



**DISHMAN PHARMACEUTICALS & CHEMICALS LIMITED**  
**Q1 FY15 QUARTERLY INVESTOR UPDATE**  
**AUGUST 2014**



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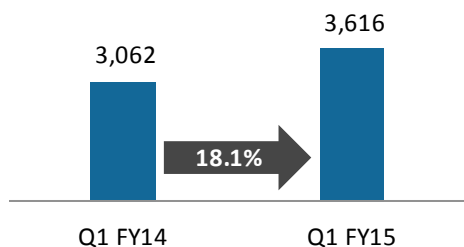
This presentation and the following discussion may contain “forward looking statements” by Dishman Pharmaceuticals and Chemicals Limited (Dishman) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Dishman about the business, industry and markets in which Dishman operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Dishman’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Dishman.

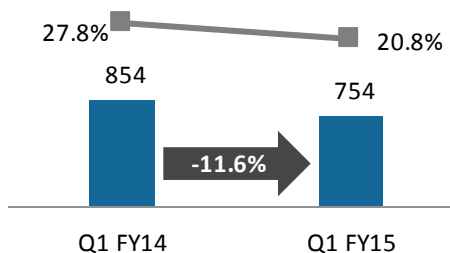
In particular, such statements should not be regarded as a projection of future performance of Dishman. It should be noted that the actual performance or achievements of Dishman may vary significantly from such statements.

## YoY ANALYSIS

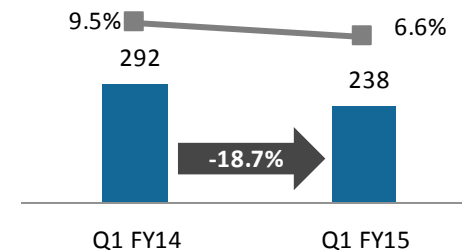
### REVENUES



### EBITDA & EBITDA MARGIN

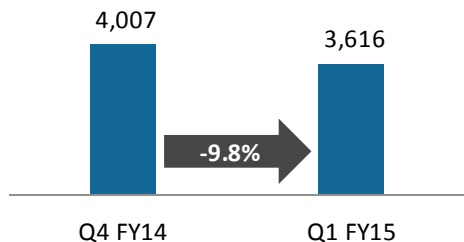


### PAT & PAT MARGIN

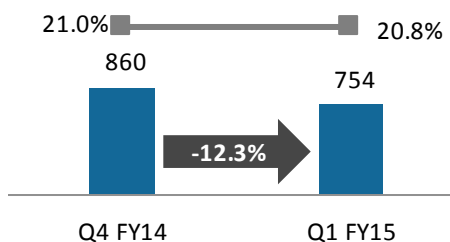


## QoQ ANALYSIS

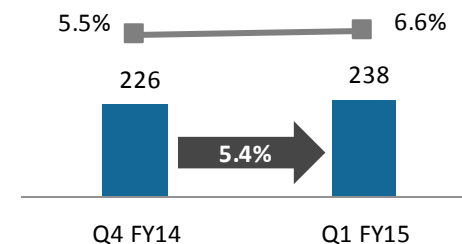
### REVENUES



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



Note - In Rs Mn

- Sales grew 18.1% YoY primarily driven by 56.4% growth in Vitamin D business and 11.9% growth in CRAMS business.
  - Sales declined 9.8% QoQ as Q4 is usually the strongest quarter, partially offset by 24.6% QoQ growth in Vitamin D Sales.
- EBITDA declined 11.6% YoY & EBITDA margin declined YoY from 27.8% to 20.8% primarily due to –
  - During H1 FY14, Carbogen Amcis had higher revenue contribution from “commercial production” work which has relatively higher margins. Last year commercial orders predominantly fell in first 2 quarters of financial year, this year it is nearly the opposite.
  - During Q1 FY15, Carbogen Amcis majorly executed the relatively low margin “development & process” work. However, the margins at Carbogen Amcis would improve in Q2-Q4 of FY15 as the execution cycle heads towards “commercial production”.
  - Higher employee costs at Carbogen Amcis which saw some new hiring given the strong order book in hand for FY15. Therefore, Even the development work has yielded better margins as it includes higher employment cost during the quarter.
  - **On a full year basis, the margins at Carbogen Amcis would remain intact. Carbogem Amcis currently has a strong order book worth 100 million CHF.**
- Depreciation grew 21.2% YoY due to changes as per the new Companies Act. The Company deploys only specialized equipments (life span of 15-20 years) which do not form part of the list of equipments provided by the government.
- As a prudent policy, the company complied with the new policy for the current quarter. However, the company has hired a chartered Engineer to do an evaluation analysis and thus the excess depreciation would be offset during the next quarter.
- Interest cost improved YoY from Rs 295 mn to Rs 205 mn as it consisted of Rs 120 mn forex loss during prior period compared to Rs 5.6 mn forex gain during Q1 FY15.

Revenues – Segment wise Breakup	Q1 FY15	Q1 FY14	YoY %	Q4 FY14	QoQ %
<b>CRAMS (% of Total)</b>	<b>67.6%</b>	<b>70.8%</b>	-	<b>70.4%</b>	-
CRAMS – India	595	577	3.1%	1,053	-43.5%
CRAMS – Carbogen Amcis	1,550	1,447	7.1%	1,561	-0.7%
CRAMS – UK	186	136	36.8%	205	-9.3%
CRAMS – Others	113	8	1,312.5%	2	5,550.0%
<b>Marketable Molecules (% of Total)</b>	<b>32.4%</b>	<b>29.2%</b>	-	<b>29.6%</b>	-
Vitamin D	704	450	56.4%	565	24.6%
Others	467	444	5.2%	621	-24.8%

Note - In Rs Mn

EBITDA Margin % – Segment wise	Q1 FY15	Q1 FY14	Q4 FY14
<b>CRAMS</b>	<b>24.3%</b>	<b>32.7%</b>	<b>30.8%</b>
CRAMS – India	55.8%	59.4%	61.0%
CRAMS – Carbogen Amcis	12.6%	25.0%	13.8%
CRAMS – UK	35.5%	19.1%	5.4%
CRAMS – Others	0.9%	-	50.0%
<b>Marketable Molecules</b>	<b>19.0%</b>	<b>18.2%</b>	<b>14.8%</b>
Vitamin D	22.6%	18.9%	11.3%
Others	13.7%	17.6%	17.9%

Revenues – Business wise Breakup	Q1 FY15	Q1 FY14	YoY %	Q4 FY14	QoQ %
Dishman – Standalone	894	899	-0.6%	1,570	-43.1%
Carbogen Amcis	1,550	1,447	7.1%	1,561	-0.7%
Dishman Netherlands	703	450	56.2%	565	24.4%
Dishman China	37	-	-	5	640.0%
Others	432	265	63.0%	306	41.2%

EBITDA Margin % (Excl. Forex Impacts) – Business wise Breakup	Q1 FY15	Q1 FY14	Q4 FY14
Dishman – Standalone	37.2%	23.1%	43.9%
Carbogen Amcis	12.6%	25.0%	15.1%
Dishman Netherlands	26.9%	18.9%	11.3%
Dishman China **	-	-	-
Others	24.8%	63.4%	15.7%

\*\* Dishman China's losses have reduced YoY with its EBITDA improving from Rs -15 mn to Rs -8 mn.



**Key Facts**

- Established in 1983 and as quats manufacturer and later transformed itself into a full fledged CRAMS partner for global pharma innovators.
- Global presence with manufacturing sites in Europe, India, China, and Saudi Arabia. All manufacturing facilities are approved by recognised health authorities.
- Listed on NSE and BSE with a current market cap of Rs 10,4227 mn as on 13<sup>th</sup> August, 2014.

**Product & Services Portfolio****Services**

- End-to-end Integrated high-value low-cost CRAMS offerings right from process research & development to late stage clinical and commercial manufacturing.

**Products:**

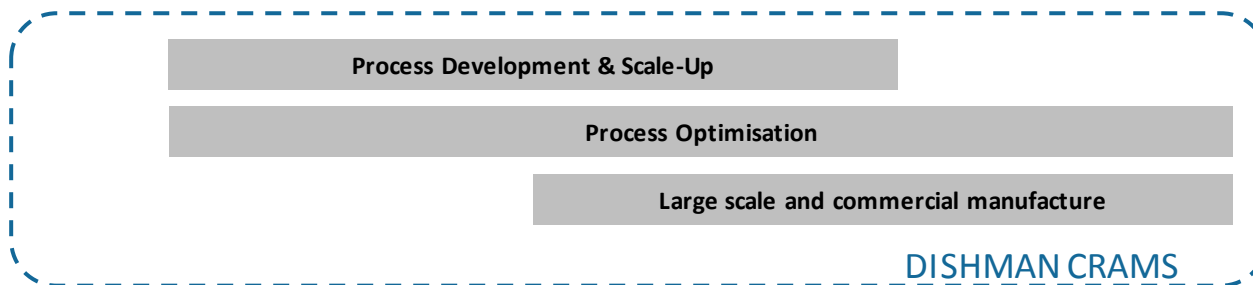
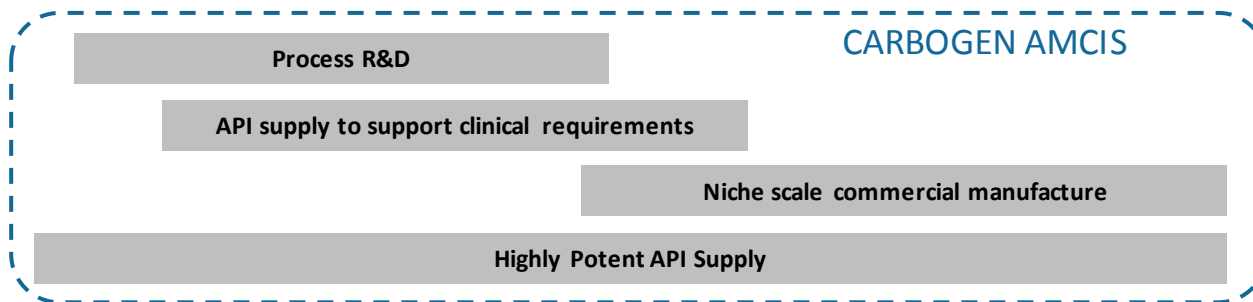
- Phase transfer catalysts, Vitamin D, Vitamin D analogues, cholesterol, laolin related products, antiseptic and disinfectant formulations for pharmaceutical, cosmetic and related markets.
- High quality supply of generic APIs and intermediates for pharmaceutical industry.

**Business Strengths**

- Preferred global outsourcing partner with capabilities across the entire CRAMS value chain, strong chemistry skills, large scale multi-purpose manufacturing capacities.
- Upfront investment of more than Rs 10,000 mn in capacity expansion, making Dishman highly leveraged to gain from the revival in global CRAMS industry.
- The HIPO facility at Bavla, India - largest HIPO facility in Asia, placing Dishman at forefront to gain from the high margin HIPO opportunity in the Oncology space.

# INTEGRATED CRAMS PLAYER

## Integrated CRAM Player – Strong Capabilities across the Value Chain



### Carbogen Amcis (CA) Strong Research Capabilities

- Focus is on supporting the development process from bench to market.
- Process research and development to the supply of APIs for preclinical studies, clinical trials and commercial use.

### Dishman India Strong Manufacturing Capabilities

- Large dedicated R&D centre with multiple shift R&D operations (India)
- 12 multi-purpose and dedicated production facilities for APIs, intermediates (India, China)
- 1125 m<sup>3</sup> dedicated API manufacturing capacity (India, China)

## PREFERRED GLOBAL OUTSOURCING PARTNER

**INTEGRATED  
ACROSS THE  
VALUE CHAIN**

**STRONG  
CHEMISTRY  
CAPABILITIES**

**CLOSE PROXIMITY  
TO CLIENTS WITH  
GLOBAL  
PRESENCE**

**LARGE SCALE LOW  
COST  
MANUFACTURING  
CAPACITIES**

**Integrated CRAMS Player present along the entire value chain from building blocks to commercialization & launch stage.  
Ability to retain client services through the complete development of a drug.  
Broad based skill set & global footprint.**

### **Drug Lifecycle Management**

- Preclinical to commercial manufacturing capabilities.
- Ensures seamless process & technology transfer from lab to plant.
- Single partner for R&D, process development and commercial production.

### **Strong R&D Capabilities**

- 7,500 m<sup>2</sup> R&D facilities, 28 R&D labs, formulation dev. lab, kilo lab, & pilot plant all cGMP compliant.
- Carbogen Amcis employs almost 200 chemists, ~40% of whom hold a PhD in Chemistry.
- Dishman India employs 125 chemists, 30% of whom hold PhD in Chemistry.

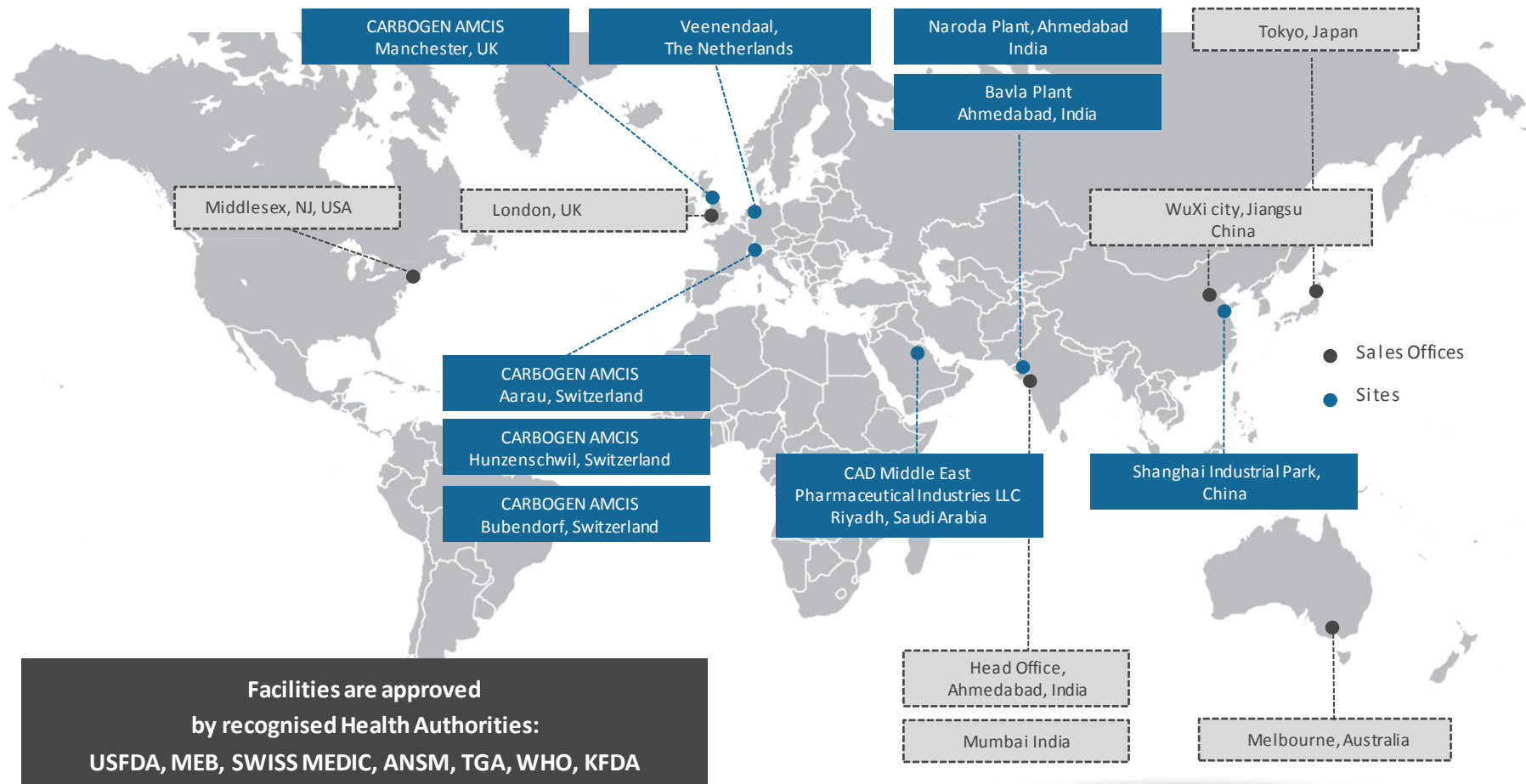
### **Close Proximity to Clients**

- Local representation, local support in all major markets.
- Front end via CA with access to more than 100 established customer relationships of CA.
- Trust & Confidence of customers for entire drug life-cycle engagement

### **Large Scale Mfg Capacity**

- 25 multi-purpose and 1 dedicated USFDA inspected production facilities.
- 750 m<sup>3</sup> of reactor capacity in Bavla, 230 m<sup>3</sup> in Naroda and 63 m<sup>3</sup> in Shanghai.
- Asia's largest HIPO facility in Bavla.
- Large capacities provide competitive edge to win big long-term contracts

# BROAD SKILL-SET & GLOBAL PRESENCE

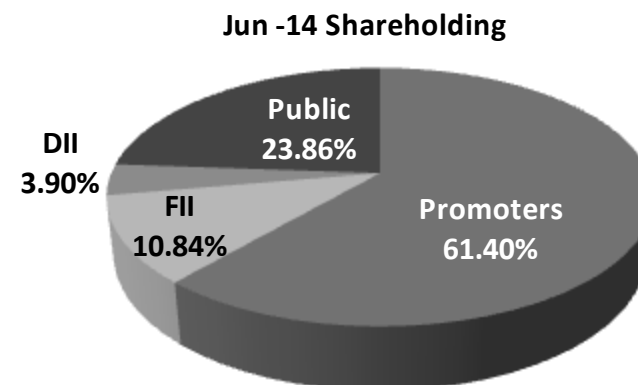


**Facilities are approved by recognised Health Authorities: USFDA, MEB, SWISS MEDIC, ANSM, TGA, WHO, KFDA**

Shareholding %	Jun-14	Mar-14	Dec-13	Sep-13
Promoters	61.40%	61.45%	61.68%	61.68%
FII	10.84%	8.95%	9.85%	7.44%
DII	3.90%	3.82%	2.70%	3.48%
Public	23.86%	25.78%	25.77%	27.40%
Total No. of Shares (Mn)	80.69	80.69	80.69	80.69

Market Data	As on 13.08.14 (BSE)
Market capitalization (Rs Mn)	10,422
Price (Rs.)	129.15
No. of shares outstanding (Mn)	80.69
Face Value (Rs.)	2.00
52 week High-Low (Rs.)	159.80 – 39.65

Key Institutional Investors at Jun-14	% Holding
HDFC Standard Life Insurance Co Ltd	2.48%
Morgan Stanley Asia	2.17%
LIC of India	2.06%
Bajaj Allianz Life Insurance Co Ltd	1.26%
Kotak Mahindra UK - Kotak India Focus Fund II	1.24%



Particulars (In Rs Mn)	Q1 FY15	Q1 FY14	YoY %	Q4 FY14	QoQ %
<b>Revenue from Operations</b>	<b>3,616</b>	<b>3,062</b>	<b>18.1%</b>	<b>4,007</b>	<b>-9.8%</b>
Other Operating Income	12	4	160.5%	88	-86.9%
<b>Total Revenues</b>	<b>3,627</b>	<b>3,067</b>	<b>18.3%</b>	<b>4,094</b>	<b>-11.4%</b>
COGS	1,045	753	38.7%	1,193	-12.5%
Employee Expenses	1,119	922	21.3%	1,141	-2.0%
Other Expenses	709	538	31.9%	899	-21.1%
<b>EBITDA</b>	<b>754</b>	<b>854</b>	<b>-11.6%</b>	<b>860</b>	<b>-12.3%</b>
<b>EBITDA Margin %</b>	<b>20.8%</b>	<b>27.8%</b>	<b>- 703 bps</b>	<b>21.0%</b>	<b>- 22 bps</b>
Depreciation	306	252	21.2%	291	5.0%
Other Income	45	32	38.6%	185	-75.9%
Finance Cost (Incl. Forex Impact)	205	295	-30.5%	250	-17.9%
<b>PBT</b>	<b>288</b>	<b>338</b>	<b>-14.9%</b>	<b>504</b>	<b>-42.9%</b>
Tax Expense	50	46	9.3%	279	-82.0%
<b>% Tax Rate</b>	<b>17.4%</b>	<b>13.6%</b>	<b>-</b>	<b>55.3%</b>	<b>-</b>
<b>PAT</b>	<b>238</b>	<b>292</b>	<b>-18.7%</b>	<b>226</b>	<b>5.4%</b>
<b>PAT Margin %</b>	<b>6.6%</b>	<b>9.5%</b>	<b>- 298 bps</b>	<b>5.5%</b>	<b>+ 105 bps</b>
<b>Earnings Per Share (EPS)</b>	<b>2.95</b>	<b>3.62</b>	<b>-18.5%</b>	<b>2.80</b>	<b>5.4%</b>

**Strategy - Higher Asset Turnover with efficient capacity utilization**

- Improved capacity utilization through focus on large number of small & midsize companies.
- Diversify across Geographies - Target new geographies with increased penetration in US market and Leverage Cross Selling Opportunities.
- Efficient utilization of HIPO facility, forward integrated Vitamin D facility in India and China facility.

**Strategy – Focus on Improvement in Margins**

- Better churning of existing capacities with focus on Low Volume High Value Orders resulting into better margins
- Incremental Revenues from HIPO business where Margins are higher in the range of 40-50%. EBIDTA Level.
- Margin improvement from forward integration of Vitamin D facility. Integration completed and Facility under renovation has started Operations.

**Strategy - Reduction in Leverage & Improvement in Return Ratios**

- No major capex planned for next two years.
- Incremental operating cash flows to be utilized for retirement of long term debt resulting to Robust Balance Sheet and Improved Return Ratios.

**FOR ANY FURTHER QUERIES :**



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**Thank you!**

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