Investor Presentation
Q2FY17

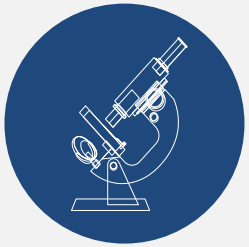
BSE CODE : 524558 | NSE SYMBOL : NEULANDLAB | BLOOMBERG: NLL:IN | REUTERS: NEUL.NS

Safe Harbour

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Business Overview

Company Overview



Legacy

32+ years in pharma with robust quality systems, regulatory and compliance framework

2 verticals : Generic Drugs Substance(GDS) & Custom Manufacturing Solutions(CMS)

Scale

2 regulatory approved manufacturing sites with ~500 KL capacity

~3400sqm FDA approved Research and development center with best in class infrastructure

Capability

Portfolio of 75+ products across 10 therapeutic categories

650+ filings with regulators

1000+ employees including ~200 scientists

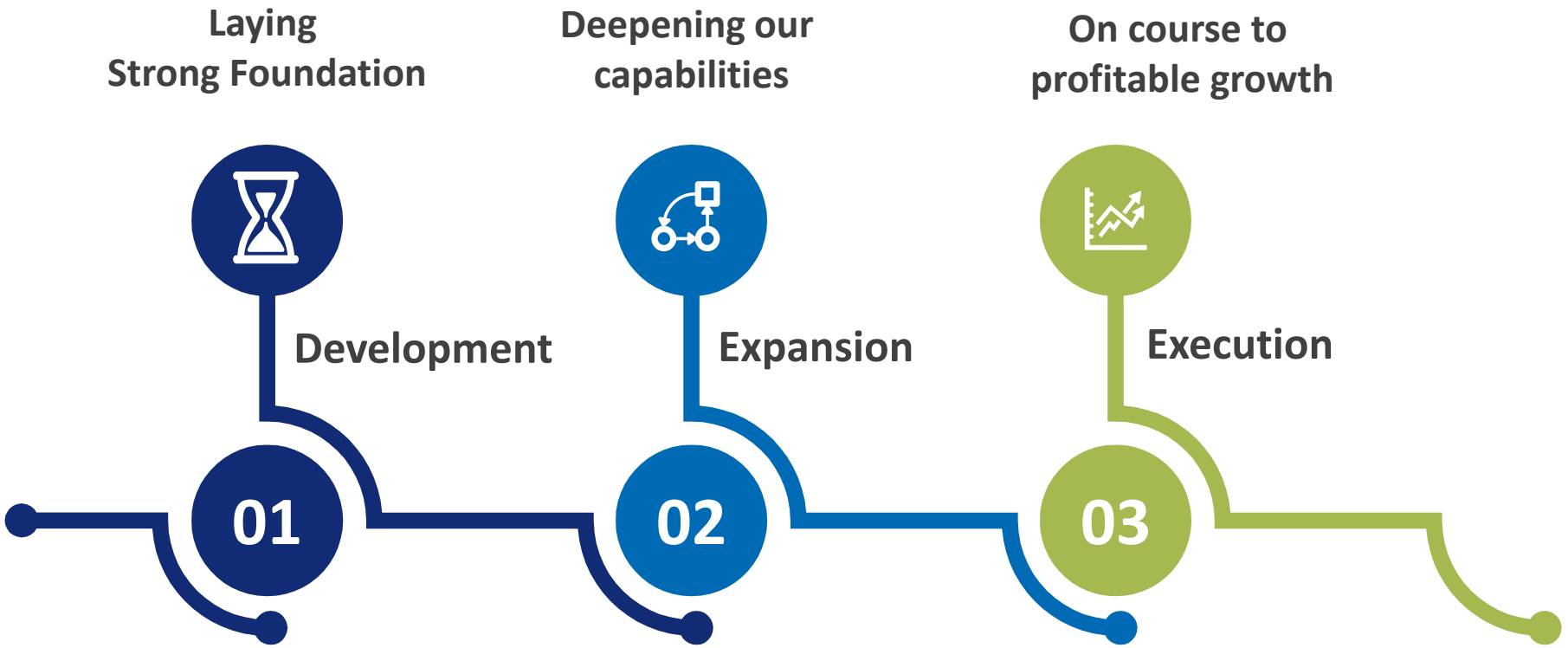
Reach

80+ countries of presence

75% of revenues through exports

93% of revenues through regulated markets

Our Journey



1984-2003

- Incorporation in 1984 and IPO in 1994
- Sale of first API in 1986
- First USFDA audit in 1997- one of the few Indian companies of our size to get audited by FDA
- Long term customer relationships

2004-2012

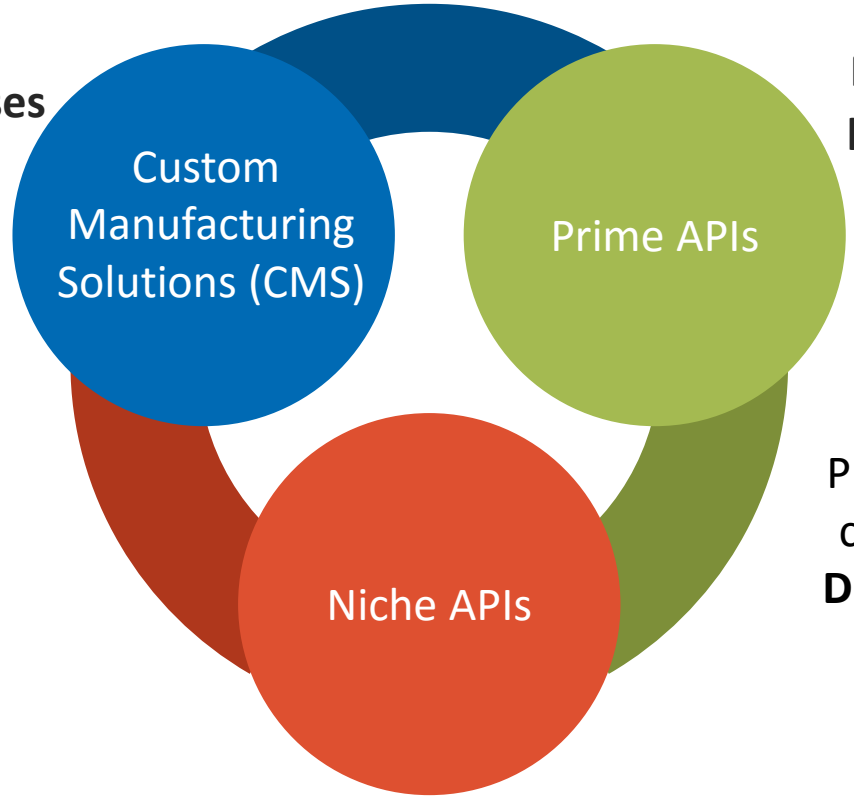
- Investments in capacity expansion
- Initiation of R&D activity at group level
- Foray into Japan and US by way of local presence through subsidiaries
- Entry into peptides business

2013-Today

- **Strategic alignment of business towards niche APIs and Custom manufacturing solutions**
- **Cleared 10th USFDA audit without failure**
- **Focus on profitable growth with 100% API commitment and robust compliance framework**

Business Verticals

Work executed exclusively for the customers on products at various phases of their life-cycle(2)



Mature APIs, typically with high competition in the API space

Prime APIs and Niche APIs collectively form **Generic Drugs Substance (GDS)** for Neuland

APIs with complex processes and niche presence

(1)The classification of products as Less-differentiated/Niche is based on Neuland's understanding of the product and market. The classification of a product is liable to change based on changing market dynamics
(2) CMS Business originates in Neuland Pharma Research Private Limited(NPRPL), however Neuland Laboratories Limited(NLL) is the exclusive manufacturer for NPRPL

Generic Drug Substance(GDS)

Prime APIs

Capability	Business Approach	Strategy Forward
▪ 2 US FDA and EU GMP compliant manufacturing facilities ▪ Collective capacity: ~500KL	▪ Work on molecules either with a business leadership approach or partnership with client on COGS ▪ Ensure uninterrupted supply with quality commitment	▪ Maintain leadership position in key molecule ▪ Work on process optimization to improve yields, productivity and thus margins

Niche APIs

Capability	Business Approach	Strategy Forward
▪ High end complex chemistry capabilities ▪ Backend support by research and development department ▪ Experience of hurdle free scale up	▪ Work with leading companies and help them to meet their technical requirements while being competitive	▪ Focus on niche APIs with complex chemistry ▪ Launch 2-4 products each year for commercial scale up ▪ File IP for non infringing processes

Robust manufacturing base placed on the foundation of quality and pureplay API commitment

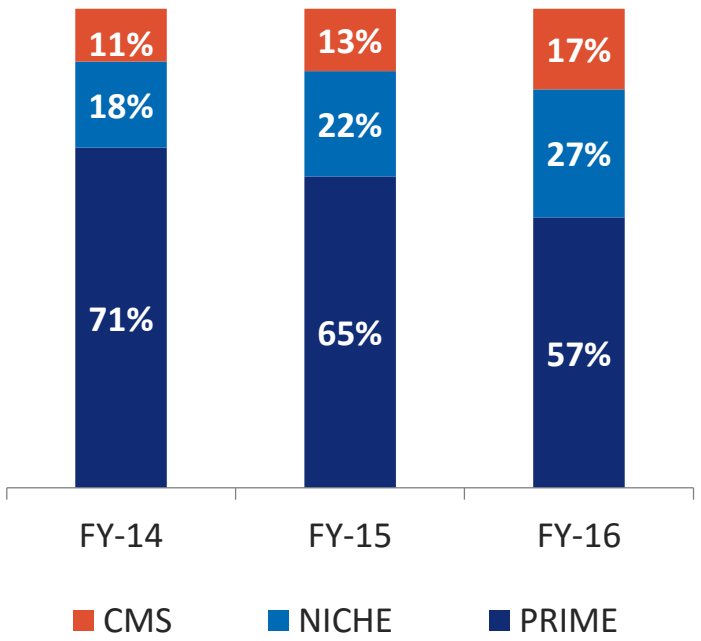
Custom Manufacturing Solutions(CMS)

Services	Business Approach	Strategy Forward
▪ Manufacturing API to customer specifications ▪ Designing and developing manufacturing processes ▪ Process optimization for competitiveness ▪ Filing of DMF/CMC for the API ▪ Patent protection for processes	▪ Local presence in US and Japan with technical as well as commercial employees ▪ Consultative approach on customer relationships ▪ Business targeted on Neuland's technology capabilities and perceived customer needs leading to increased traction	▪ Add depth in technical capabilities using enzymatic technology ▪ Investment in QBD labs, process engineering and foray into new areas of customer solutions ▪ Work effectively on customer relationships and leverage on portfolio expansion

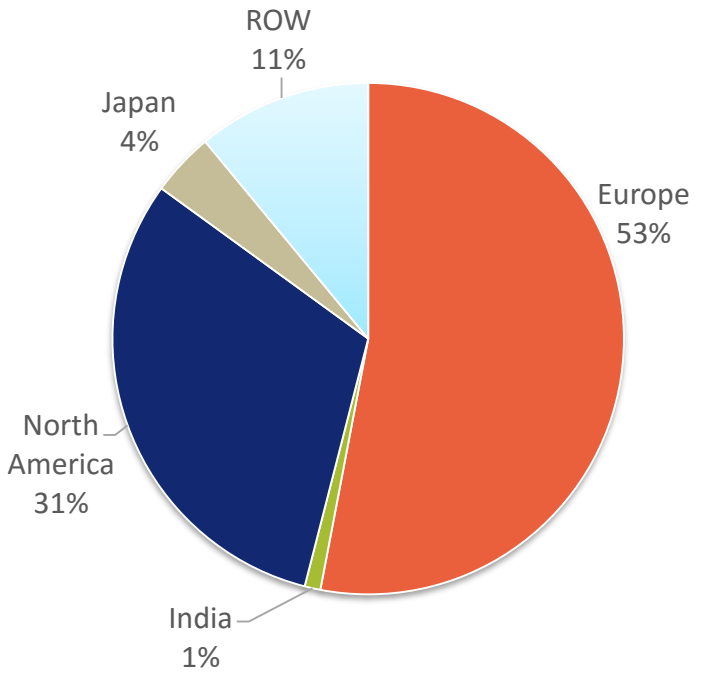
Create a sustainable CMS business that is driven by technology and strong customer relationships

Business Mix

Revenue by Verticals



Revenue by end territory



Capabilities

Two regulatory approved manufacturing facilities

Bonthapally, Hyderabad – 181.5 KL

Year of establishment	1986
Employee strength	399
Key products	Ramipril, Mirtazapine, Enalapril Maleate, Sotalol Hcl, Levetiracetam, Levofloxacin, Olanzapine, Salmeterol, Salbutamol, Besofloxacin, NCE APIs, Peptide APIs, Vitamin D2 analogues
Features	Multi product blocks where 2 products can be produced simultaneously

Pashamylaram, Hyderabad – 310.2 KL

Year of establishment	1994
Employee strength	321
Key products	Ciprofloxacin Hcl, Entacapone, NCE APIs, Intermediates & RSMs
Features	Multi product blocks where 2 products can be produced simultaneously

FDA edqm European Directorate for the Quality of Medicines & HealthCare EUROPEAN MEDICINES AGENCY SCIENCE MEDICINES HEALTH Pmda TGA Health Safety Regulation ISO

One state of art R&D centre

R&D Facility, Hyderabad*

Location	■ Bonthapally
Area	■ 3382.5 sq mts
Year of Establishment	■ 2008
Expertise	■ ~200 experienced, qualified scientists (>30 PhDs and multiple Post-graduates) ■ 4 PhDs and 11 M.Scs for the Peptides Lab

Infrastructure

- 11 Development Labs
- 60 Fume hoods
- Analytical Lab
- Kilo Lab dedicated for Scale up
- Dedicated Labs for Peptides
- Separate facility for D2 analogues

Significant R&D Achievements:

- Several NCE APIs added in NDA or commercial stage drugs
- Support for multiple APIs each year in Phase 2 and Phase 3 clinical candidates
- Generic API business:
  - 600+ DMFs filed
  - 300+ API processes developed
  - 50+ patents filed. Recently received USPTO patent for improved process synthesis of Paliperidone Palmitate

Leveraging on Manufacturing and R&D base to create a synergistic business

*Facility belongs to NPRPL, an affiliate of Neuland Laboratories Ltd.

Compliance Framework

Quality Control

- Quality Control facilitated with Wet Chemistry, Instrumentation & Microbiology Laboratories
- Equipped with sophisticated instruments like HPLCs, GCs, FTIR, UV & Particle Size Analyzer
- About 50+ chemists perform activities around the clock in 3 shift operations
- Stability studies as per ICH guidelines

EHS

- Hazard and EHS Impact studies regularly conducted
- 24X7 occupational health center with ambulance facility
- Effluent treatment plant with RO system and solids waste

Impeccable track record with robust quality and EHS framework

Regulatory Filings

51

DMFs with USFDA

25

Filings with Health Canada

5

Japanese DMF filed

144

ROW filings including Turkey, Mexico, Brazil etc

11

filings with KFDA Korea

5

IDLs filed

~400

EUDMF filings across Germany, France, Poland, Italy etc

19

CEPs Received for different products

650+

Filings till date

Financials

H1FY17 Standalone Performance

Financial Performance

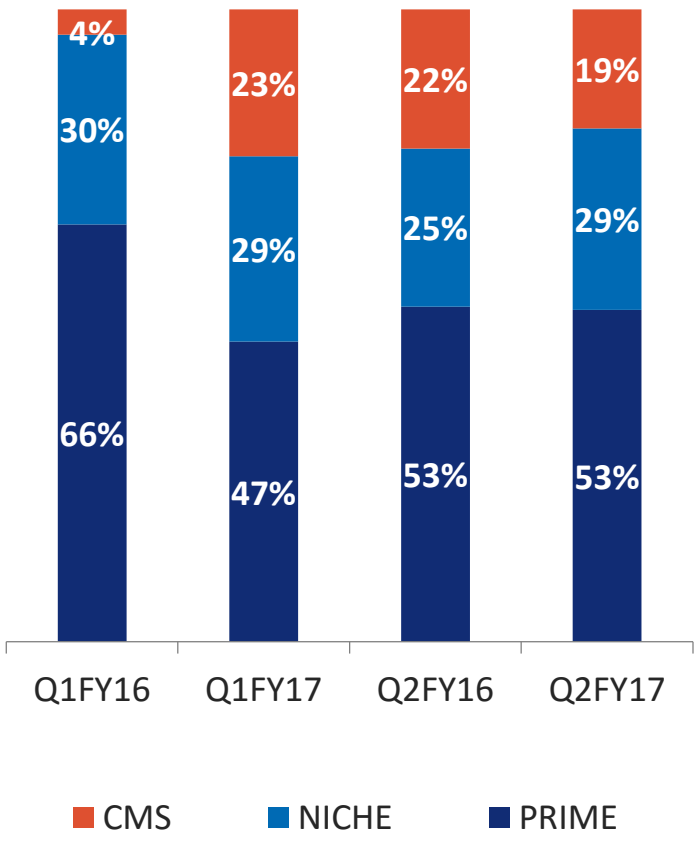
- Total Operating income was ₹2,993.5 mn for H1FY17 as compared to ₹2,519.0 mn in the H1FY16, an increase of 19%
- EBITDA stood at ₹502.1 mn as compared to ₹411.3 mn during the same period in the previous year(H1FY16), up by 22%
- EBITDA Margin at 16.8% for H1FY17 as against 16.3% in H1FY16
- Net profit stood at ₹201.0 mn for H1FY17 as compared to ₹135.0 mn in H1FY16, an increase of 49%
- Basic EPS stood at ₹22.6 as against ₹15.2 in H1FY16, an increase of 49%

Operating Highlights

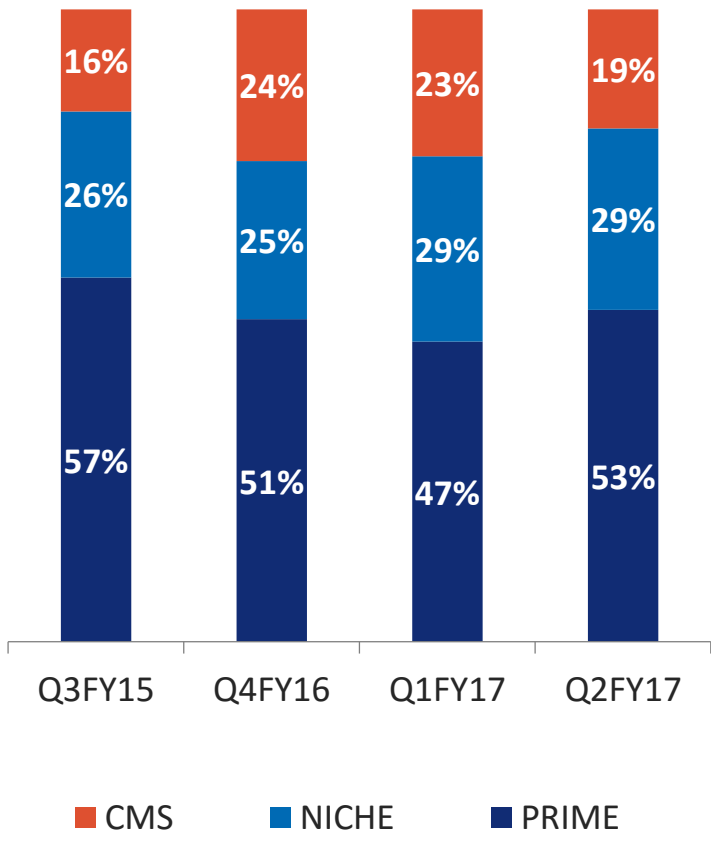
- Successfully cleared ANVISA audit for our Unit II
- Business momentum in Salmetrol as we added new customers and markets
- Progress in Deferasirox with addition of new customers and initiation of supplies for validation batches in multiple geographies including APAC
- Encouraging initial response from the Chinese pharmaceutical markets where we initiated sale of our newer APIs
- Strong pick up in Brinzolamide as the molecule gets launched in the US
- Launch quantities initiated for Voriconazole in Europe

Key Operating Metric

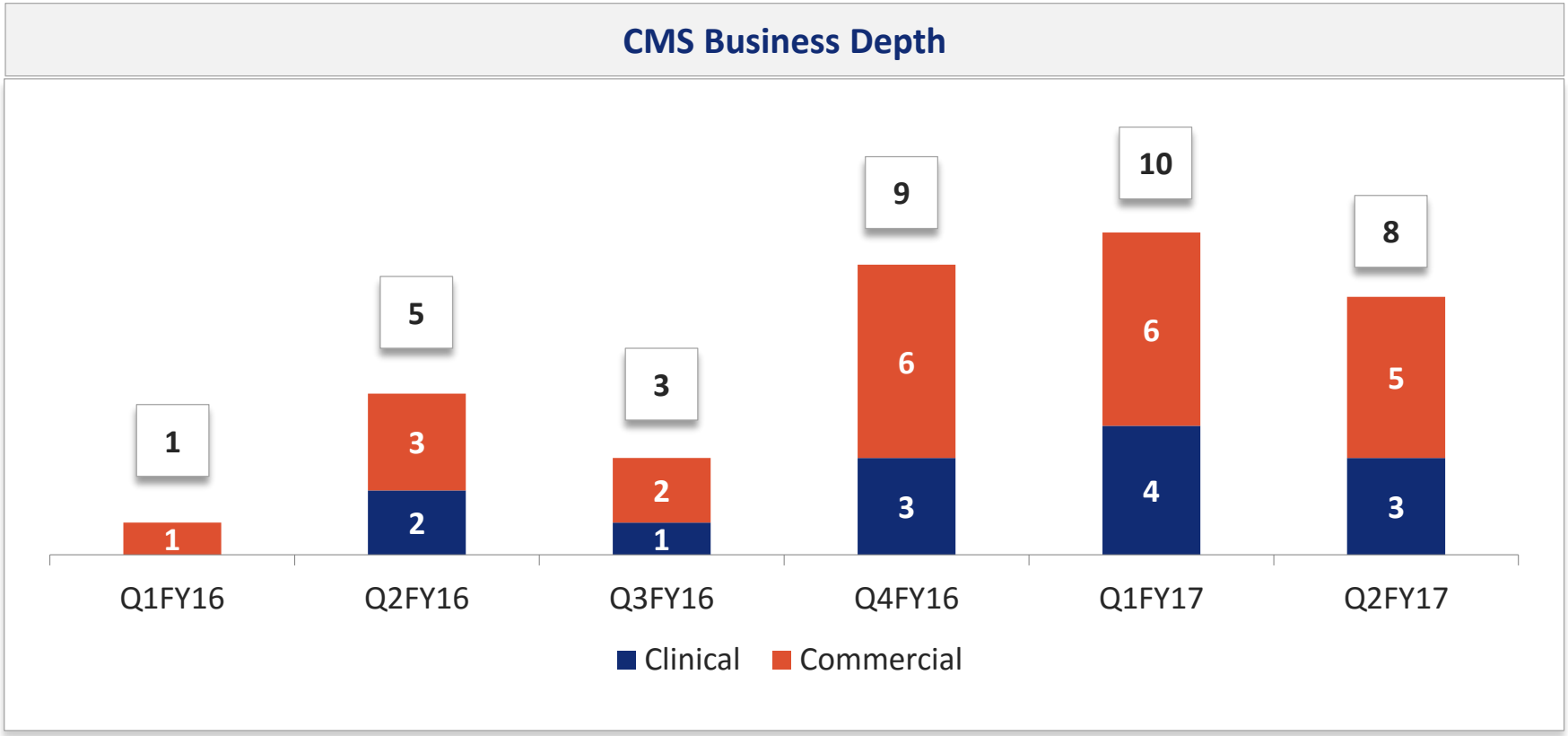
YoY Analysis



Quarter on Quarter Movement



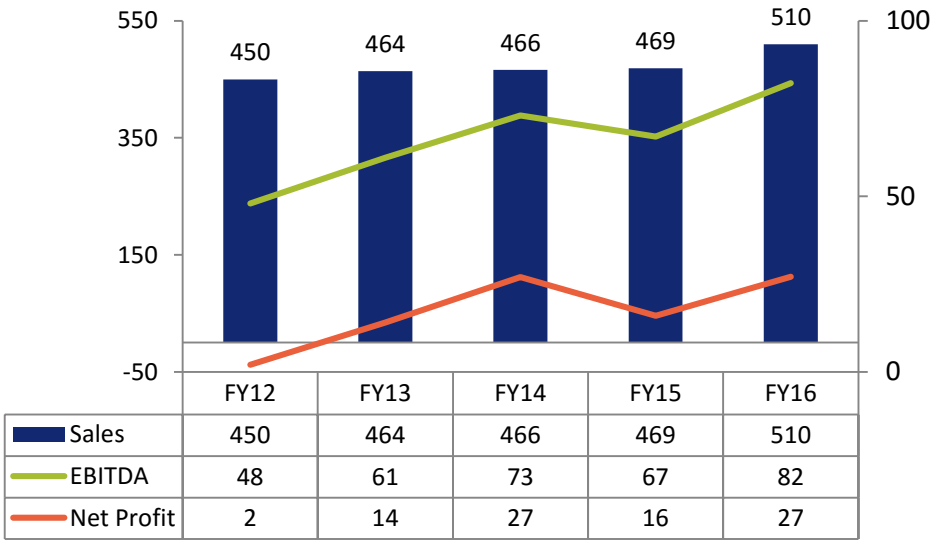
Key Operating Metric



*- Quantities taken for validation and launch are considered as Commercial

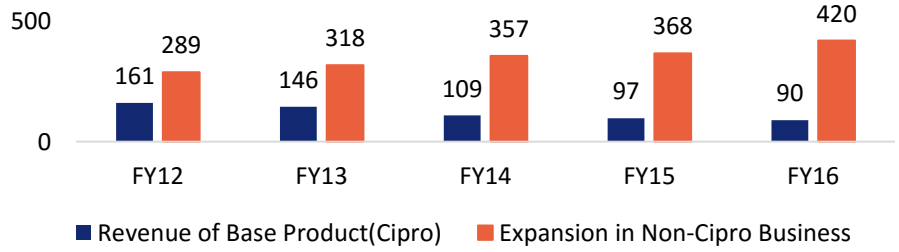
Historical Financials

Financial Performance (INR Cr)

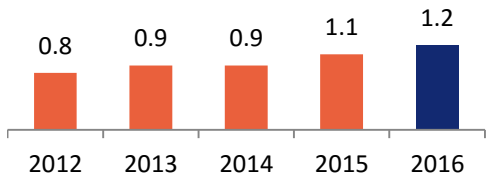


	FY12	FY13	FY14	FY15	FY16
Sales	450	464	466	469	510
EBITDA	48	61	73	67	82
Net Profit	2	14	27	16	27

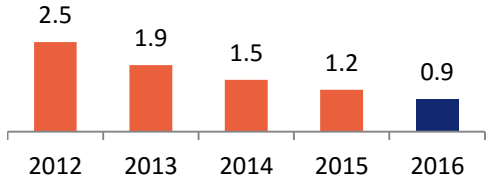
Revenue Growth



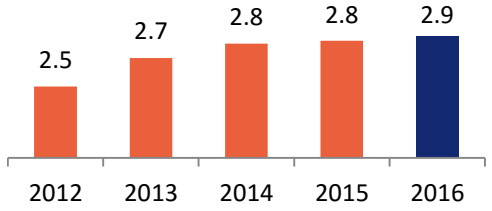
Current Ratio (x)



Debt to Equity (x)



Fixed Asset Turnover (x)



Future Strategy

Growth Strategy for Business

Business

Extend capabilities to organically build a sustainable GDS and CMS business

Chemistry

Deploy advanced chemistry skills to add differentiated products to its portfolio

Quality

Develop techniques like QBD to stay ahead of the curve & set precedents for “no quality compromise”

Scale

Invest into capacity to augment sales and accelerate business growth

Relationships

Leverage on Long – standing relationships with leading generic and innovator companies

Financials

Re-aligning revenue portfolio for a profitable growth

Create an organization that results in value for all stakeholders

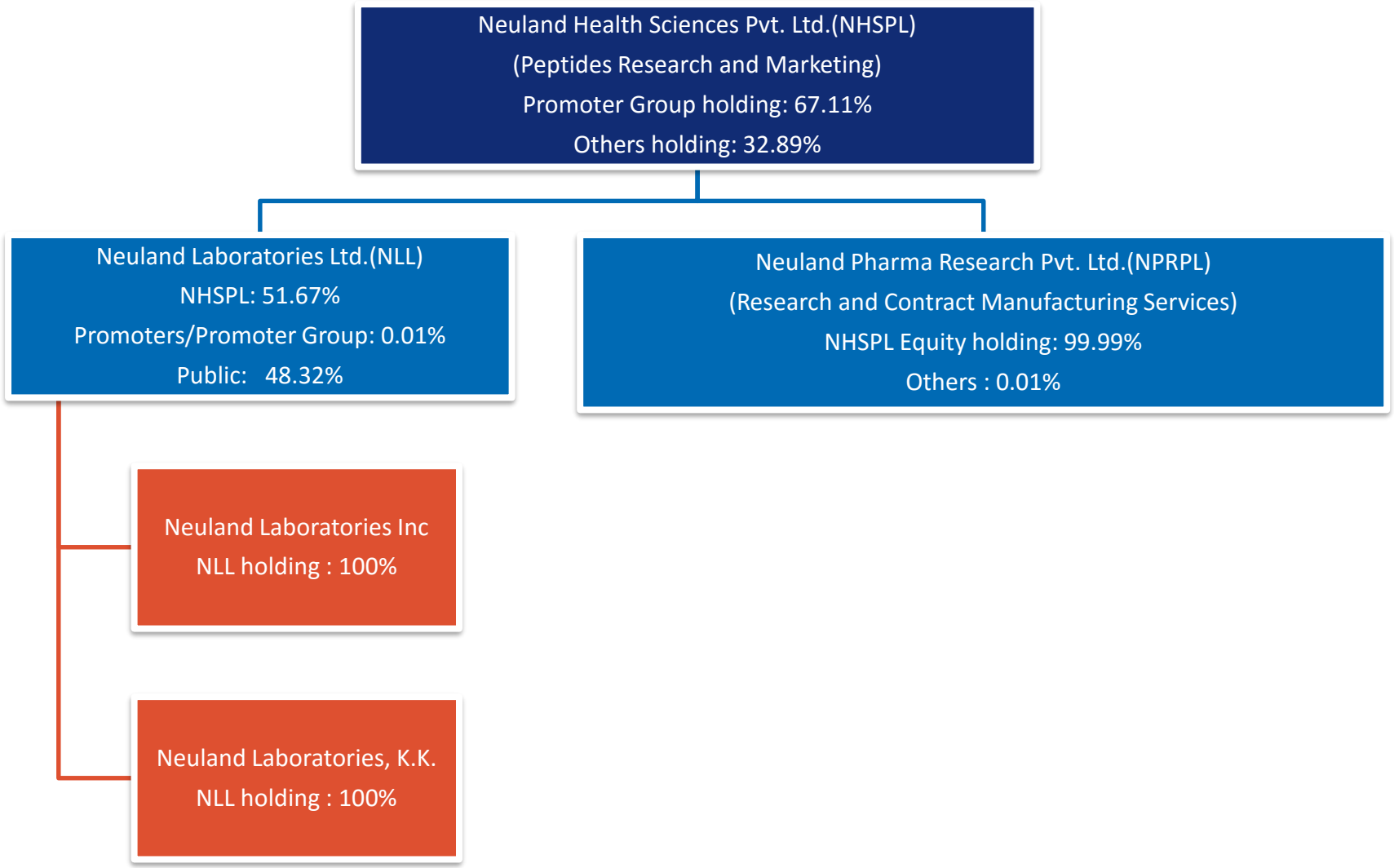
Change in Corporate Structure

The Board of Directors of the Company at their meeting held on August 27, 2016 in-principle approved a proposal to merge Neuland Health Sciences Private Limited (Holding Company- NHSPL) and Neuland Pharma Research Private Limited (Fellow subsidiary - NPRPL) with Neuland Laboratories Limited (NLL) subject to all necessary approvals.

Proposed Transaction

- Consolidation of NHSPL, NPRPL and NLL into a single company by amalgamating NHSPL, NPRPL into NLL through a Scheme of Amalgamation and Arrangement between NLL, NHSPL and NPRPL and the respective shareholders and creditors.
- The transaction is subject to various approvals including shareholders and creditors, SEBI, Stock Exchanges on which the Company's shares are listed and the High Court of Judicature of Andhra Pradesh & Telangana / National Companies Law Tribunal. The appointed date of the Scheme is April 1, 2016.

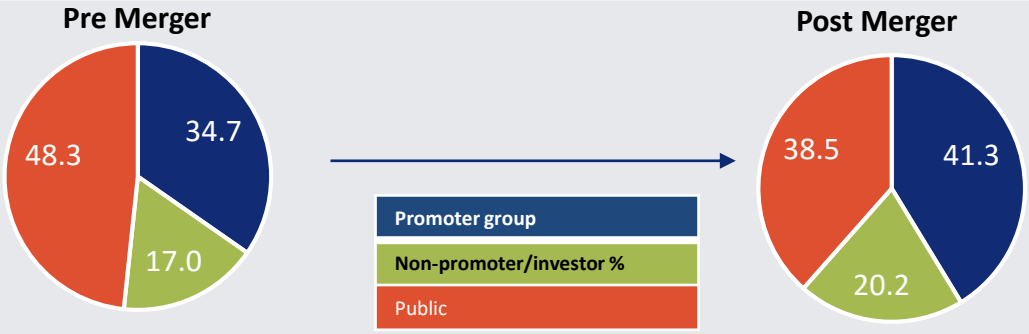
Current Group Structure



Rationale of Scheme

- The amalgamation will build **more stronger and sustainable business** and enhance the potential for future growth.
- Combined entity with **strong financials** will have greater access to sources of funds, improved cash flows and increased net worth.
- **Consolidation** of intellectual property, R&D capabilities and physical infrastructure into one combined entity including an opportunity to avail **additional tax benefits for in house R&D**
- **Cost savings** from utilizing the combined facilities of all the three entities with more focus on operational efforts and simplification of business processes
- **Elimination of intercompany transactions** costs, usage of common resource pool like human resource, administration, accounts, legal amongst others
- **Operational convenience** in terms of execution of contracts and provision of related services
- **Improved relationship with customers**, as the combined post amalgamation entity would become an end-to-end API solution provider

Transaction Structure

Appointed Date	April 1st, 2016
Terms	**Scheme to involve share exchange** ▪ 552 equity shares of NLL for every 1000 equity shares of NHSPL* ▪ 410 equity shares of NLL for every 100 equity shares of NPRPL^ ▪ Intercompany shareholding will be cancelled#
Shareholding (pre merger and post merger) %	
Expected Closure	**The transaction is expected to close by Q2 of Fiscal 2018**

**552 (Five hundred and fifty only) equity shares of NLL of Rs.10/- each fully paid-up for every 1000 (One Thousand Only) equity shares of NHSPL of Rs.10/- each fully paid-up based on the subdivision of Share Capital of NHSPL (as envisaged in the Scheme) of Rs.12.43 crores consisting of 1,24,29,520 equity shares of face value of Rs.10/- each fully paid up.*

^410 (Four hundred and ten only) equity shares of NLL of Rs.10/- each fully paid-up for every 100 (One Hundred Only) equity shares of NPRPL of Rs.10/- each fully paid-up.

#NHSPL holds shares in its subsidiaries, NLL and NPRPL, and the intercompany shareholding will be cancelled and new shares of NLL will be allotted to shareholders of NHSPL and balance shareholders of NPRPL as on the Record Date

% Refer annexure for full details, the non-promoter/investor is a shareholder of NHSPL and post the approval of scheme, it will be become part of public shareholders of NLL

Valuation Overview

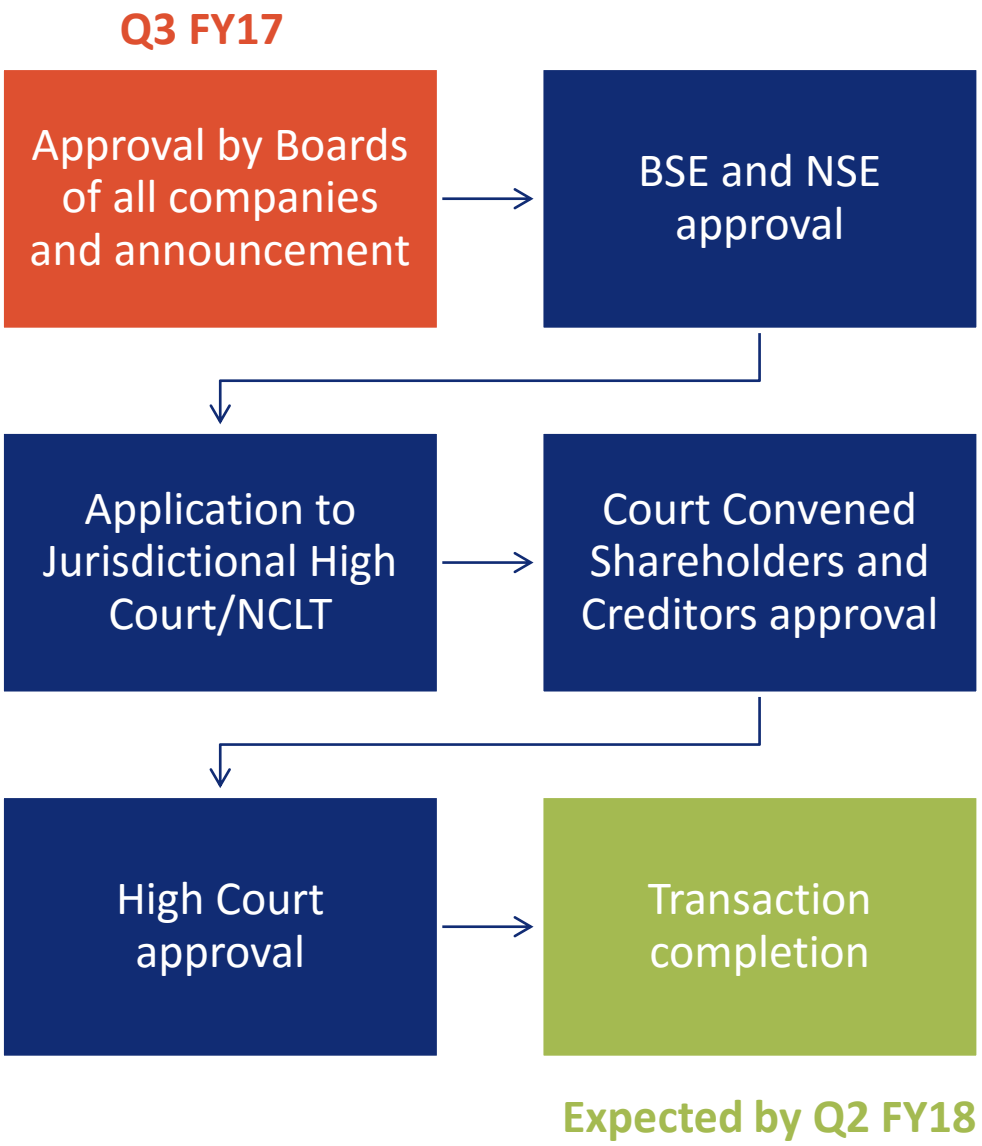
- Valuation analysis has been undertaken by independent Valuation firm, **Deloitte Haskins & Sells**

- Valuation methodology based on commonly used and accepted methods to the extent relevant and applicable including
  - Comparable Companies Multiples method / Earnings Capitalisation Value method
  - Value based on market quotes as available from recognised stock exchanges
  - Discounted cash flow method
  - Net Asset Value method

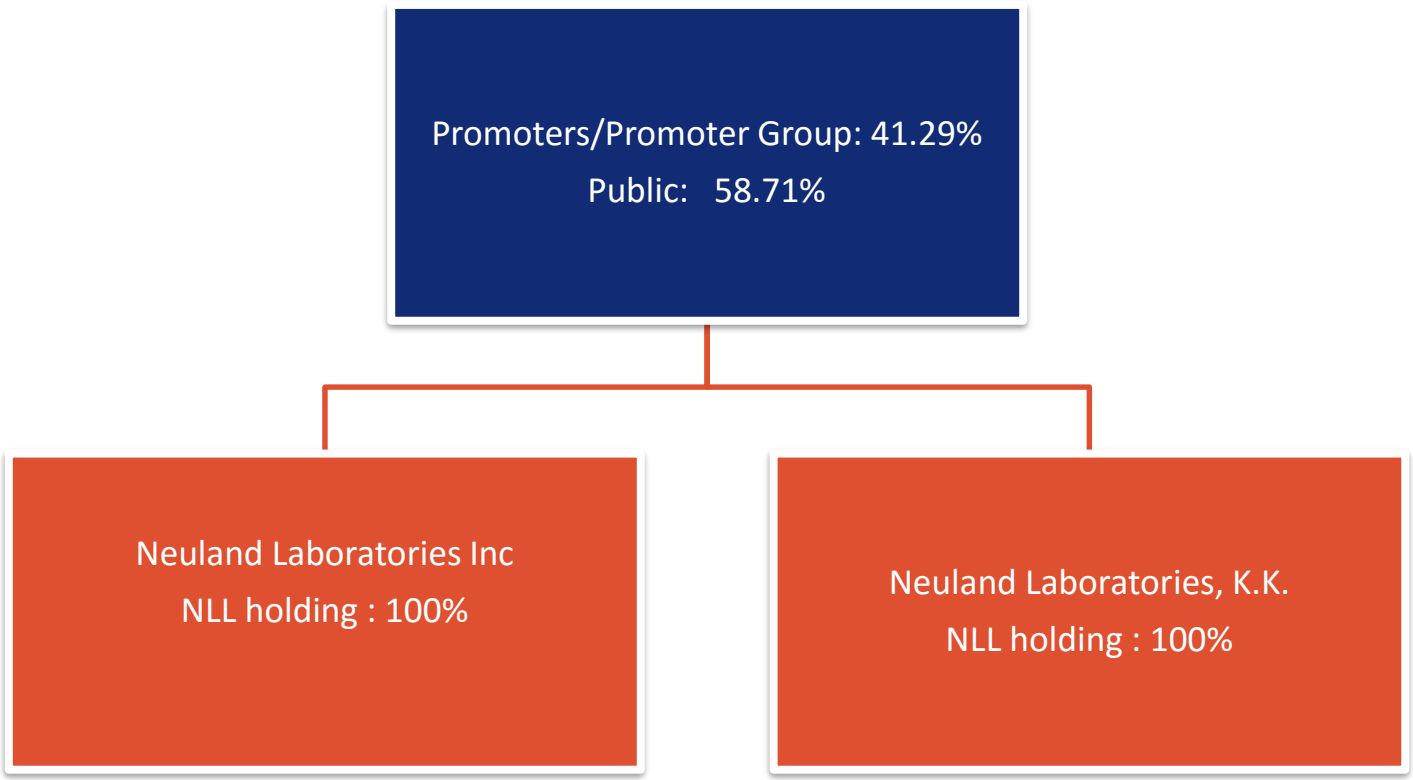
- Valuation methodology takes into account the trailing twelve months and future profitability of the companies, contracts with customers etc.

- Fairness Opinion has been given by **SBI Caps**

Expected Timelines



Post Merger Structure



More stronger and sustainable organization with enhanced potential for future growth

Pre and post merger shareholding

Sl. No	Category of Shareholder	Pre-merger %	Post merger %
1	**Promoter & Promoter Group (a+b)**	**51.68**	**41.29**
	a. Neuland Health Sciences Private limited	51.67	-
	- Promoters & Promoter Group individuals	34.68	-
	- Non-Promoters	17.00	-
	b. Promoters & Promoter Group individuals	0.01	41.29
2	**Public (c+d)**	**48.32**	**58.71**
	c. Public	48.32	38.48
	d. Non-promoters of NHSPL & NPRPL	-	20.23
	Total (1+2)	**100.00**	**100.00**
	Total number of outstanding shares	**8,884,254**	**11,154,889**

Thank You

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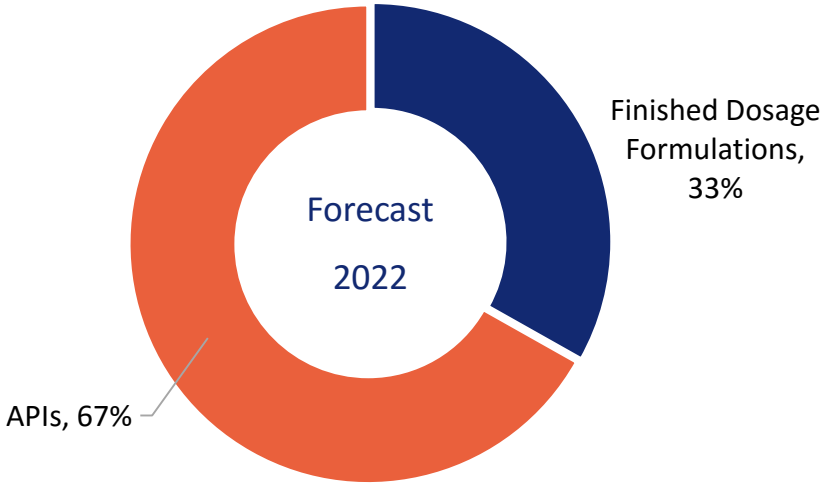
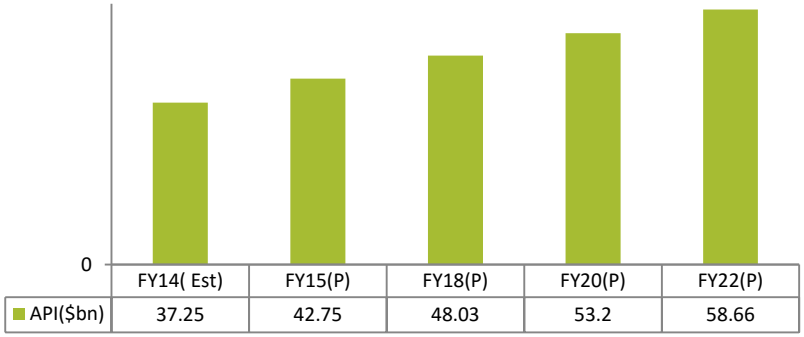
NEULAND
WHERE OPPORTUNITY BECOMES REALITY

Industry structure and key drivers

API Industry's Share in Global Contract Manufacturing Industry



Market Projections through 2022- Global API Industry



	FY14(Est)	FY15(P)	FY18(P)	FY20(P)	FY22(P)
API($bn)	37.25	42.75	48.03	53.2	58.66

Data Source: Vision Gain.com

Key Drivers

- Increased demand for biopharmaceutical manufacturing services
- Complex and potent drug development will lead to higher demand of High Potency Active Pharmaceutical Ingredients which command a higher price
- Reformulation of drugs nearing patent expiry and for companies looking to differentiate commoditised products
- The pharmaceutical industry is keen to cut spending in many areas, including drug production
- Pharmaceutical companies will look to take advantage of low cost manufacturing opportunities available in India

Board and Key Management

Dr. D. R. Rao

Chairman and Managing Director

- M.Sc. from Andhra University, Post Graduate Diploma in Technology – IIT Kharagpur
- Ph.D. in Organic Chemistry -University of Notre Dame, U.S.A.
- Has held senior positions in R & D, production and quality assurance at Glaxo India
- Member of Royal Society of Chemistry

D Sucheth Rao

Vice Chairman and CEO

- Mechanical Engineer
- MBA in Corporate Finance - University of Notre Dame, U.S.A.
- Earlier Production Group Leader in Cummins Inc. U.S.A.

D Saharsh Rao

Joint Managing Director

- Engineering Graduate
- Masters in MIS - Weatherhead School of Management, Cleveland, OH, U.S.A.
- MBA - University of North Carolina, U.S.A.

Board and Key Management

Managing Director and Executive Vice-Chairman at Glaxo India
Ex-President of Organization of Pharmaceutical Production of India

Humayun Dhanrajgir
Independent Director

Dr. Christopher M. Cimarusti
Non-Executive Director

Ph.D. in Organic Chemistry - Purdue University, U.S.A.
Post Doctoral Research - Columbia University, U.S.A.
Former Sr. Vice President, Pharmaceutical Development - Bristol-Myers Squibb

Professor of International Management, Fuqua School of Business, Duke University, Durham, NC, USA. On the editorial board of several management journals.

Dr. Will Mitchel
Independent Director

P V Maiya
Independent Director

Helped set up ICICI Bank and retired as its Chairman & CEO
Managing Director at Central Depository Services (India) Limited

Board and Key Management

Deputy Managing Director of SBI. Presently on the Boards of various companies, including SBI Capital Markets Ltd., SBI Global Factors Ltd., Tata Teleservices Ltd., Delphi-TVS Diesel Systems Ltd. and Vijaya Bank.

Bharati Rao
Independent Director

Dr. Nirmala Murthy
Independent Director

Masters degree in statistics from Bombay University and a doctorate from the Harvard School of Public Health, Boston, USA

Founder President of the Foundation for Research in Health System, a non-government research organization