



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 CONSOLIDATED UNAUDITED RESULTS

FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

Rs. in Lakhs

Sl. No.	Particulars	3 Months ended September 30, 2018	Preceding 3 Months ended June 30, 2018	Corresponding 3 Months ended in the previous year September 30, 2017	Year to date figures for the current period ended September 30, 2018	Year to date figures for the previous period ended September 30, 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	73,263	66,346	76,866	139,609	142,644	283,938
II	Other income	773	1,064	2,214	1,837	5,660	9,406
III	Total income (I + II)	74,036	67,410	79,080	141,446	148,304	293,344
IV	Expenses						
	(a) Cost of materials consumed	26,003	27,613	23,503	53,616	46,471	84,750
	(b) Purchases of stock-in-trade	16,382	14,820	10,450	31,202	21,037	43,915
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(7,160)	(8,389)	4,663	(15,549)	6,189	9,219
	(d) Employee benefits expense	11,875	10,536	11,245	22,411	21,555	43,405
	(e) Finance costs	4,848	4,412	4,858	9,260	10,100	19,624
	(f) Depreciation and amortisation expense	4,449	4,287	3,725	8,736	7,174	15,403
	(g) Other expenses	16,203	13,688	16,227	29,891	29,488	62,995
	Total expenses (IV)	72,600	66,967	74,671	139,567	142,014	279,311
V	Profit before exceptional items and tax (III - IV)	1,436	443	4,409	1,879	6,290	14,033
VI	Exceptional items - net loss (Refer note 13)	(739)	(494)	(1,225)	(1,233)	(1,561)	(4,358)
VII	(Loss) / Profit before tax (V + VI)	697	(51)	3,184	646	4,729	9,675
VIII	Share of profit / (loss) of joint ventures and associates	(1,230)	(791)	(530)	(2,021)	(836)	(1,680)
IX	(Loss) / Profit before tax (VII + VIII)	(533)	(842)	2,654	(1,375)	3,893	7,995
X	Tax expense						
	- Current tax	1,097	214	202	1,311	408	4,851
	- Deferred tax	(936)	(801)	340	(1,737)	458	(4,283)
	Total tax expense (X)	161	(587)	542	(426)	866	568
XI	(Loss) / Profit after tax from continuing operations (IX - X)	(694)	(255)	2,112	(949)	3,027	7,427
XII	Discontinued operations						
	- Profit / (Loss) from discontinued operations	-	-	(843)	-	(1,838)	(8,446)
	- Gain on disposal of assets / settlement of liabilities attributable to the discontinued operations (net)	(203)	(1)	(322)	(204)	(322)	71,031
	- Tax expense / (benefit) of discontinued operations	(27)	-	(226)	(27)	(984)	1,573
XIII	Profit/(loss) after tax from discontinued operations	(176)	(1)	(939)	(177)	(1,176)	61,012
XIV	Profit/(loss) for the period (XI + XIII)	(870)	(256)	1,173	(1,126)	1,851	68,439



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FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

Rs. in Lakhs

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		UNAUDITED	UNAUDITED*	UNAUDITED*	UNAUDITED	UNAUDITED*	AUDITED*
		(1)	(2)	(3)	(4)	(5)	(6)
XV	Other comprehensive income						
A	(i) Items that will not be reclassified to statement of profit and loss	231	(3)	41	228	(1,854)	(2,028)
	(ii) Income tax relating to items that will not be reclassified to statement of profit and loss	-	5	-	5	-	5
B	(i) Items that may be reclassified to statement of profit and loss	350	(3,022)	(383)	(2,672)	2,310	(619)
	(ii) Income tax relating to items that may be reclassified to statement of profit and loss	696	793	688	1,489	799	1,041
	Total other comprehensive income for the period (XV)	1,277	(2,227)	346	(950)	1,255	(1,601)
XVI	Total comprehensive income for the period (XIV + XV)	407	(2,483)	1,519	(2,076)	3,106	66,838
	Profit for the period attributable to:						
	- Owners of the Company	(1,201)	(431)	859	(1,632)	1,015	66,452
	- Non-controlling interests	331	175	314	506	836	1,987
		(870)	(256)	1,173	(1,126)	1,851	68,439
	Other comprehensive income for the period						
	- Owners of the Company	1,020	(2,358)	346	(1,338)	1,255	(1,550)
	- Non-controlling interests	257	131	-	388	-	(51)
		1,277	(2,227)	346	(950)	1,255	(1,601)
	Total comprehensive income for the period						
	- Owners of the Company	(181)	(2,789)	1,205	(2,970)	2,270	64,902
	- Non-controlling interests	588	306	314	894	836	1,936
		407	(2,483)	1,519	(2,076)	3,106	66,838
	Earnings per equity share (face value of Rs. 10/- each) (for continuing operations)						
	(1) Basic (in Rs.)	(1.14)	(0.48)	2.01	(1.62)	2.45	6.08
	(2) Diluted (in Rs.)	(1.14)	(0.48)	2.01	(1.62)	2.45	6.08
	Earnings per equity share (face value of Rs. 10/- each) (for discontinued operations)						
	(1) Basic (in Rs.)	(0.20)	-	(1.05)	(0.20)	(1.31)	68.17
	(2) Diluted (in Rs.)	(0.20)	-	(1.05)	(0.20)	(1.31)	68.15
	Earnings per equity share (face value of Rs. 10/- each) (for total operations)						
	(1) Basic (in Rs.)	(1.34)	(0.48)	0.96	(1.82)	1.14	74.25
	(2) Diluted (in Rs.)	(1.34)	(0.48)	0.96	(1.82)	1.14	74.23
	See accompanying notes to the Financial Results						
	* Restated						



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STATEMENT OF CONSOLIDATED UNAUDITED RESULTS

FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

CONSOLIDATED BALANCE SHEET

Particulars		Rs in Lakhs		
		As at September 30, 2018	As at March 31, 2018	As at April 1, 2017
		UNAUDITED	AUDITED*	AUDITED*
A	ASSETS			
I	Non-current assets			
	(a) Property, plant and equipment	59,430	66,481	97,830
	(b) Capital work-in-progress	42,052	32,201	20,450
	(c) Investment property	7,968	7,358	7,060
	(d) Goodwill	117,281	108,266	113,084
	(e) Other Intangible assets	119,223	115,550	96,911
	(f) Intangibles assets under development	33,457	29,828	57,568
	(g) Investment in associates and joint ventures	24,630	26,636	21,356
	(h) Financial assets			
	(i) Investments	1,241	1,014	3,150
	(ii) Loans	6,418	6,246	5,754
	(iii) Other financial assets	181	163	-
	(i) Deferred tax assets (net)	14,800	12,352	7,012
	(j) Income tax assets (net)	13,968	11,983	12,123
	(k) Other non-current assets	2,848	4,402	5,940
	Total non-current assets	443,497	422,480	448,238
II	Current assets			
	(a) Inventories	76,356	55,202	73,280
	(b) Financial assets			
	(i) Investments	26,198	31,148	127,954
	(ii) Trade receivables	90,358	88,218	99,591
	(iii) Cash and cash equivalents	25,725	25,616	32,233
	(iv) Other balances with banks	4,795	4,716	715
	(v) Loans	7,300	2,907	723
	(vi) Other financial assets	11,597	3,482	12,649
	(c) Other current assets	37,706	33,364	32,037
	Total current assets	280,035	244,653	379,182
III	Assets classified as held for sale			
		-	3,706	-
	Total Assets	723,532	670,839	827,420



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STATEMENT OF CONSOLIDATED UNAUDITED RESULTS

FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018

Particulars		Rs in Lakhs		
		As at September 30, 2018	As at March 31, 2018	As at April 1, 2017
		UNAUDITED	AUDITED*	AUDITED*
B	EQUITY AND LIABILITIES			
I	Equity			
	(a) Equity share capital	8,955	8,950	8,942
	(b) Other equity	227,507	237,412	266,445
	Equity attributable to owners of the Company	236,462	246,362	275,387
	Non- Controlling interests	17,173	15,465	13,350
	Total equity	253,635	261,827	288,737
II	Liabilities			
1	Non-current liabilities			
	(a) Financials liabilities			
	(i) Borrowings	180,419	155,132	163,771
	(ii) Other financial liabilities	42,094	39,241	39,181
	(b) Provisions	1,738	1,655	2,519
	(c) Deferred tax liabilities (net)	22,348	22,090	22,275
	(d) Other non-current liabilities	1,058	963	550
	Total non-current liabilities	247,657	219,081	228,296
2	Current liabilities			
	(a) Financials liabilities			
	(i) Borrowings	106,755	94,439	139,396
	(ii) Trade payables	80,526	71,208	77,409
	(iii) Other financial liabilities	13,550	5,906	74,475
	(b) Provisions	6,570	5,701	4,666
	(c) Current tax liabilities	6,805	5,584	7,007
	(d) Other current liabilities	8,034	6,779	7,434
	Total current liabilities	222,240	189,617	310,387
III	Liabilities directly associated with assets held for sale	-	314	-
	Total Equity and liabilities	723,532	670,839	827,420
	* Restated			



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**STATEMENT OF CONSOLIDATED UNAUDITED RESULTS
FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018**

Notes:

- 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.
- The above consolidated results were reviewed by the Audit Committee and approved by the Board of Directors at their meeting held on October 31, 2018. The statutory auditors have carried out limited review of the above results for the quarter and half year ended September 30, 2018 and have issued unmodified opinion.
- 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.
- During the current quarter, the Group 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 September 30, 2018 is Rs. 11,010 lakhs.
- On April 20, 2018, the Group 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 Group 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)

Sl. No.	Particulars	Rs. in Lakhs					
		3 Months ended September 30, 2018	Preceding 3 Months ended June 30, 2018	Corresponding 3 Months ended in the previous year September 30, 2017	Year to date figures for the current period ended September 30, 2018	Year to date figures for the previous period ended September 30, 2017	Previous year ended March 31, 2018
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
I	Total Revenue	-	-	26,482	-	48,441	50,049
II	Total Expenses	-	-	27,165	-	50,184	58,369
III	Profit/(loss) before exceptional items and tax (I - II)	-	-	(683)	-	(1,743)	(8,320)
IV	Exceptional items	-	-	160	-	95	126
V	Profit/(loss) before tax (III - IV)	-	-	(843)	-	(1,838)	(8,446)
VI	Gain / (loss) on disposals (net)	(203)	(1)	(322)	(204)	(322)	71,031
VII	Tax expense	(27)	-	(226)	(27)	(984)	1,573
VIII	Profit/(loss) from discontinued operations (V + VI - VII)	(176)	(1)	(939)	(177)	(1,176)	61,012

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

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



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FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2018**

- 8 The Group, during the current quarter, restated its consolidated financial results for earlier periods to record deferred tax liability amounting to Rs.17,069 lakhs on business acquired from Aspen Pharma Pty Limited, Australia during the financial year ended 31 March 2016 with a corresponding adjustment to goodwill as of the acquisition date. The corresponding adjustment as of March 2018 amounted to Rs. 16,794 lakhs and Rs.15,889 for goodwill and deferred tax liability.

The above adjustment had a consequential impact in the statement of profit and loss on account of reversal of deferred tax liability on amortization of the related intangibles subsequent to the date of initial recognition amounting to Rs.185 lakhs, Rs.316 lakhs and Rs.405 lakhs for the years ended 31 March 2016, 2017 and 2018, which were not material to the results of the respective periods. The corresponding impact for quarters ended 30 June 2018 and 30 September 2017 was Rs.160 lakhs and Rs.100 lakhs respectively and for the half year ended 30 September 2017 was Rs. 200 lakhs.

- 9 The borrowings as of September 30, 2018 include an amount of Rs. 27,351 lakhs arising on account of foreign exchange movement during the previous six months period on translation and restatement of foreign currency debts into parent's reporting currency i.e. INR.

- 10 In May 2018, the Group and Apotex Inc 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 the proposed merger. The transaction remains subject to the conclusion of definitive agreements, Board approval and the satisfaction of certain other conditions, including the approval from the Australian Foreign Investment Review Board.

- 11 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. 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'.

In view of the nature of the pending third party claims some of which are in arbitration currently, it is often difficult to predict with accuracy the outcome of such matters. The Company believes that the third party claims have been effectively defended by the Company.

Considering the terms of the SPAs, the nature of the pending claims some of which are in arbitration currently and the balance available in the General Claims Escrow account, the Company believes that any further outflow of resources is not probable.

- 12 The Group 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 Group shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Under Ind AS 115, the Group 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 Group 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 Group has recognised an incremental deferred revenue relating to such open contracts.

Adoption of this standard resulted in decrease in retained earnings by Rs. 6,098 lakhs as at September 30, 2018 and increase in Revenue from Operations by Rs.4,306 lakhs with a corresponding increase in expenses by Rs. 3,549 lakhs (primarily on account of increased material costs) resulting in a net increase in profit after tax by Rs. 679 lakhs and an increase in EPS by Rs. 0.76 for the half year ended September 30, 2018. Comparative periods were not restated given the Group adopted the standard using the cumulative effect approach.



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13 Exceptional Item gain/ (loss) (net):							Rs. in Lakhs
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	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED	
- Exchange gain/ (loss) on long-term foreign currency loans, derivatives and intra-group loans	(166)	(163)	(335)	(329)	(401)	332	
- Impairment of Goodwill	-	-	-	-	-	(141)	
- Write down of inventories and other assets	-	-	(108)	-	(108)	(1,574)	
- Business combination and restructuring expenses	(176)	(111)	(575)	(287)	(845)	(1,963)	
- Unwinding of discount on gross obligations over written put options and contingent consideration	(253)	(220)	(207)	(473)	(207)	(1,012)	
- Loss on sale of Investment in subsidiaries	(144)	-	-	(144)	-	-	
Total	(739)	(494)	(1,225)	(1,233)	(1,561)	(4,358)	

14 Information on Standalone Results :-							Rs. in Lakhs
Particulars	3 Months ended September 30, 2018	Preceding 3 Months ended June 30, 2018	Corresponding 3 Months ended in the previous year September 30, 2017	Year to date figures for the current period ended September 30, 2018	Year to date figures for the previous period ended September 30, 2017	Previous year ended March 31, 2018	
	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED	
Total Revenue from continuing operations	35,879	36,554	39,975	72,433	82,887	162,581	
Profit/(loss) before Tax from continuing operations	(1,159)	1,192	948	33	3,980	16,414	
Profit/(loss) after Tax from continuing operations	(1,027)	1,055	1,683	28	4,012	15,646	
Profit/(loss) before tax from discontinued operations	(469)	(1)	(654)	(470)	(2,847)	75,166	
Profit/(loss) after tax from discontinued operations	(403)	(1)	(427)	(404)	(1,861)	73,514	

15 The proposed dividend declared by the Board of Directors on May 18, 2018 has been approved in the Annual General Meeting of shareholders held on September 24, 2018.

16 The Group'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 & Managing Director

Bengaluru, October 31, 2018