

# BUILDING MOMENTUM



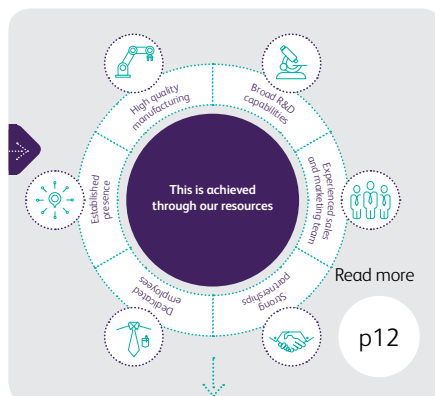
**2017-18**  
Annual Report  
LAURUS LABS LIMITED

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## Enriched Product Portfolio



## Value Creation Model



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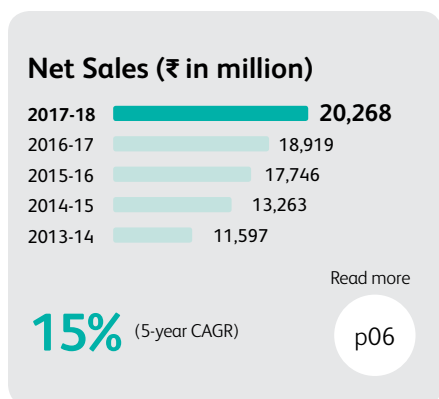
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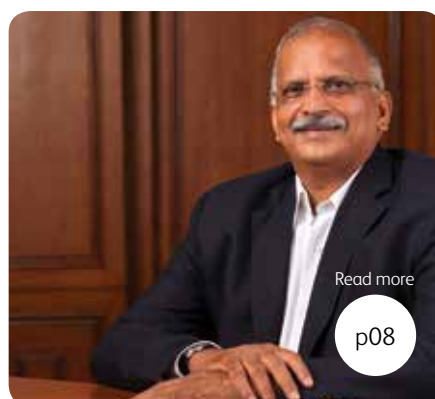
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## Financial Goals

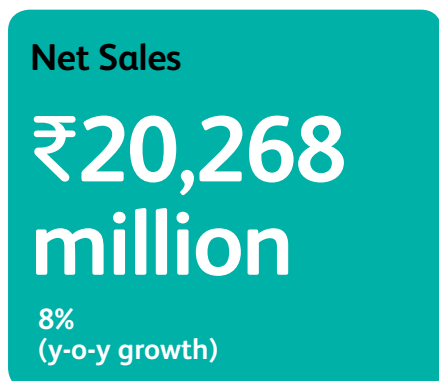


## CEO's Perspective



For further information log on to  
[www.lauruslabs.com](http://www.lauruslabs.com)

## 2017-18 Highlights



# Forging Ahead with Purpose



At Laurus Labs, delivering value over the long-term is rooted in our culture. We have invested significant resources in forward integration and business expansion. During the year, we continued to build this momentum through bold steps.

We are reinforcing the foundations of our business model by strengthening R&D, embracing a spirit of excellence, building capacities, securing revenues through long-term contracts, going deeper into regulated markets and expanding the product portfolio. These initiatives will translate into improved and sustainable value across markets. Our leadership position in antiretrovirals (ARVs), focus on compliance and presence across the pharma value chain have cemented our position as a niche player in the pharmaceutical industry.

In 2017-18, we advanced our overall preparedness by:

- Enhancing capacities to address growing customer needs
- Strengthening our R&D backbone to grow existing businesses and to explore new opportunities
- Increasing our reach to more countries and markets, to keep growing

Moving forward, we are convinced that with the right people, led by a culture of innovation and excellence, we will continue to achieve sustainable and balanced growth. With our core strengths fortified, we stand reaffirmed to our promise of delivering long-term value.

## OVERVIEW

# Laurus Labs at a Glance

Laurus Labs is a leading developer and manufacturer of generic pharmaceutical products with a strong focus on Active Pharmaceutical Ingredients (APIs). The Company targets on products in which it has cost leadership owing to innovation in process chemistry or through manufacturing efficiencies.

Soon after operations began in 2008, Laurus Labs built a leadership position in Antiretroviral (ARV) APIs and Hepatitis C and in due course expanded the portfolio to include oncology and other select APIs. It is leveraging its API skills and forward integrating to supply finished dosages, which would enable Laurus to expand margins. In its largest business segment of ARV APIs, Laurus Labs has emerged as a leading independent supplier to formulation companies, catering to the large and fast-growing markets of low

and middle-income countries (e.g., Africa and Latin America). It has leveraged chemistry skills towards synthesis services and manufacture of specialty ingredients.

### Leading integrated global player

- Well-diversified product portfolio across varied markets
- Integrated manufacturing infrastructure with key regulatory approvals
- Long-standing relationships with multinational pharmaceutical companies
- Experienced and proven management team with strategic oversight of Board of Directors
- Strong compliance environment with impeccable regulatory track record
- Technology-led control on operations and quality

## Vision

To become a leading player in offering integrated solutions to global pharmaceutical needs in creating a healthier world.

## Key Numbers

59

Products commercialised since inception

46

Drug Master File (DMFs) filed




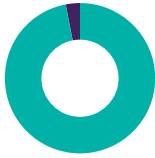
224

Patents filed

57

Patents granted

## Business Divisions

Divisions		Business	Product & Service Offerings
<b>Laurus Generics APIs</b> Revenue Contribution: <b>89.5%</b> 		Development, manufacture and sale of APIs and advanced intermediates	Therapeutic areas include ARV, Hepatitis C, cardiovascular, anti-diabetic, anti-asthmatic, gastro in large volumes, oncology and ophthalmic products in small volumes
<b>Laurus Generics Finished Dosage Forms (FDF)</b> Revenue Contribution: <b>0.3%</b> 		Development and manufacture of oral solid formulations. Building on API strengths to forward integrate and become a leading FDF (Finished Dosage Form) player globally	ARVs, anti-diabetic, cardiovascular, proton pump inhibitors
<b>Laurus Synthesis</b> Revenue Contribution: <b>7.4%</b> 		Contract development and manufacturing services for global pharmaceutical companies	Commercial scale contract manufacturing, clinical phase supplies, analytical and research services
<b>Laurus Ingredients</b> Revenue Contribution: <b>2.8%</b> 		Manufacture and sale of specialty ingredients for use in nutraceutical, dietary supplements and cosmeceutical products. Leverages existing R&D, process chemistry competence and manufacturing capabilities	Nutraceuticals (natural ingredients), dietary supplements and cosmeceutical products

## Mission

We constantly strive for innovation to enhance quality and to provide affordable integrated pharmaceutical solutions to facilitate wellness and well-being across the globe.

10

9 ANDAs and  
1 NDA filed

3,000+

No. of employees

225+

Customers

70+

APIs manufactured

## OVERVIEW

# Manufacturing Facilities

Our world-class infrastructure comprises a state-of-the-art R&D and scale-up laboratory in Hyderabad and large-scale manufacturing facilities at Visakhapatnam.

Facility	Type	Approvals	Remarks
Unit 1	API, Ingredients, Synthesis and Contract Manufacturing	USFDA, WHO, PmDA, KFDA and NIP Hungary	315 reactors with 1,140 Kilo Litres (KL) capacity Spread across 34 acres with 1,000+ employees
Unit 2	FDF and API	BfArM, USFDA inspection completed in December 2016	FDF capacity of 5 billion tablets/year API block with 12 reactors and capacity of 84 KL Commenced commercial operations in 2017
Unit 3	API, Ingredients, Synthesis and Contract Manufacturing	USFDA and WHO-Geneva	143 reactors with a total capacity of 800 KL
Unit 4	API, Ingredients, Synthesis and Contract Manufacturing		Inaugurated in November 2017 29 reactors + 2 extractors with 78.8 KL capacity
Unit 5	API (Dedicated to Aspen)		46 reactors of 125 KL capacity in two manufacturing buildings
Unit 6	Intermediaries		Unit acquired through slump sale from Srium Labs in December 2017 41 reactors with 244 KL capacity
Kilo Lab	API, Ingredients, Synthesis and Contract Manufacturing before going for commercial scale	USFDA, KFDA and PMDA.	43 reactors and a capacity of 4.3 KL

We supply to most of the top generic companies and are well-positioned to capitalise on the ARV, API, Hepatitis C and other therapeutic opportunities across products.



## Operational Highlights

### Q1 APRIL TO JUNE 2017



- Successfully completed USFDA inspection for API facility in Unit 2 without any 483s observations

### Q2 JULY TO SEPTEMBER 2017

- Incorporated Laurus Holdings Limited (a 100% subsidiary), in the UK
- Incorporated Laurus Generics Inc (a 100% subsidiary) in the US for the formulations business
- Units 1 and 3 completed USFDA inspection. Received EIR
- Units 1 and 3 successfully audited and approved by WHO, received Inspection Assessment Report
- Set up a dedicated block in Unit 4 for an international partner, C2 Pharma
- Capacity expansion for Generics FDF to 5 billion units completed

### Q3 OCTOBER TO DECEMBER 2017



- Unit IV inaugurated and the facility will add to the capacities for synthesis and ingredients business
- API unit located at Achutapuram, Vishakhapatnam acquired from Sriam Labs Pvt. Ltd. on a slump sale basis. Renamed as Unit 6
- Commenced commercial supplies from Unit 5 to Aspen

### Q4 JANUARY TO MARCH 2018



- Unit 2 completed USFDA inspection with no observations
- Received first ANDA approval for Tenofovir Disoproxil Fumarate Tablets - 300mg
- Cumulatively filed 9 ANDAs, 1 NDA and further completed 6 validations
- Launched Tenofovir (TDF) after the final approval from USFDA

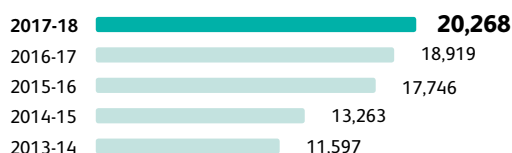
## PERFORMANCE REVIEW

## Positive Momentum

- Synthesis business reported robust revenue growth with the commencement of initial supplies to Aspen from Unit 5
- Oncology and other APIs showcased healthy growth, with improved volumes and new product additions
- Efficient use of capital and prudent leverage

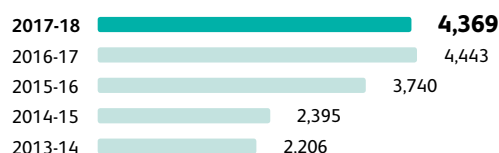
## Profit and Loss Metrics

## Net Sales (₹ in million)



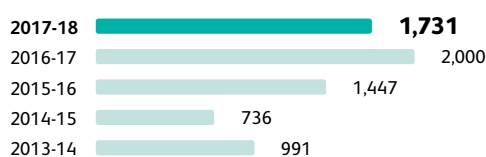
**15%** (5-year CAGR)

## EBITDA (₹ in million)



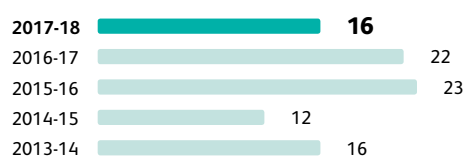
**19%** (5-year CAGR)

## Net Profit (₹ in million)



**15%** (5-year CAGR)

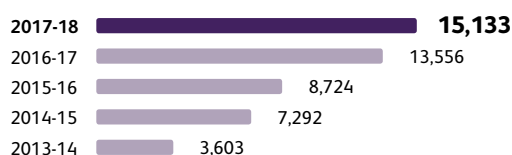
## EPS (Basic) Post Bonus (₹)





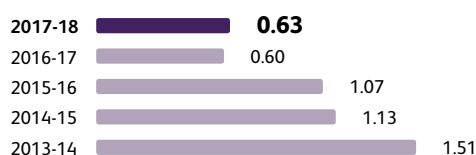
## Balance Sheet Metrics

### Net Worth (₹ in million)

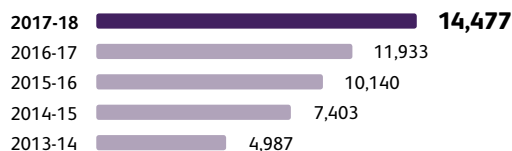


**43%** (5-year CAGR)

### Debt Equity Ratio (in %)

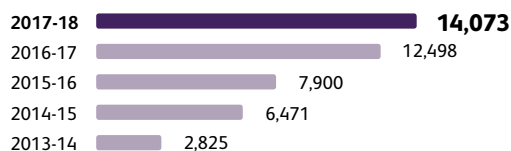


### Net Carrying Value (₹ in million)



**31%** (5-year CAGR)

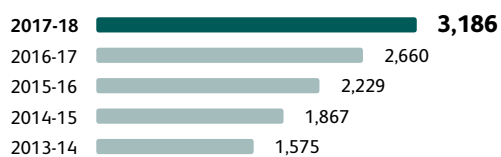
### Reserves & Surplus (₹ in million)



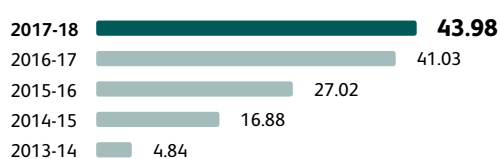
**49%** (5-year CAGR)

## Social Metrics

### Employee Engagement (No.)



### CSR Spend (₹ in million)

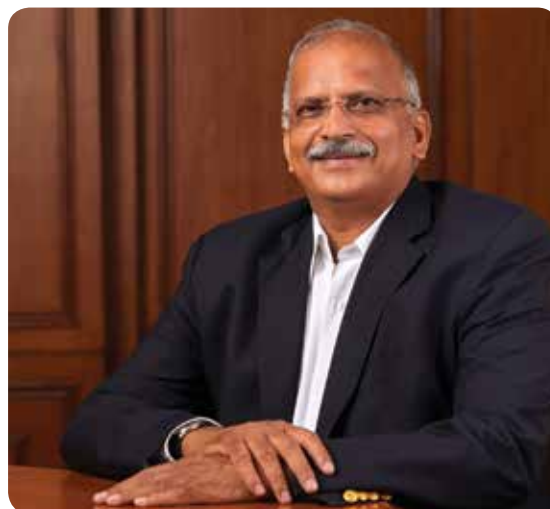


## PERFORMANCE REVIEW

## Building Momentum for Future Growth

"It is our endeavour to be present across the entire value chain and we are firmly on our path of developing into a full-fledged pharma company with unique R&D capabilities."

**Dr. C Satyanarayana**  
Chief Executive Officer



## Dear Shareholders,

We have grown steadily since inception on the strength of our fundamentals. However, in a rapidly transforming pharmaceutical landscape, we need to consistently fine-tune our focus and evolve at every step. With this agility in mind, we delivered again on promises in 2017-18 – a year of intense activity when we launched new products, expanded our manufacturing capability and focused on execution. I am happy to share that these continual efforts have resulted in Laurus Labs becoming a leading player in offering integrated solutions to global pharmaceutical companies. It is our endeavour to be present across the entire value chain and we are firmly on our path of developing into a full-fledged pharma company with unique R&D capabilities.

**Investing for growth**

Our approach is to use science-based innovation to deliver better patient outcomes in emerging areas of healthcare. We recognise that the ability to put more successful products in the marketplace needs to be complemented with growth in manufacturing capacities. We are creating scale that can address

potential demand as well as fill gaps in our current manufacturing infrastructure. Our opportune investment in world-class facilities ensures sufficient capabilities to meet the sales growth. The commercialisation of these capacities in a phased manner will enhance our product mix and plug portfolio gaps, thereby strengthening revenues. We have invested ₹2 billion in expanding the formulations facility at Vishakapatnam and have expanded the capacity from 1 billion tablets per year to 5 billion.

We stepped up our presence in the US market with a select portfolio, which included complex technology products. During the year, we filed 9 ANDAs and 1 NDA with USFDA, two dossiers in Europe, and one each in Canada, South Africa and with the WHO. We believe new launches and improved productivity will also lead to growth in the domestic formulation market.

Further, we are building on the oncology franchise for not only generic, but also new chemical entities. The synthesis business is still at a nascent stage, but the

deal with Aspen, the world's sixth largest generic drug maker, provides potential for growth over the next couple of years.

Our consolidated revenues stood at ₹20,562 million in 2017-18, against ₹19,046 million in 2016-17. Our EBITDA fell by 1.69% to ₹4,369 million vis-à-vis ₹4,443 million in the previous year. Our PAT fell by 13.45% to ₹1,731 million against ₹2,000 million in 2016-17. Our superior manufacturing capabilities and cost-effective process optimisation have led to new synthetic routes and product variants, leading to market leadership for key products in the ARV, oncology and Hepatitis C therapeutic areas.

Our strategy is delivered through a consistently evolving business model. It enables us to develop effective service solutions for clients, generate healthy returns for our shareholders and build a sustainable business. Industry recognition and awards speak volumes about our innovations and the many milestones we have achieved. We entered the Fortune 500 list of Indian companies and were certified as a 'Great Place to Work' for the