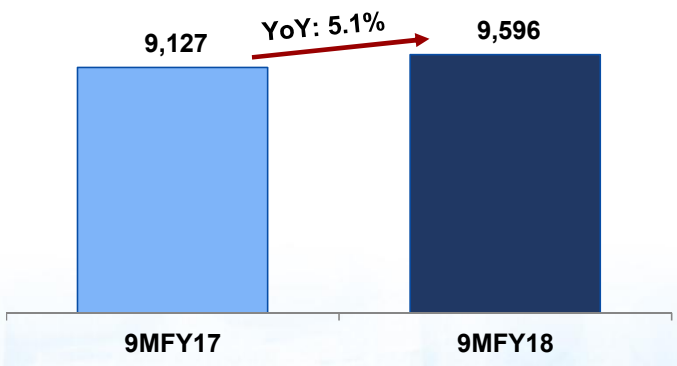
US Business: Q3FY18 Sales of Rs.3,592 million (6.1% growth YoY)

- US sales contributed 20.9% to total sales in Q3FY18
- YoY growth during the quarter was higher in US$ terms
- In Q3FY18, the Company filed 3 ANDAs with the US FDA and received 7 approvals (including 1 tentative approval)
- As on 31st December 2017, the Company has filed a total of 97 ANDAs (including 1 NDA) with the US FDA and has received 49 approvals (including 6 tentative approvals and 1 NDA)
- **Status of US FDA inspection**: All the 6 manufacturing facilities (4 in India and 2 in US) catering to the US market has received an EIR from the US FDA and there is not pending observations in any of them

Q3FY18 – US Sales (Rs mn)



9MFY18 - US sales (Rs mn)

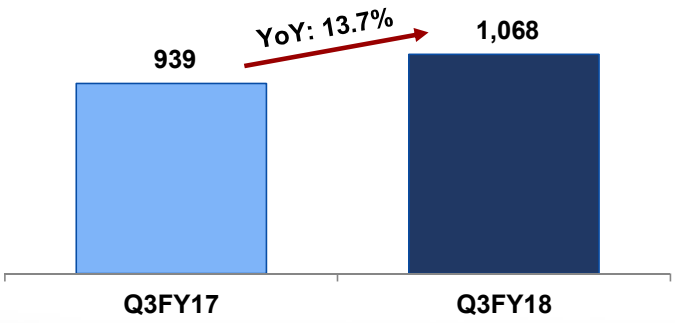


Other International Business

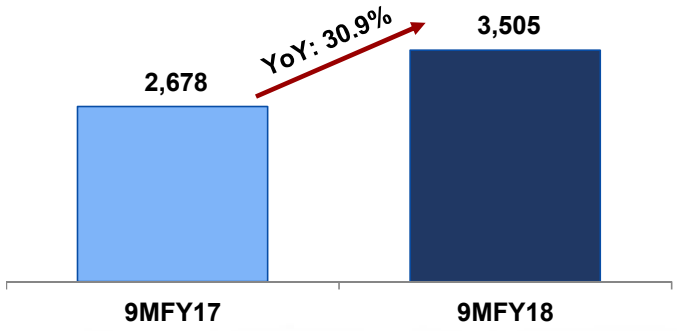
Other International Business: Q3FY18 Sales of Rs.1,068 million (13.7% growth YoY)

- Other International Market sales contributed 6.2% to total sales in Q3FY18
- Company's key markets including Australia, Philippines, Chile and Kazakhstan recorded healthy growth for the quarter and nine months ending 31st December 2017
- YoY growth during the quarter was higher in local currency

Q3FY18 – Other International Sales (Rs mn)



9MFY18 – Other International Sales (Rs mn)



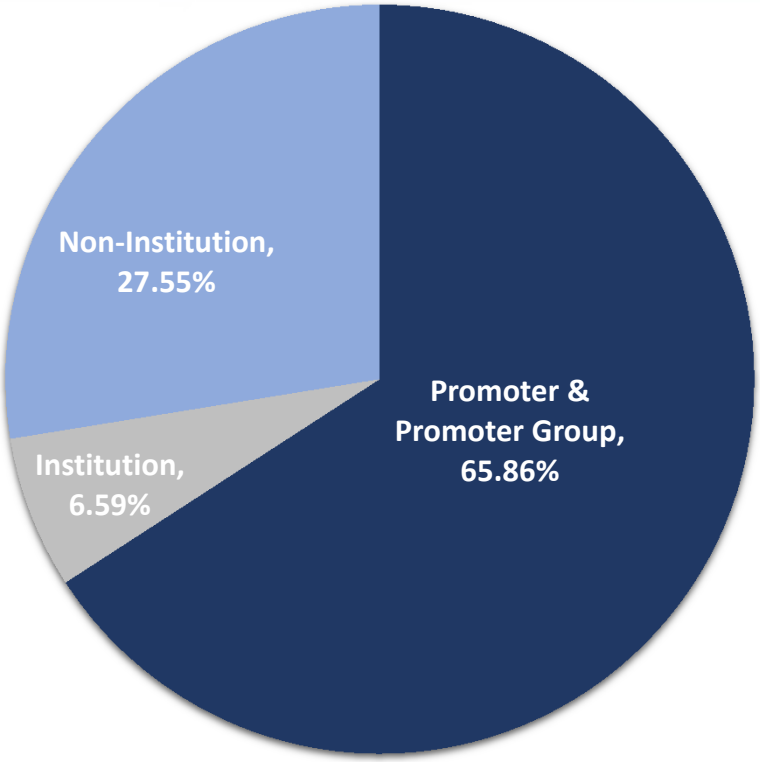
Consistent Strategy, Strong Execution

With a consistent strategy, the greater focus has been on stronger 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 31st December 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

Thank You