

AHEAD

with purpose
and
confidence

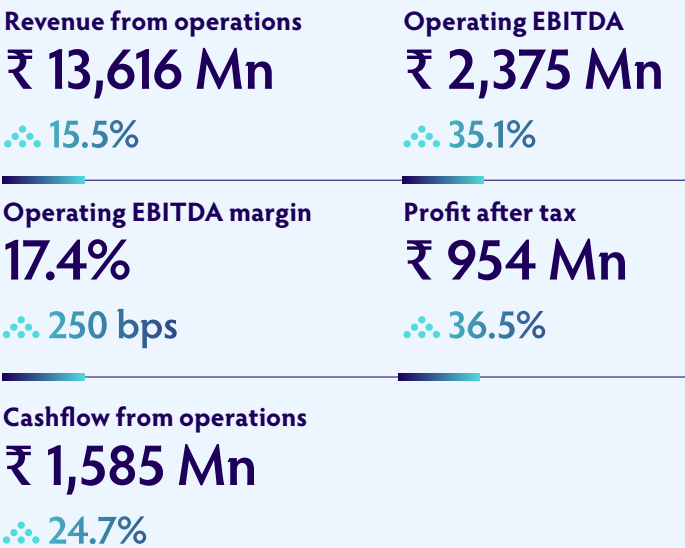
Welcome to SeQuent

Over the last few years, we have emerged as India's largest animal health company with presence in 100+ countries. Our eight manufacturing facilities based in India, Spain, Germany, Brazil and Turkey have approvals from top global regulatory bodies, including USFDA, EUGMP, WHO, TGA, among others. We offer a comprehensive portfolio across formulations, animal health Active Pharmaceutical Ingredients (API), and provide analytical services to the pharmaceutical and life sciences industry.

Performance FY21



Financial



Operational



▲ Growth in FY21

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AHEAD with purpose and confidence

Our purpose and confidence is reflected in the way we have created a unique and robust business model with focused investments in high-impact markets and steady performance year on year.

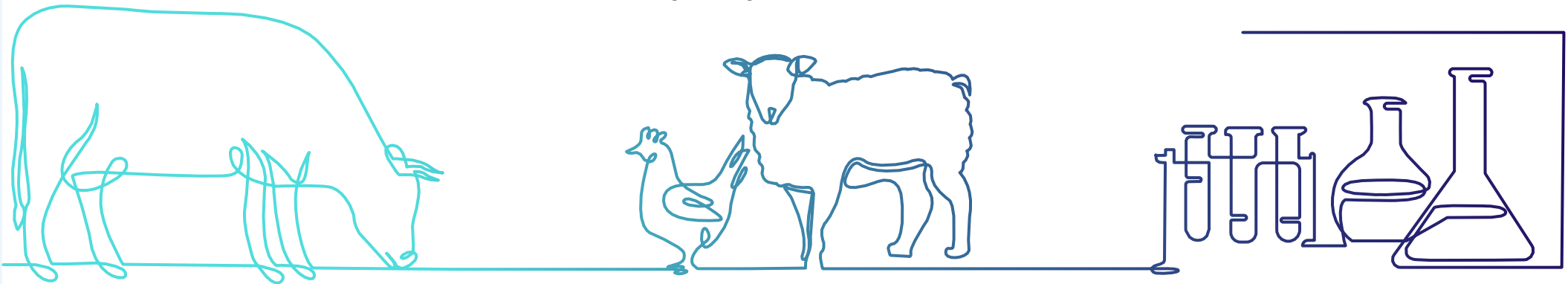
Our investments in setting up India's only USFDA approved greenfield veterinary API facility to provide best-in-class APIs to animal health companies worldwide are catalysing growth on the back of recent commercialisations, and we expect continued momentum in the coming years. Our formulations business is also performing well, enabling us to stay ahead of the curve.

Although FY21 saw significant pandemic-induced volatility, we concentrated on consolidating gains made in the previous years. These include building strategic capabilities, expanding presence in key markets, strengthening existing portfolio along with reinforcing R&D pipeline, securing our cash flow and strengthening our balance sheet.

In September 2020, The Carlyle Group, a leading global private equity player, acquired a majority stake in SeQuent. This acquisition, which is the first and the largest control transaction by Carlyle in India, is a testimony to the strengths of SeQuent's business model. We have successfully traversed SeQuent 1.0 to be among the top 20 animal health players worldwide and now are on track to enter the next phase of growth.

With Sequent 2.0, we are directing our resources towards building a more resilient and value-focused business model. We have already on-boarded commercial and technical experts to support the execution phase of our journey.

With deeper conviction in our purpose and confidence to achieve it within a viable timeline, we are moving ahead to build Sequent 2.0.



Chairman's address

AHEAD with clarity and conviction

Dear Shareholders,

It is a pleasure to communicate with all for the first time after assuming the role of the Chairman of your Company.

I am excited to be part of the journey that SeQuent has charted for itself, which is to emerge as a global animal health major in the coming years. The Board is bestowed with the role to mentor and help the team in its endeavour.

I am pleased to introduce our newly inducted Board of Directors. Mr. Milind Sarwate, Independent Director has experience in corporate finance, value creation, effective governance and capability building. Mr. Neeraj Bhardwaj, Carlyle nominee, has expertise in large growth capital and buyout opportunities. Mr. Gregory John Andrews, Carlyle nominee, has CXO level experience in animal health for the developed markets. Mr. Rahul Mukim, Carlyle nominee, has expertise in buyout opportunities and healthcare growth investment. Dr. Fabian Kausche, Carlyle nominee, has all round expertise in animal health including R&D, product innovation and scientific advisory. I welcome all of them on the SeQuent Board. The new directors complements the skills and experiences of our current board members including Dr. Kausalya Santhanam, Independent Director, Mr. Manish Gupta, Managing Director, and Mr. Sharat Narasapur, Joint Managing Director and are confident that they will provide valuable perspectives as we continue to execute our strategy, drive profitability and enhance value for all Sequent's shareholders.

The global animal healthcare market is estimated at US\$ 51 billion in 2020 and is forecasted to grow at a CAGR of 5% between 2021 and 2027 led by increasing protein demand and prevalence of animal specific diseases. North America, Europe and Latin America constitute a significant portion of the global animal healthcare market. In India, the livestock population contributes 4.5% of India's GDP, making it an important factor of the rural economy.

I had to start the journey in a most challenging year due to the COVID-19 pandemic, which caused a scale of suffering that is hard to comprehend. In some parts of the world, the situation deteriorated further in recent months. The swiftness and intensity of the second wave overwhelmed the health systems, devastating lives, and livelihoods. It is a health crisis of the kind we have not seen in generations. My heart goes out to everyone who has suffered the loss of loved ones. Given the scientific progress and the way the pharmaceutical industry has responded, I am confident we will eventually be able to overcome the challenges.

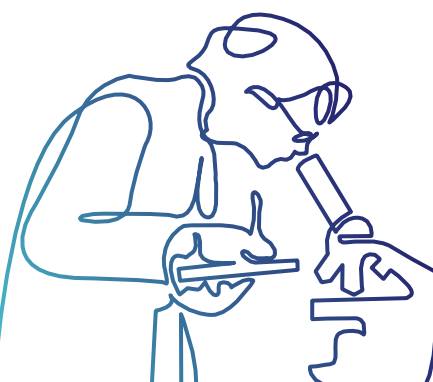
In a challenging environment, the leadership team at SeQuent prioritised the health and well-being of the employees and worked closely to take care of the employees. I would like to extend my sincere gratitude to SeQuent's go-getters for their commitment towards the business in these trying times. Their dedication enabled us to achieve a creditable performance in this financial year.

What you see as the SeQuent of today is the result of several well-thought-out bold decisions taken over the years to transform a diversified

business into a global animal health company. SeQuent essentially is driving the transformation of a niche industry in India. The leadership team built strategic capabilities, which include formulations-led inorganic acquisitions to build front-end presence in key animal health markets of Europe, Brazil, and Turkey; and established the only USFDA approved greenfield veterinary API facility in India.

We are now commencing on our next phase of growth, internally referenced as SeQuent 2.0. SeQuent 2.0, in our opinion, is no different from SeQuent 1.0, except that it has a bolder ambition led by a strategic global investor and backed by the valuable experience of a well-diversified board of directors. SeQuent 2.0, we envision, will be bigger, bolder, and more ambitious in the future, focusing on growing penetration in existing markets while also expanding our scale in newer, high-growth geographies.

We will draw upon the distinguished board's experience in scaling businesses to support entry into new markets and open up opportunities as we embark on the transformational journey of Sequent 2.0. This will be in



“I must say that what lies ahead of us is a sea of opportunity waiting to be explored and the journey will certainly be an eventful one.”

line with the Sequent 2.0 blueprint of entering key animal health markets of the USA, select EU and South-East Asian markets, making injectables as the core domain strength in terms of R&D as well as manufacturing, and foray into the companion animal or pet business in the select markets of India, Turkey, and Brazil. Further, strategic partnerships with global animal health companies will elevate SeQuent's relationship to the next level.

Before I sign off, I must say that what lies ahead of us is a sea of opportunities waiting to be explored and the journey will certainly be an eventful one. I thank the employees and various stakeholders, including bankers, customers, vendors for supporting the company so far and look forward to their support in future too. I would also like to thank all the shareholders in reposing their faith and encouraging the management to put out their best.

Warm regards
Dr. Kamal K Sharma
Chairman



Managing Director's message

Striving relentlessly to stay AHEAD

Dear Shareholders,

It gives me immense pleasure to share my thoughts about your Company's performance in FY21. Before I begin, I hope and pray that you all are safe and in good health in these testing times.

The year gone by was a landmark year for Sequent, as we demonstrated the strength of our unique business model in a challenging and unpredictable environment caused by the COVID-19 pandemic. Even though your Company did not face closure of operations because of the nature of the business, which falls under essential services, we faced significant operational challenges.

Your Company went through an ownership change with The Carlyle Group coming on-board. The Board was also broad-based with induction of luminaries from the Indian and global animal health industry. They bring along a wealth of experience and thought leadership to the Company. This was followed up with extensive engagement with various consultants in the fiscal to establish a framework for Sequent 2.0.

Our noteworthy performance during the financial year was possible only due to the resilient and motivated team at SeQuent that rose to the occasion and overcame various operational challenges. We facilitated a smooth Promoter transition, and worked with various consultants to chart the way ahead without taking our eyes off the day-to-day operations which enabled us to fulfil our obligation

towards all the stakeholders. Success of all that we achieved during the year, and at the same time setting the stage for our journey forward rests solely with the 1,900+ employees across geographies, who were instrumental in delivering under extremely trying circumstances.

While we were able to overcome many challenges, it did come at a cost as the second wave impacted our team in India and abroad. I deeply mourn the loss of two of our employees in Tarapur, whose contributions to the organisation will be remembered with respect. While lives cannot be replaced, I am thankful to the Promoters and the Board of Sequent to put in place a safety net for the well-being of the employees and their families in these difficult times.

Employee safety continues to be our priority. Consistent with the said approach, most of the team around the globe have already received at least one dose of vaccine, and it is only a matter of time until everyone in the organisation is fully vaccinated.

Let me now discuss some of the business and strategic decisions we made this year and how we believe they are aligned with our strategy.

Success of all that we achieved during the year, and at the same time setting the stage for our journey forward rests solely with the 1,900+ employees across geographies, who were instrumental in delivering under extremely trying circumstances.



“Your Company went through an ownership change with The Carlyle Group assuming Promoter's role in the Company.”



Mr. Manish Gupta
Managing Director

Managing Director's message (contd.)

Business operations

We commercialised three new APIs and filed four US Veterinary Master Files (USVMFs) during the year, bringing our total USFDA filings to 23, in addition to our 11 CEP (Certificate of Suitability) approvals in Europe. We also made our maiden formulation filing in the key animal health markets of the United States, Canada, and Australia. Our first value-added injectable formulation developed at India R&D and manufactured in Germany was one of the major commercial successes in Europe.

We also commercialised Halofusol® and Citramox LA in Europe. Their approval timelines of less than 12 months from the filing date demonstrate the Company's strong development capabilities for regulated markets. In addition to the above launches, we entered into a long-term distribution arrangement with Zoetis for their ruminants portfolio in India, opening up a new avenue of growth. Our pipeline of 35+ products under development keeps us confident of maintaining our momentum going ahead.

In our API business, we inked a long-term multi-product arrangement with a prominent animal health company, marking our foray into the contract development and manufacturing (CDMO) business. This arrangement includes co-investment in our Vizag facility with commercial benefits accruing from 2023. Our R&D team is also working on a robust pipeline of 8+ molecules, with a focus on supply chain security and strategic interplay with our formulations business.

Our robust pipeline of formulations and API products will enable us to grow our prominence across markets.

Capacity build-up

We undertook commercial and operational capability enhancement across the organisation both in FDFs and APIs led by a

de-bottlenecking project at Mahad to increase our Albendazole capacity. Our expansion in Vizag is a two-phase project, with the first phase now completed while the second phase is expected to conclude in the next year making us future-ready.

In formulations, we targeted a 4x capacity enhancement at our German facility which had to be deferred due to execution challenges caused by COVID-19. We are simultaneously working on enhancing the Beta-lactam and oral solids manufacturing capacities at our Turkish facility which will be completed in 2022 enabling us to serve the growing demand from European markets.

Strengthened our international prominence

We consolidated the minority stake of our partners in Turkey, Belgium, and the Netherlands during the year and expect to consolidate Brazil's business later in the current financial year.

Strategy ahead

As mentioned in my opening remarks, we engaged with Stonehaven Consulting, a specialist firm in the Animal Health space, to help us formulate the growth strategy. We also hired PwC to help us strategise operations for efficiency and cost. I am happy to state that both the projects have been completed and we now have a blueprint that will form the foundation for our journey ahead. Initial feedback from their findings validates the strength of our business model while identifying some additional growth engines that will have a meaningful impact on your Company over the next few years. We continue to onboard industry experts across functions to ensure we always have the best people driving seamless execution across locations.

Financial performance

We believe what we achieved during the year is underpinned by our six-year-old investing strategy of focusing on the regulated market business. Our turnover increased by 15.5%, with the formulation revenues segment growth outpacing APIs. This was led by geographies such as India, Turkey, and Brazil, seeing excellent growth even as Europe regained its

Formulation pipeline

35+

API pipeline

8+

footing. Our EBITDA was over ₹237 crores for the year, with an operating margin of 17.4% and net profit of ₹95 crores, a 36.5% rise.

We significantly reduced our net debt even along with consolidating the minority interest of our partners which was largely funded by liquidation of our Strides stake. We anticipate that this pace will continue and we will be debt-free within the next two years, barring any inorganic opportunities. We continue to emphasise on judicious use of capital and we are happy to report that our ROCE increased from 7.8% in FY18 to ~20% in FY21.

Over the years, we have strengthened the financials which is evident from the fact that we received 7 rating upgrades over a period of six years on account of our sustained business performance. This demonstrates our financial prowess and the robustness of our unique business model with a consistent focus on the long term.

The Company also rolled out a new ESOP scheme in March 2021 to align the interest of management and employees to the long-term business goals.

It is a matter of pride that we were recently recognised for the second consecutive year by IHS Markit Animal Pharma News as the Best Company in India/Middle East/Africa for 2020, a testimony of our consistent out-performance in the animal health industry.

SeQuent 2.0

Now coming to Sequent 2.0, we collaborated with advisors in FY21 to craft our amplified vision and strategy for next phase of the journey. I am pleased to report that we now have a clear path ahead, which will largely reflect in the bolder steps we intend to take as we expand our footprints in key missing markets of the United States, UK, Germany along with select Southeast Asian markets; making injectables our core domain of strength, both in terms of R&D and manufacturing; along with foray

into the pet business in select markets of India, Turkey, and Brazil.

To achieve this vision, we plan to invest in the range of ₹2 billion in expanding our market presence across geographies over the next two years. Some of these investments will be large and are being made with a long-term perspective and we expect to see the benefits accrue from these investments in the next few years.

Carving a value-focused niche

As I conclude, I am reminded of Robert Frost's poem 'The Road Not Taken' how the poem was a metaphor about the journey of life, the choices we make and reflect on the journey without regret, we at SeQuent feel have traversed a journey we believed in and carved a niche for ourselves in animal health industry.

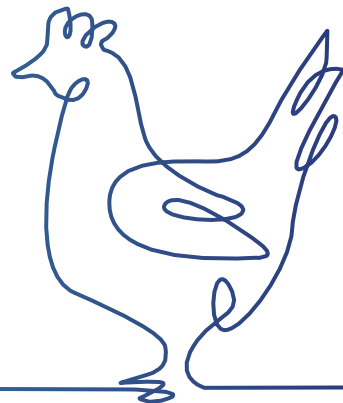
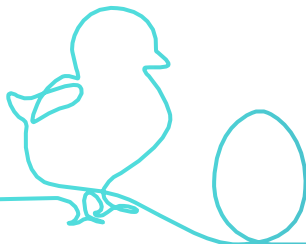
The Carlyle Group's investment in SeQuent alludes to Indian animal health companies' global potential being unlocked. I believe this is just the beginning and as the Indian animal health sector acquires momentum, draws better expertise, the future can only be better.

While the Carlyle investment will help us in the journey ahead, I will be failing in my duty if I do not express my gratitude to our erstwhile Promoters – Mr. Arun Kumar and Mr. K.R. Ravi Shankar as well as the Board for their support and faith in bringing the organisation to its current position.

The Sequent family is committed to building a true homegrown global powerhouse in the animal health space, as part of Sequent 2.0 journey. As the flagbearers of the animal health industry from India, we are confident that this will yield ample rewards in the long term for all stakeholders.

Warm regards,
Manish

The Carlyle Group's investment in SeQuent alludes to Indian animal health companies' global potential being unlocked. I believe that this is just the beginning of a great future as the Indian animal health business acquires momentum and draws better expertise and increased visibility.



Corporate identity

AHEAD with an arsenal of ideas

Ever since inception, we have accomplished many milestones. We continue to consolidate gains of the preceding years, as we build stronger growth pivots for the future with steady investments and sharper focus. The journey, however, is far from over, and we will continue to power our two fast-growing business segments of formulations and APIs with further investments and structural moves.

Global expertise powers our wheels

We are backed by 'The Carlyle Group' – one of the most diversified global investment firms, with deep understanding of the Indian market, and an ability to create significant long-term value. This offers us a unique opportunity to build strategic partnerships along with leveraging operational expertise to optimise our operations. Interestingly, the convergence of our decades-rich experience and Carlyle's insight offers an opportunity to seek new frontiers of growth in the animal healthcare sector. During the year, we not only onboarded new Promoters, but also reconstituted our Board with industry stalwarts. Under the guidance of our restructured Board, we are confident that we will be able to accelerate our journey forward.

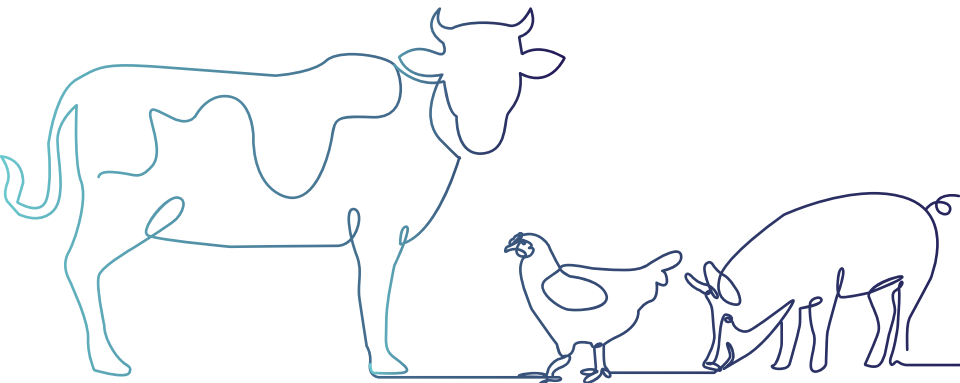
A diversified portfolio

We offer a comprehensive portfolio of finished drug formulations, active pharmaceutical ingredients along with analytical services, which address the needs of the global animal health sector and contribute to the global food security. We have a unique, globally diversified and resilient business model, driven by strong execution skills.

Next is exciting

We have embarked on the journey of 'SeQuent 2.0', driven by rich commercial experience and successful track record of the leadership team supplemented by technical team's hands-on experience of running facilities approved by global regulatory agencies. We will focus on complex generics development and expand portfolio by offering value-added / specialty formulations. A pipeline of value-added APIs is being developed, which will allow for greater engagement with key animal health companies. Augmenting internal capabilities & manufacturing capacities will lay the foundation for our journey ahead which includes establishing front-end presence in key missing animal health markets, along with entry into new segments in markets where we already have a established commercial setup.

We are backed by 'The Carlyle Group' – one of the most diversified global investment firms, with deep understanding of the market, and an ability to create value through its operational expertise.




Largest
Animal Health company
from India


30
Commercial APIs


~2/3
Revenues from
regulated markets


5
Global R&D centres


1,000+
Finished dosages across
12 dosage forms


100+
Countries Presence

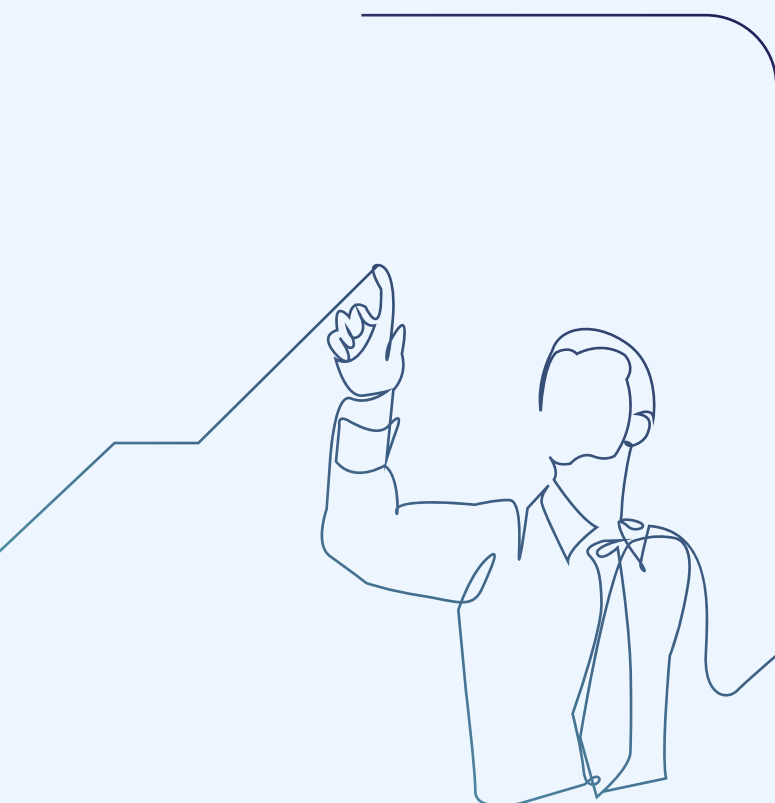

8
State-of-the-art
manufacturing facilities


1,900+
Global Workforce

Key performance indicators

Powering AHEAD in an extraordinary year

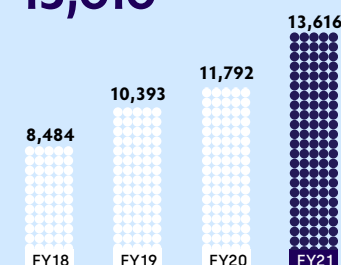
FY21 was an exceptional year in living memory posing huge operational challenges. However, we never let those headwinds overwhelm us and continued to focus on business growth and sustainability. While there are multiple achievements across the business that we are extremely proud of, what stands out particularly is the fact that our business generated ₹1,500 million in cash from operations, enabling us to pare down debt, resulting in a two-notch improvement in our credit rating.



Revenue from operations

₹ in mn

13,616

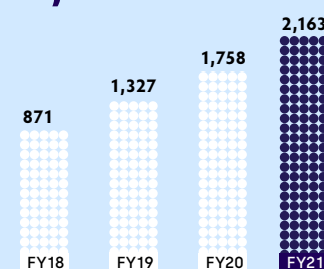


17%

EBITDA

₹ in mn

2,163

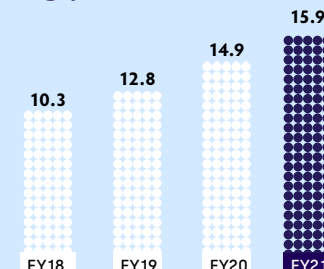


35%

EBITDA margin

%

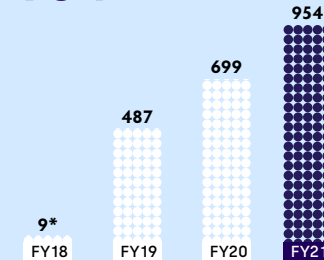
15.9



Profit after tax

₹ in mn

954



373%

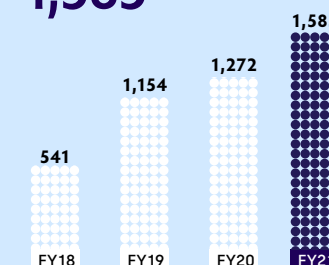
*Demerger of human business

4-year CAGR

Cashflow from operations

₹ in mn

1,585

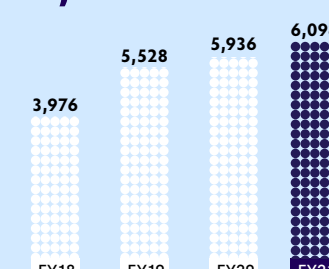


43%

Gross Block + CWIP

₹ in mn

6,098

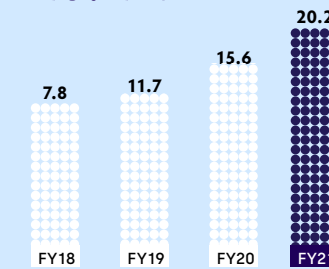


15%

Return on capital employed

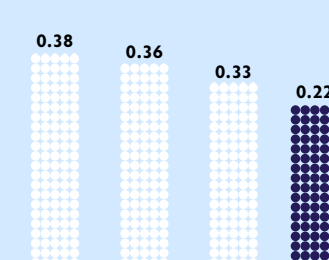
%

20.2%



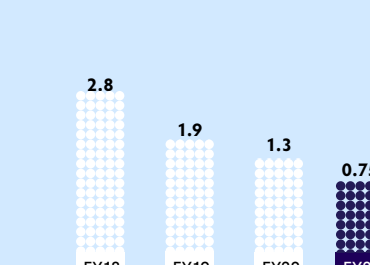
Net debt to equity

0.22



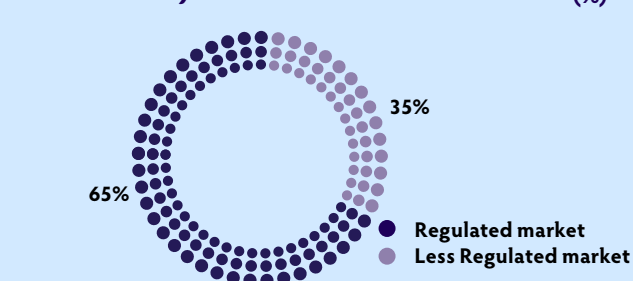
Net Debt to EBITDA

0.75



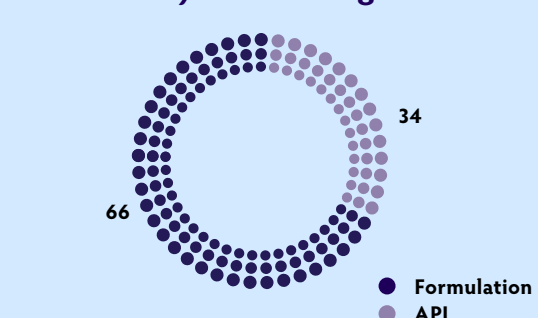
Revenue by markets

(%)

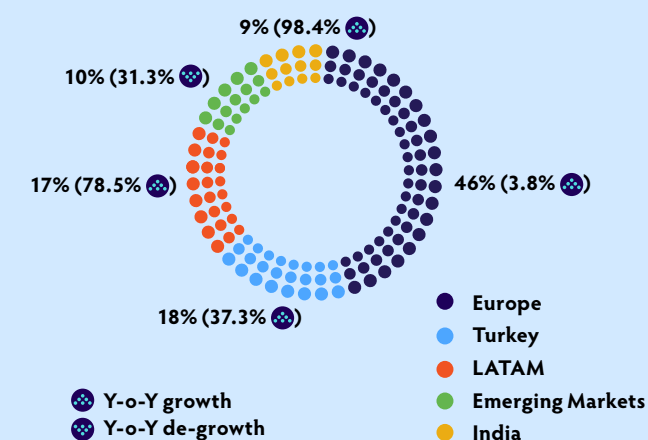


Revenue by business segment

(%)

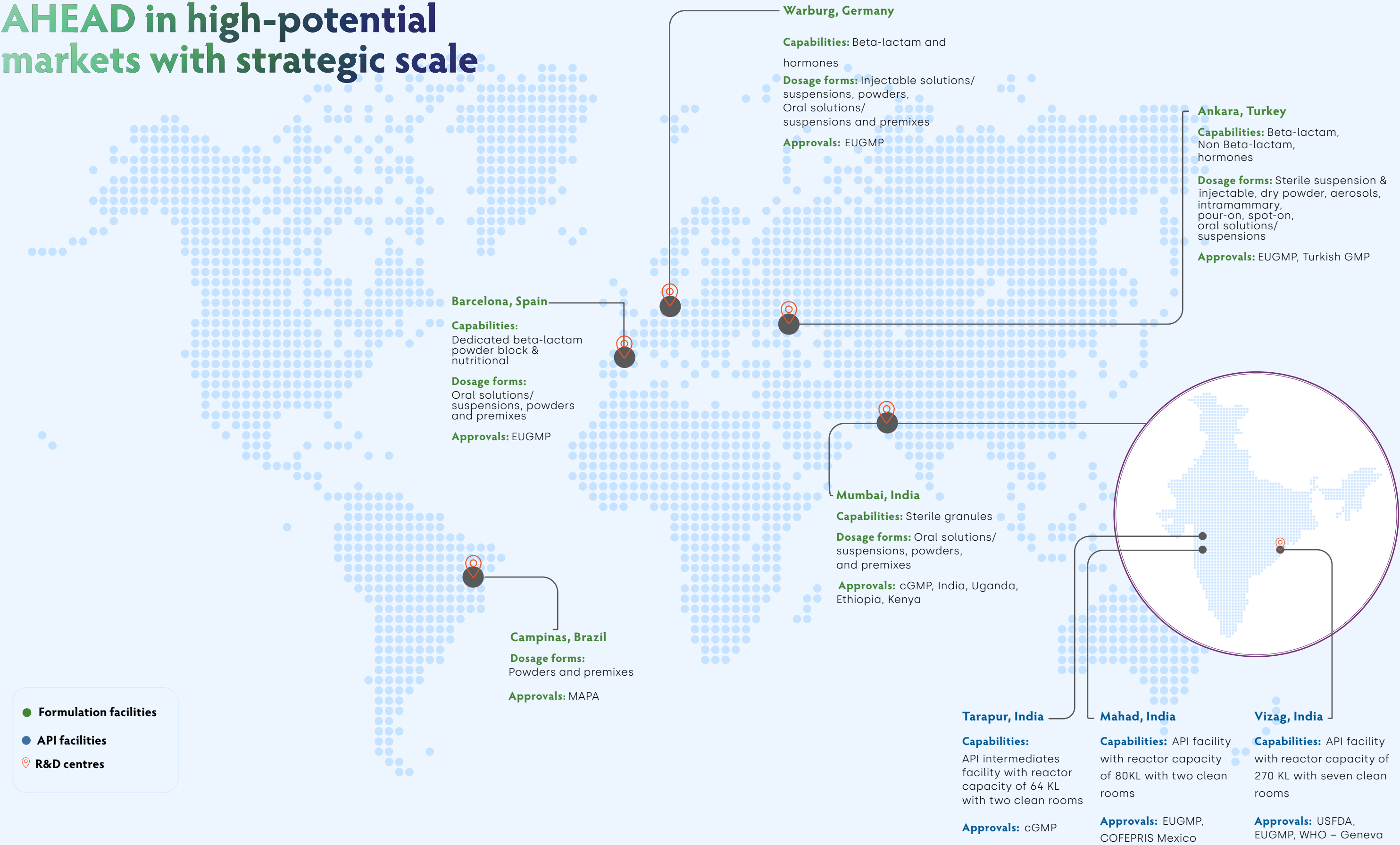


Performance of Formulations business



Manufacturing presence

AHEAD in high-potential markets with strategic scale

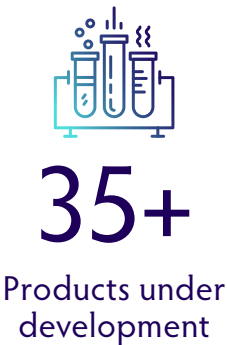


Business review - Formulations

Identifying potential in high-impact markets to stay AHEAD

Over the last few years, we have successfully expanded our direct presence by strategically expanding in important global animal health markets of Europe, Brazil, and Turkey. Today, our formulations business contributes ~65% to our overall business.

Our market insights enable us to develop highly customised portfolio of strong, diversified products that address the requirements of multiple species in the animal pharma universe. Our portfolio includes products across various therapy classes such as antibiotics, anthelmintics, pain management and nutrition.



Achievements of FY21

- Commercialised Tulathromycin, first India R&D developed product
- Launched Citramox LA, first long-acting injectable & Halofusol, in-house developed oral solution for European markets
- Operationalised multi-year, multi-product distribution arrangement with Zoetis for the Indian market
- Submitted first filings in US, Canada, and Australia
- Started upgradation of our facility in Bremer, Germany for US commercialisation

Future growth drivers

Europe

- **Geographical expansion:** Expand presence in key missing markets

Brazil

- **New segments:** Enhance market presence by entering companion animal segment

India

- **Zoetis portfolio:** Leverage Zoetis portfolio to provide a fillip to the domestic cattle business
- **Manufacturing capability:** Strategically build capability to manufacture granular products

Turkey

- **New segments:** Enhance market presence by entering companion animal segment
- **Manufacturing capacity:** Expanding beta-lactam and oral solids capacity
- **Vaccines:** Enter long-distribution partnerships

US

- **Facility upgradation:** Capability and capacity enhancement of our injectable facility in Bremer, Germany for US commercial entry



Our formulations facility at Evance, Brazil

Business review - API

AHEAD with high excellence benchmarks

Our ability to consistently deliver high-quality products on time has helped us emerge as a credible and reliable global supplier of Active Pharmaceutical Ingredients (APIs), offering supply security to our partners. We have emerged as a leading API supplier to global companies.

Our high standards of quality and service commitment have positioned us as a valuable partner for our customers, enabling them to retain and grow their market share. Our API capacities have a strong track record of regulatory compliance with over 70 successful audits as of date.



~2/3

Sales to regulated markets



23

US Filings



11

CEP Approvals



3

Manufacturing facilities



8+

Product pipeline



1

R&D centre

Achievements of FY21

- Commercialised 3 APIs and submitted 4 USVMF filings
- Completed the first phase of expansion at Vizag to meet the growing demand of global animal healthcare partners
- Initiated the second phase of expansion at Vizag
- Completed de-bottlenecking at Mahad to enhance Albendazole capacities
- Signed long-term arrangement with a major animal health company for CDMO and product supplies with co-investments at Vizag
- Initiated in house manufacturing of key starting materials (KSMs) for backward integration, to mitigate the impact of supply chain disruption and geopolitical challenges

API portfolio

Particulars	Commercialised	USVMF Filings	CEP Approvals
FY21 developments	3	4	1
Total Products	30	23	11

Future growth drivers

- **Expansion into CDMO/CMO segment:** To support the growing demand for CDMO/CMO, we are building a dedicated manufacturing block in Vizag for the upcoming opportunities.
- **Manufacturing capacity expansion:** Global animal health companies are focusing on diversify their supply sources which is resulting in ever-increasing demand for our APIs. To cater to this increased demand, we initiated the capacity expansion of our USFDA approved Vizag manufacturing facility.



Our API facility at Vizag, India