Investor Presentation
Q2FY18

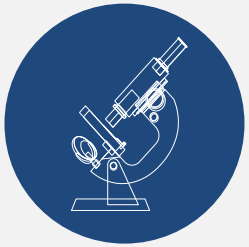
BSE CODE : 524558 | NSE SYMBOL : NEULANDLAB | BLOOMBERG: NLL:IN | REUTERS: NEUL.NS

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

33+ 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 ~532.7 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

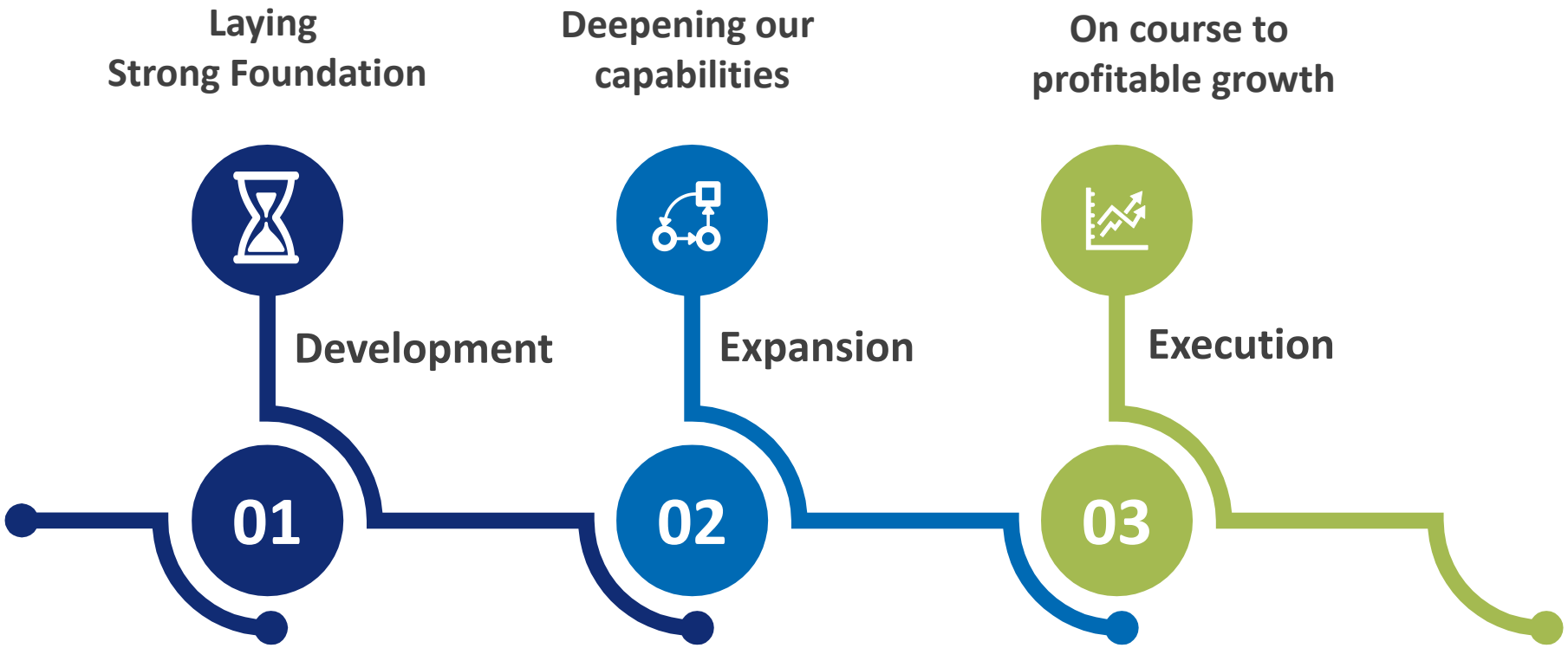
Reach

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

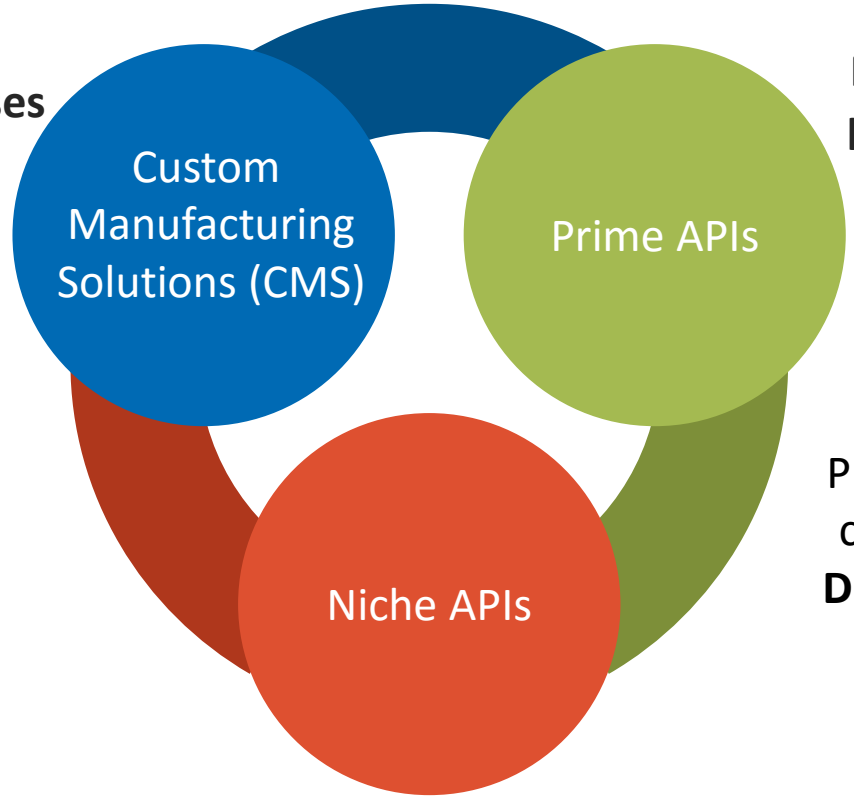
- Investments in capacity expansion
- Initiation of R&D activity at group level
- Foray into Japan and US by way of local presence through subsidiaries
- Entry into peptides business

2013-Today

- **Strategic alignment of business towards niche APIs and Custom manufacturing solutions**
- **Cleared 12th 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

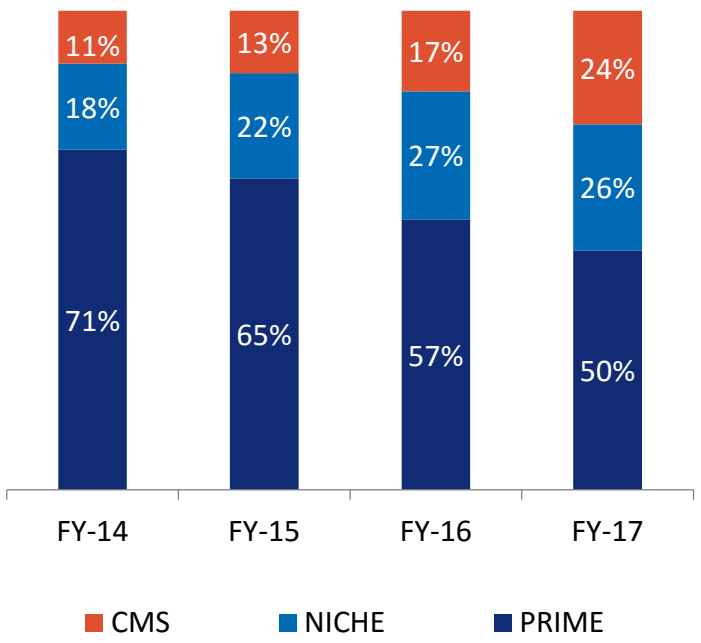
Custom Manufacturing Solutions(CMS)

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

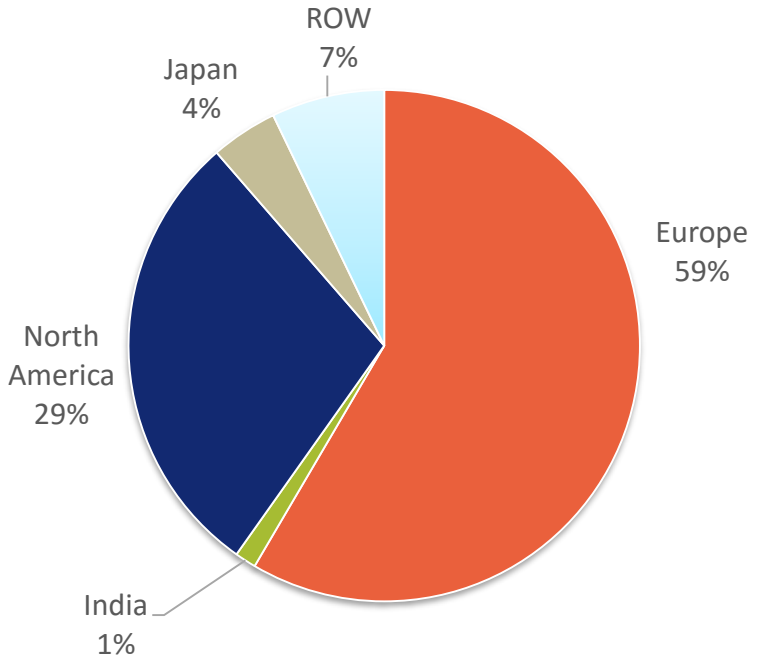
Create a sustainable CMS business that is driven by technology and strong customer relationships

Business Mix

Revenue by Verticals



Revenue by end territory



Capabilities

Two regulatory approved manufacturing facilities

Bonthapally, Hyderabad – 222.5 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

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

FDA

51

DMFs with USFDA

Health Canada

25

Filings with Health Canada

pmda

5

Japanese DMF filed

144

ROW filings including Turkey, Mexico, Brazil etc

FDA Korea Food & Drug Administration 식품의약품안전청

11

filings with KFDA Korea

SFDA 国家食品药品监督管理局

5

IDLs filed

~400

EUDMF filings across Germany, France, Poland, Italy etc

edqm European Directorate for the Quality of Medicines & HealthCare | Direction européenne de la qualité du médicament & soins de santé

COUNCIL OF EUROPE CONSEIL DE L'EUROPE

19

CEPs Received for different products

650+

Filings till date

Financials

Standalone Financial Performance

Q2FY18

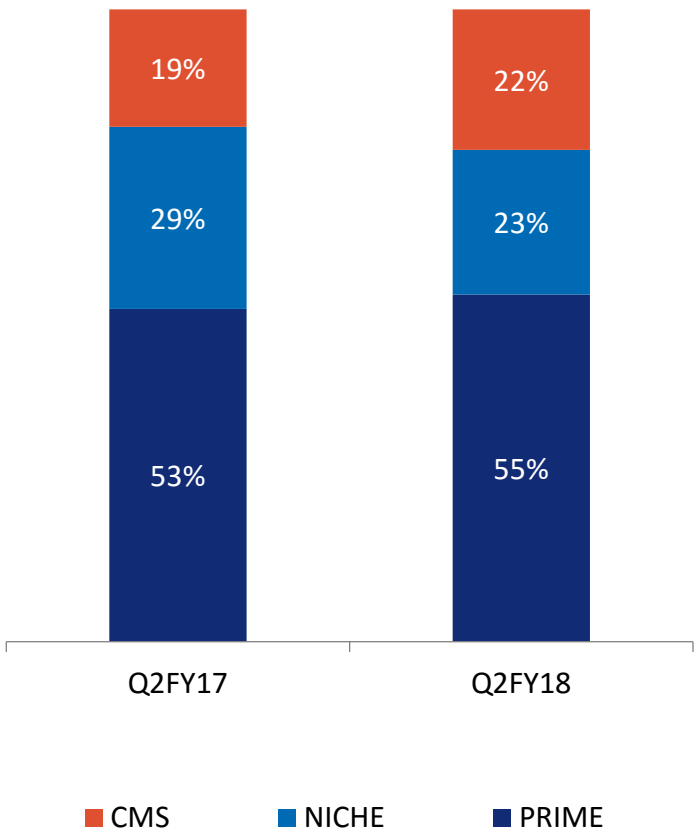
- Total Operating income was Rs. 1,261.9mn for Q2FY18 as compared to Rs. 1,519.1mn in the corresponding period of the previous year reflecting a decrease of 17%
- EBITDA stood at Rs. 147.0mn as compared to Rs. 251.5mn during the corresponding period of previous year, a decrease of 42%
- EBITDA Margin at 11.6% for Q2FY18 as against 16.6% in Q2FY17
- Net profit stood at Rs. 25.9mn for Q2FY18 as compared to Rs. 102.3mn in the corresponding period of the previous year, a decrease of 75%
- Basic EPS stood at Rs. 2.92 as against Rs. 11.52 in the corresponding quarter of last fiscal

H1FY18

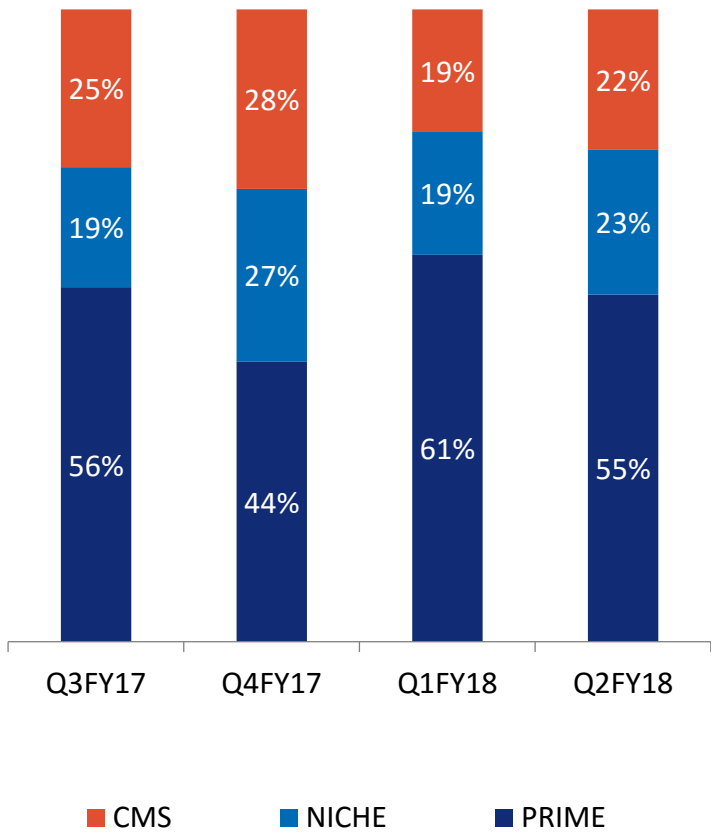
- Total Operating income was Rs. 2,463.3mn for H1FY18 as compared to Rs. 3,039.6mn in the H1FY17, a decrease of 19%
- EBITDA stood at Rs. 279.9mn as compared to Rs. 501.9mn during the same period in the previous year (H1FY17), down by 44%
- EBITDA Margin at 11.4% for H1FY18 as against 16.5% in H1FY17
- Net profit stood at Rs. 48.9mn for H1FY18 as compared to Rs. 197.4mn in H1FY17, a decrease of 75%
- Basic EPS stood at Rs. 5.51 as against Rs. 22.22 in H1FY17, a decrease of 75%

Key Operating Metric

YoY Analysis

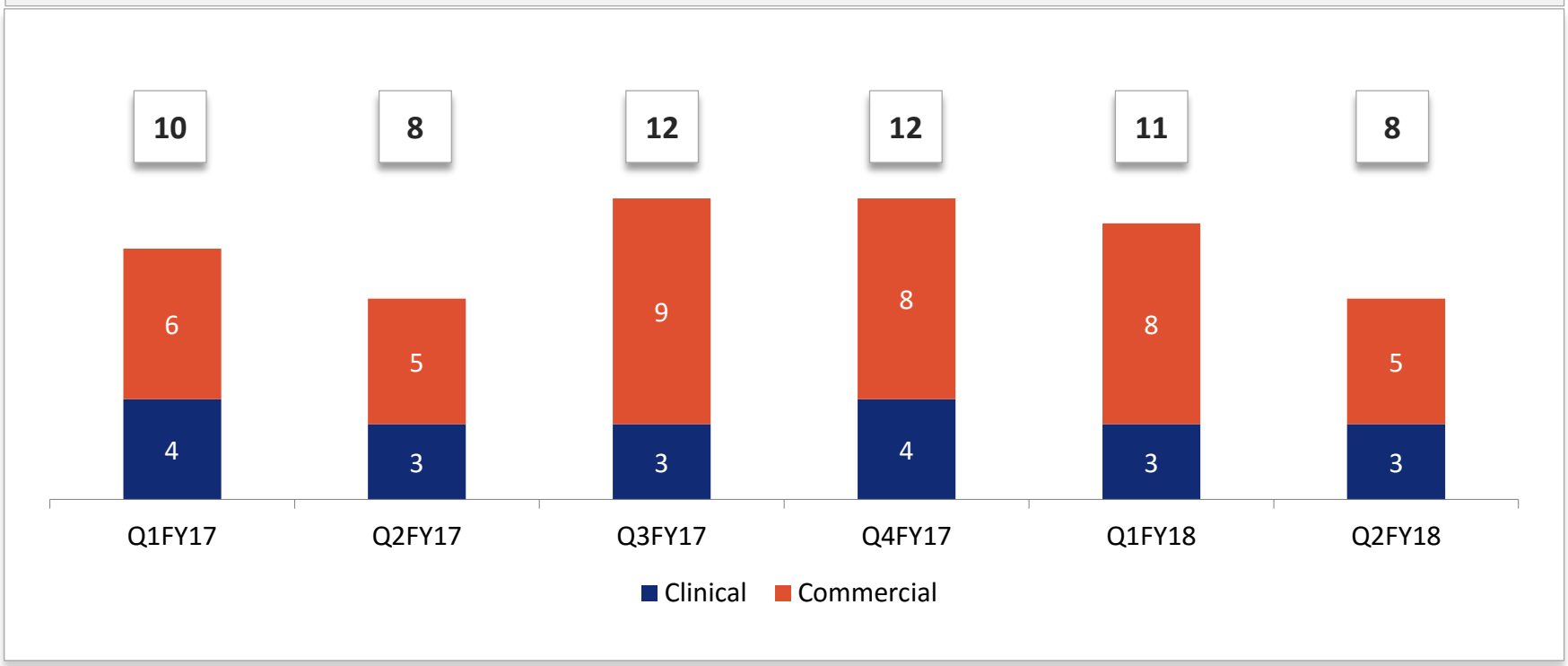


Quarter on Quarter Movement



Key Operating Metric

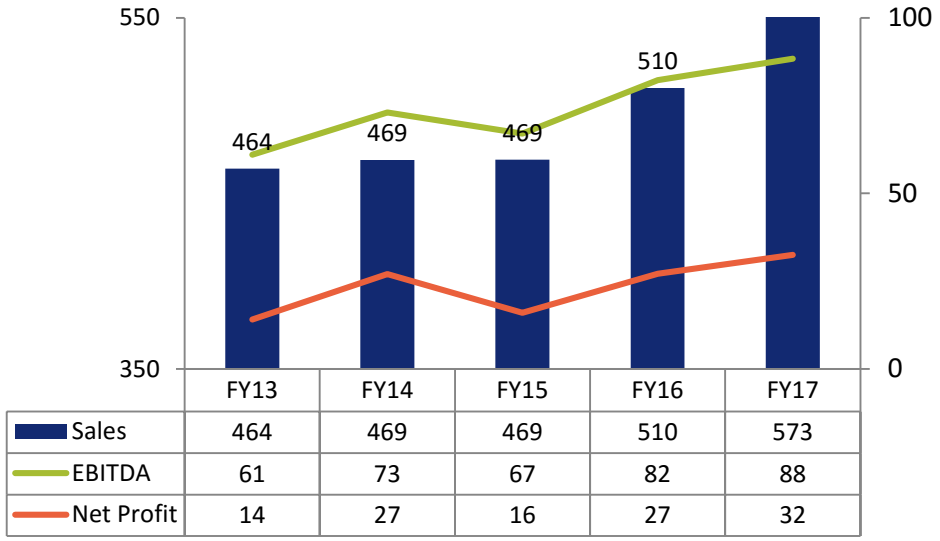
CMS Business Depth



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

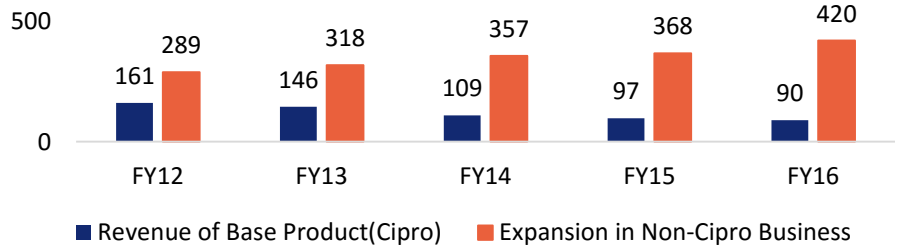
Historical Financials

Financial Performance (INR Cr)

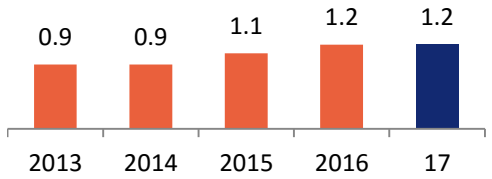


	FY13	FY14	FY15	FY16	FY17
Sales	464	469	469	510	573
EBITDA	61	73	67	82	88
Net Profit	14	27	16	27	32

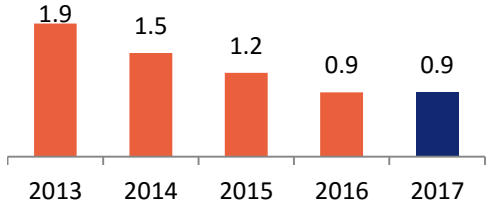
Revenue Growth



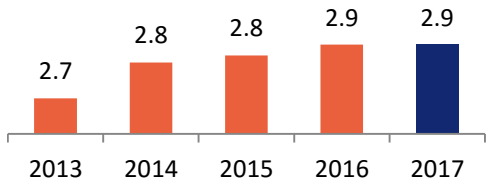
Current Ratio (x)



Debt to Equity (x)



Fixed Asset Turnover (x)



Future Strategy

Growth Strategy for Business

Business

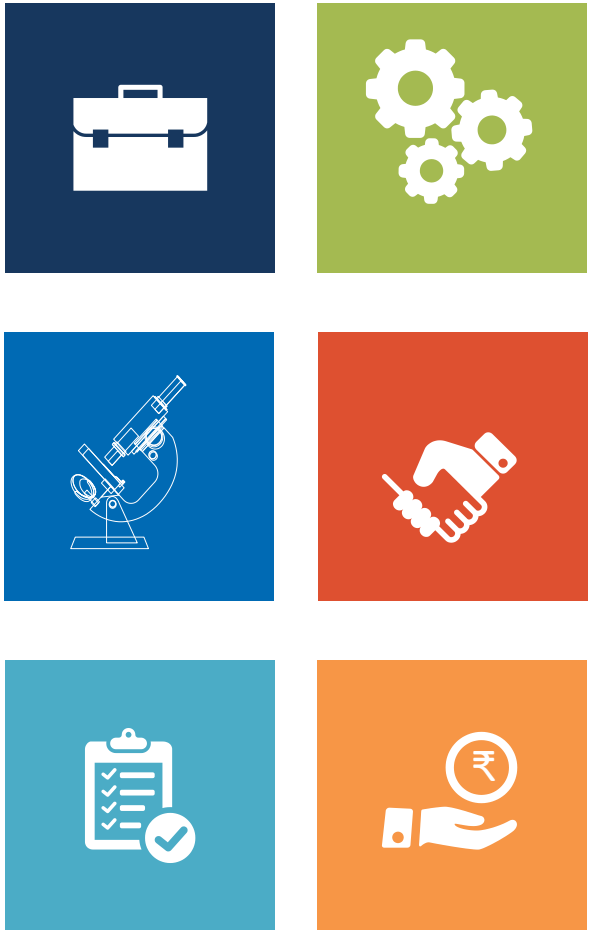
Extend capabilities to organically build a sustainable GDS and CMS business

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

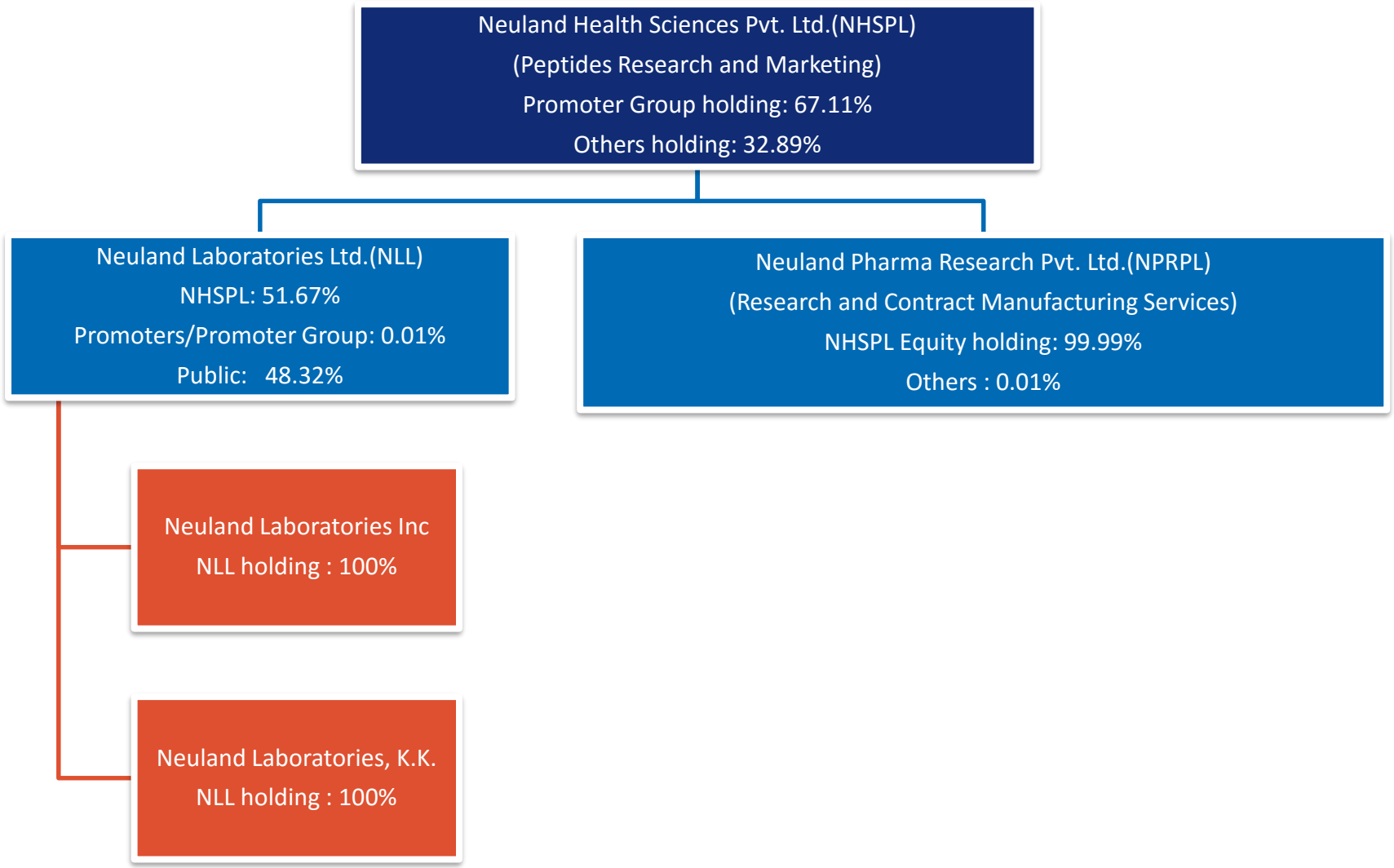
Change in Corporate Structure

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



Thank You

For further information contact:

IR Desk
Neuland Labs
+91 40 3021 1600
ir@Neulandlabs.com

Diwakar Pingle
Christensen IR
+91 22 4215 0210
dpingle@christensenir.com

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