STRIDES PHARMA SCIENCE LIMITED (FORMERLY STRIDES SHASUN LIMITED)

Regd. Office: No. 201 Devavrata, Sector 17, Vashi, Navi Mumbai 400 703.

Corp. Office: "Strides House", Bilekahalli, Bannerghatta Road, Bangalore-560 076.

STATEMENT OF STANDALONE UNAUDITED RESULTS

FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Sl. No.	Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		(1)	(2)	(3)	(4)	(5)	(6)
	Continuing operations						
I	Revenue from operations	41,468	33,843	35,303	110,288	108,059	146,961
II	Other income	2,207	2,036	293	5,820	10,674	15,620
III	**Total income (I + II)**	**43,675**	**35,879**	**35,596**	**116,108**	**118,733**	**162,581**
IV	**Expenses**						
	(a) Cost of materials consumed	22,953	20,873	14,953	67,488	56,310	75,915
	(b) Purchases of stock-in-trade	488	255	21	1,645	3,415	3,989
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	576	(829)	2,417	(3,463)	2,991	(1,779)
	(d) Employee benefits expense	5,294	6,903	5,443	17,432	16,978	22,453
	(e) Finance costs	1,494	1,137	2,219	3,778	7,050	8,197
	(f) Depreciation and amortisation expense	2,023	2,123	2,025	6,149	5,712	7,781
	(g) Other expenses	8,872	6,575	6,365	21,065	19,138	26,673
	Total expenses (IV)	**41,700**	**37,037**	**33,443**	**114,094**	**111,594**	**143,229**
V	**Profit/(loss) before exceptional items and tax (III - IV)**	**1,975**	**(1,158)**	**2,153**	**2,014**	**7,139**	**19,352**
VI	Exceptional Item gain/ (loss) (net) (Refer note 14)	(195)	(1)	797	(201)	205	(2,938)
VII	**Profit/(loss) before tax (V + VI)**	**1,780**	**(1,159)**	**2,950**	**1,813**	**7,344**	**16,414**
VIII	**Tax expense**						
	- Current tax	871	-	2,068	871	2,068	3,732
	- Deferred tax expense / (benefit)	(622)	(132)	(3,493)	(617)	(3,530)	(2,964)
	Total tax expense (VIII)	**249**	**(132)**	**(1,425)**	**254**	**(1,462)**	**768**
IX	**Profit/(loss) after tax from continuing operations (VII -VIII)**	**1,531**	**(1,027)**	**4,375**	**1,559**	**8,806**	**15,646**
X	**Discontinued operations**						
	- Profit/(loss) from discontinued operations	-	-	(5,648)	-	(8,497)	(9,218)
	-Gain/ (loss) on disposal of assets / settlement of liabilities attributable to the discontinued operations (net)	-	(469)	15,074	(470)	15,074	84,384
XI	**Profit/(loss) before tax from discontinued operations**	**-**	**(469)**	**9,426**	**(470)**	**6,577**	**75,166**
	- Tax expense/ (benefit) of discontinued operations	-	(66)	3,262	(66)	2,277	1,652
XII	**Profit/(loss) after tax from discontinued operations**	**-**	**(403)**	**6,164**	**(404)**	**4,300**	**73,514**
XIII	**Profit/(loss) for the period (IX + XII)**	**1,531**	**(1,430)**	**10,539**	**1,155**	**13,106**	**89,160**

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STATEMENT OF STANDALONE UNAUDITED RESULTS
FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Sl. No.	Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
		(1)	(2)	(3)	(4)	(5)	(6)
XIV	**Other comprehensive income**						
A	(i) Items that will not be reclassified to statement of profit and loss	-	-	(131)	-	(131)	(13)
	(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	-	-	45	5	45	5
B	(i) Items that may be reclassified to statement of profit and loss	4,094	(1,906)	368	(87)	(1,940)	(3,007)
	(ii) Income tax relating to items that may be reclassified to statement of profit and loss	(1,431)	666	(128)	29	671	1,041
	Total other comprehensive income for the period (XIV)	**2,663**	**(1,240)**	**154**	**(53)**	**(1,355)**	**(1,974)**
XV	**Total comprehensive income for the period (XIII + XIV)**	**4,194**	**(2,670)**	**10,693**	**1,102**	**11,751**	**87,186**
	Earnings per equity share (face value of Rs. 10/- each) (for continuing operations)						
	(a) Basic (Rs.)	1.71	(1.15)	4.89	1.74	9.84	17.49
	(b) Diluted (Rs.)	1.71	(1.15)	4.88	1.74	9.83	17.48
	Earnings per equity share (face value of Rs. 10/- each) (for discontinued operations)						
	(a) Basic (Rs.)	-	(0.45)	6.89	(0.45)	4.81	82.16
	(b) Diluted (Rs.)	-	(0.45)	6.88	(0.45)	4.80	82.13
	Earnings per equity share (face value of Rs. 10/- each) (for total operations)						
	(a) Basic (Rs.)	1.71	(1.60)	11.78	1.29	14.65	99.65
	(b) Diluted (Rs.)	1.71	(1.60)	11.76	1.29	14.63	99.61
	See accompanying notes to the Financial Results						

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STATEMENT OF STANDALONE UNAUDITED RESULTS
FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2018

Notes:

1 These financial results have been prepared in accordance with Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

2 The above results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on January 29, 2019. The statutory auditors have carried out limited review of the above results for the quarter and nine months ended December 31, 2018 and have issued unmodified opinion.

3 On July 2, 2018 and July 18, 2018, the Company received shareholders' approval and approval from Registrar of Companies, respectively, for change of name to Strides Pharma Science Limited.

4 During the previous quarter, the company obtained approval from the shareholders for sale of its wholly owned subsidiary 'Strides Chemicals Private Limited' to Solara Active Pharma Sciences Limited for a consideration of not less than Rs. 13,100 lakhs. Consequently, the subsidiary has been sold on August 31, 2018 for a consideration of Rs.13,100 lakhs. The balance consideration receivable as at December 31, 2018 is Rs. 9,010 lakhs.

5 On April 20, 2018, the Company entered into business purchase agreement with Solara Active Pharma Sciences Limited ('Solara") to sell the assets (consisting of Plant & machinery, equipment, computer software and other related capital work in progress) and business conducted by the company at Strides API Research Centre (SRC) along with the employees for a consideration of Rs, 3,573 lakhs and working capital subject to adjustment and finalisation for Rs. 83 lakhs. The same was approved by the board of directors on March 31, 2018.

Accordingly, the results of the SRC unit are included in the discontinued operations for the respective period set out in Note 6 below.

6 Results of discontinued operations (including discontinued operations of earlier periods)

Rs. in Lakhs

Sl. No.	Particulars	3 Months ended December 31, 2018	Preceding 3 Months ended September 30, 2018	Corresponding 3 Months ended in the previous year December 31, 2017	Year to date figures for the current period ended December 31, 2018	Year to date figures for the previous period ended December 31, 2017	Previous year ended March 31, 2018
I	Total Revenue	-	-	1,583	-	48,809	48,830
II	Total Expenses	-	-	7,199	-	57,180	57,922
III	**Profit/(loss) before exceptional items and tax (I - II)**	**-**	**-**	**(5,616)**	**-**	**(8,371)**	**(9,092)**
IV	Exceptional Items:	-	-	(32)	-	(126)	(126)
V	**Profit/(loss) before tax (III + IV)**	**-**	**-**	**(5,648)**	**-**	**(8,497)**	**(9,218)**
VI	Gain/ (loss) on disposals (net)	-	(469)	15,074	(470)	15,074	84,384
VII	Tax expense/ (benefit)	-	(66)	3,262	(66)	2,277	1,652
VIII	**Gain/ (loss) from discontinued operations (V+VI-VII)**	**-**	**(403)**	**6,164**	**(404)**	**4,300**	**73,514**

7 Subsequent to the quarter, the group proposed to acquire the remaining 50% equity stake in Vivimed Life Sciences Private Limited, India (associate) and in Strides Vivimed Pte Ltd, Singapore (subsidiary) for an aggregate consideration of INR 7,500 Lakhs. The transaction is subject to conclusion of definitive agreements and closing conditions.

8 Subsequent to the quarter, the group through its subsidiary Strides Pharma Inc. USA, proposed to acquire 100% equity stake in Vensun Pharmaceuticals Inc. USA for a base consideration of USD 182 Lakhs (USD 40 Lakhs towards equity and USD 142 Lakhs towards loan) and a deferred contingent consideration up to a maximum of USD 750 Lakhs to be paid over a maximum period of 6 years. The transaction is subject to conclusion of definitive agreements and closing conditions.

9 Subsequent to the quarter, the group through its subsidiary Strides Pharma Canada Inc. Canada, proposed to acquire 80% equity stake in Pharmapar Inc. Canada, for a consideration of CAD 40 Lakhs. The transaction is subject to conclusion of definitive agreements and closing conditions.

10 On December 4, 2013, the Company and its wholly owned subsidiary, Strides Pharma Asia Pte Limited ("the Singapore Subsidiary"), completed the sale of investments in Agila Specialties Private Limited and Agila Specialties Global Pte Limited (together, "Agila") to Mylan Laboratories Limited and Mylan Institutional Inc. (together, "Mylan") pursuant to separate agreements, each dated as of February 27, 2013 (the "SPAs"). Pursuant to the SPAs, the Strides Group established escrow arrangements to fund certain potential indemnification liabilities, including specified employee, tax and regulatory remediation costs from such consideration. These escrow arrangements included a US$ 100 million 'General Claims Escrow' account and a US$ 100 million 'Regulatory Escrow' account. Pursuant to the SPAs, the Company has also provided a corporate guarantee to Mylan for US$ 200 million (valid up to December 4, 2020) on behalf of Singapore Subsidiary which can be used for discharging financial obligations, if any, of the Singapore Subsidiary to Mylan.

Under the terms of the SPAs, claims against the Company / the Singapore subsidiary (as the case may be) can only be made under specific provisions contained in the SPAs which include the procedures and timelines for submission of notifications of claims and actual claims and commencing arbitration proceedings. The Company had received a consolidated notification of claims from Mylan under the terms of the SPAs. These claims were related to third party claims, tax claims, claims against the regulatory escrows and general claims. In the previous years, a significant portion of these claims were settled out of the Regulatory Escrow deposit and the remaining balance of the Escrow account was recognised as income on full and final settlement of related claims. Further, the Company and Mylan also agreed on full and final settlement of warranty and indemnity claims to be adjusted against the 'General Claims Escrow'. During the previous period, the Company was in arbitration proceedings for certain third party claims.

During the current quarter, the arbitration proceedings with respect to the third party claims have been settled in favour of the Company and Mylan. The Singapore subsidiary and Mylan have entered into an agreement whereby Mylan has released the pending balance in Escrow account. The Singapore subsidiary has recorded a net gain of INR 27,182 Lakhs (net off related expenses and outstanding tax claims) under discontinued operations.

11 Pursuant to the approvals of the board of directors of the Company, the Group entered in to definitive agreements with India Life Sciences Fund III, LLC (ILF) for investment in Consumer Healthcare (CHC) business. During the current quarter, ILF invested in Strides Global Consumer Healthcare Ltd, UK and Strides Consumer Private Limited, India consequent to which the Group ceded its control over the entities carrying out CHC business. However, the Company continues to exercise significant influence and has classified its investments in CHC business as "Investment in Associates".

12 During the quarter ended June 30, 2018, 40,000 equity shares under the Strides Arcolab ESOP 2011 Scheme and 8,878 equity shares under Strides Arcolab ESOP 2015 Scheme were allotted by the Company, on exercising equal number of options.

During the previous quarter ended September 30, 2018, 315,500 equity shares under the Strides Shasun ESOP 2016 Scheme were granted to the eligible employees.

During the current quarter ended December 31, 2018 563 equity shares under Strides Arcolab ESOP 2015 Scheme were allotted by the company, on exercising equal number of options.

13 The Company has adopted Ind AS 115, Revenue from Contracts with Customers with effect from April 1, 2018. The core principle of this standard is that the Company shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under Ind AS 115, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer which is different from transfer of risk and rewards under the old revenue standard.

Further, pursuant to the requirements of the new standard, the Company also evaluated its open arrangements on out-licensing arrangements with reference to upfront license fees received in earlier periods and concluded that some of the performance obligations may not be distinct and hence would need to be bundled with the subsequent continuing obligations. Accordingly, the Company has recognised an incremental deferred revenue relating to such open contracts on the transition date.

Adoption of this standard resulted in decrease in retained earnings by Rs. 1,430 lakhs as at March 31, 2018 and increase in Revenue from Operations by Rs. 2,456 lakhs with a corresponding increase in expenses by Rs. 2,343 lakhs (primarily on account of increased material costs) resulting in a net increase in profit after tax for the nine months ended by Rs. 97 Lacs and an increase in diluted EPS by Rs. 0.11 for the nine months ended December 31, 2018. Comparative periods were not restated given the Company adopted the standard using the cumulative effect approach.

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14 **Exceptional Item gain/ (loss) (net):**

Rs. in Lakhs

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a	Exchange gain/(loss) on restatement and settlement of long term foreign currency loans and intra-group loans	-	-	654	-	477	194
b	Business combination and restructuring expenses	(195)	(1)	(157)	(201)	(344)	(381)
c	Write down of inventory and other assets	-	-	-	-	(96)	(1,119)
d	Impairment of investment	-	-	-	-	-	(1,800)
e	Fair valuation of derivative instruments	-	-	300	-	168	168
	Total	**(195)**	**(1)**	**797**	**(201)**	**205**	**(2,938)**

15 In May 2018, the Group and Apotex Inc (Apotex) announced the intention to merge their respective Australia business into a new Company. On September 30, 2018, The Australian Competition and Consumer Commission (ACCC) announced not to object to the proposed merger.

Based on additional due diligence and further deliberations, the Board of Directors proposed to divest its entire interest in the Australia business to Dennis Bastas- Executive Chairman of Arrow Pharmaceuticals Pty Limited, Australia (Arrow) for an upfront consideration and with the Company retaining product supply rights for future.

The transaction is subject to the Company's shareholders' approval, completion of the merger of Arrow and Apotex , execution of definitive sale agreements and completion of certain other closing conditions and accordingly has not been accounted for as of December 31, 2018

16 The Company's operations for the current and previous year relate only to the "Pharmaceutical business" and accordingly no separate disclosure for business segments is being provided.

17 Previous period figures have been regrouped to conform with the classification adopted in these financial results.

For and on behalf of the Board

Arun Kumar
Group CEO and Managing Director

Bengaluru, January 29, 2019