



**DISHMAN PHARMACEUTICALS & CHEMICALS LIMITED**  
**Q1 FY16 RESULTS UPDATE**  
**August 2015**



➤ **Q1 FY16 Results Highlights**

➤ **Consolidated Financials**

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➤ **Business Strategy & Outlook**



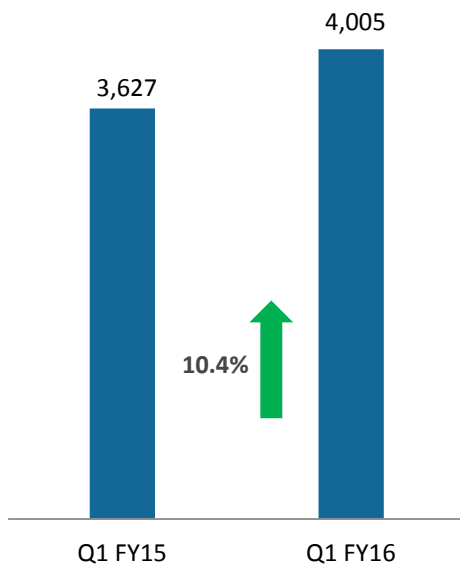
This presentation and the following discussion may contain “forward looking statements” by Dishman Pharmaceuticals and Chemicals Limited (Dishman) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, 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.

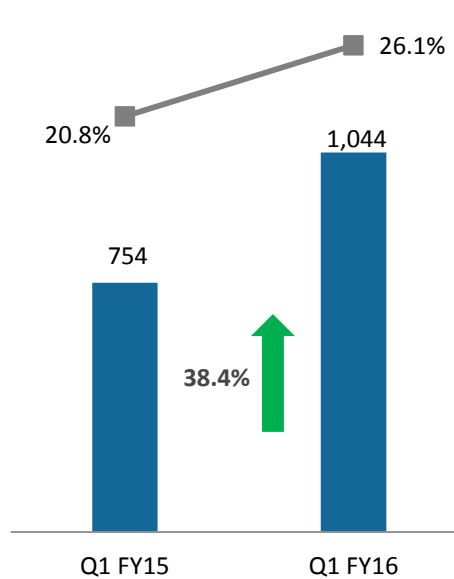
In particular, such statements should not be regarded as a projection of future performance of Dishman. It should be noted that the actual performance or achievements of Dishman may vary significantly from such statements.

## Q1 FY16 YoY ANALYSIS

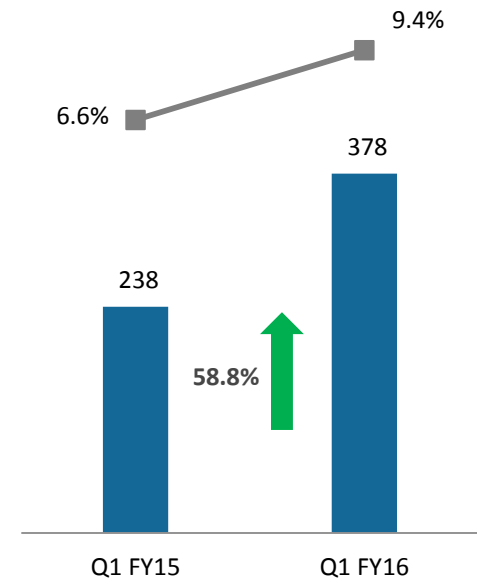
### REVENUES



### EBITDA & EBITDA MARGIN



### PAT & PAT MARGIN



**Financial Highlights:**

- Q1 FY16 revenues increased by 10.4% YoY primarily due to 14.4% growth in CRAMS – India, 8.9% growth in CRAMS – Carbogen Amcis, 22.7% growth in Vitamin-D and 19.4% in Others, partially offset by decline in CRAMS – UK.
- Q1 FY16 EBITDA increased by 38.4% YoY. EBITDA margins improved from 20.8% in Q1 FY15 to 26.1% in Q1 FY16.
  - CRAMS – India displayed improved margins driven by process efficiencies and higher share of commercial production orders.
  - CRAMS – Carbogen Amcis displayed better margins as it witnessed higher profitability in the development orders (which accounted for 60% of total order execution during the quarter).
  - Improved performance at China facility (accounted in Others segment) – China facility turned profitable making positive contribution to EBITDA.
  - The increase in margins was partially offset by higher other expenses due to higher repairs & maintenance work at Carbogen Amcis.
- Depreciation declined by 15.2% YoY in Q1 FY16. Additional depreciation of Rs 34.7 mn was charged in Q1 FY15 according to new Companies Act. However this depreciation was reversed in Q2 FY15 after evaluation analysis done by hired chartered engineer.
- Interest expense increased 55.3% YoY in Q1 FY16 primarily due to notional forex loss of Rs 70.7 mn (as compared to notional forex gain of Rs 5.7 mn in Q1 FY15) included in the interest expense.
- Q1 FY16 PAT increased by 58.8% driven by improved operational profitability. PAT margins improved from 6.6% in Q1 FY15 to 9.4% in Q1 FY16.

Revenue from Operations – Segment wise Breakup	Q1 FY16	Q1 FY15	YoY%
<b>CRAMS (% of Total)</b>	<b>63.0%</b>	<b>66.2%</b>	
CRAMS – India	668	584	14.4%
CRAMS – Carbogen Amcis	1,768	1,624	8.9%
CRAMS – UK	83	187	-55.5%
<b>Marketable Molecules (% of Total)</b>	<b>37.0%</b>	<b>33.8%</b>	
Vitamin D	874	713	22.7%
Others	607	509	19.4%
<b>Total</b>	<b>4,000</b>	<b>3,616</b>	<b>10.6%</b>

EBITDA Margin % – Segment wise	Q1 FY16	Q1 FY15
<b>CRAMS</b>		
CRAMS – India	47.9%	35.6%
CRAMS – Carbogen Amcis	17.2%	12.3%
CRAMS – UK	16.9%	35.6%
<b>Marketable Molecules</b>		
Vitamin D	30.5%	26.5%
Others	23.0%	17.9%

Particulars (In Rs Mn)	Q1FY16	Q1 FY15	YoY %	Q4FY15	QoQ %	FY15	FY14	YoY %
Revenue from Operations	4,000	3,616	10.6%	4,206	-4.9%	15,603	13,732	13.6%
Other Operating Income	5	12	-55.6%	30	-83.2%	148	121	22.8%
<b>Total Revenues</b>	<b>4,005</b>	<b>3,627</b>	<b>10.4%</b>	<b>4,237</b>	<b>-5.5%</b>	<b>15,752</b>	<b>13,853</b>	<b>13.7%</b>
COGS	824	1045	-21.1%	1843	-55.3%	5,350	3,733	43.3%
Employee Expenses	1,241	1,119	10.9%	843	47.2%	4,232	4,123	2.6%
Other Expenses	897	709	26.4%	796	12.7%	3,032	2,673	13.4%
<b>EBITDA</b>	<b>1,044</b>	<b>754</b>	<b>38.4%</b>	<b>755</b>	<b>38.3%</b>	<b>3,138</b>	<b>3,323</b>	<b>-5.6%</b>
<b>EBITDA Margin %</b>	<b>26.1%</b>	<b>20.8%</b>	<b>527 bps</b>	<b>17.8%</b>	<b>825 bps</b>	<b>19.9%</b>	<b>24.0%</b>	<b>-407 bps</b>
Other Income	41	45	-7.6%	727	-94.3%	860	246	248.9%
<b>EBITDA with Other Income</b>	<b>1,085</b>	<b>799</b>	<b>35.9%</b>	<b>1,482</b>	<b>-26.8%</b>	<b>3,998</b>	<b>3,569</b>	<b>12.0%</b>
<b>EBITDA Margin %</b>	<b>27.1%</b>	<b>22.0%</b>	<b>527 bps</b>	<b>35.0%</b>	<b>825 bps</b>	<b>25.4%</b>	<b>25.8%</b>	<b>-38 bps</b>
Depreciation	259	306	-15.2%	707	-63.3%	1,507	1,086	38.8%
Finance Cost (Incl. Forex Impact)	319	205	55.3%	250	27.5%	897	921	-2.5%
<b>PBT</b>	<b>507</b>	<b>288</b>	<b>76.3%</b>	<b>526</b>	<b>-3.5%</b>	<b>1,594</b>	<b>1,564</b>	<b>1.9%</b>
Tax Expense	130	50	159.2%	140	-7.0%	394	471	-16.3%
% Tax Rate	25.6%	17.4%	819 bps	26.6%	-98 bps	24.7%	30.1%	-539 bps
<b>PAT</b>	<b>378</b>	<b>238</b>	<b>58.8%</b>	<b>386</b>	<b>-2.2%</b>	<b>1,199</b>	<b>1,092</b>	<b>9.8%</b>
Income from Associates	0	0	-97.3%	0	-92.6%	0	0	31.0%
Minority Interest	0	0	0.0%	0	0.0%	0	0	0.0%
<b>PAT after minority interest and share of associates</b>	<b>378</b>	<b>238</b>	<b>58.6%</b>	<b>386</b>	<b>-2.2%</b>	<b>1,200</b>	<b>1,093</b>	<b>9.8%</b>
<b>PAT Margin %</b>	<b>9.4%</b>	<b>6.6%</b>	<b>287 bps</b>	<b>9.1%</b>	<b>32 bps</b>	<b>7.7%</b>	<b>7.9%</b>	<b>-27 bps</b>



## EXPLANATION FOR ONE-OFF ITEMS IN Q4 FY15 (Consolidated)

### Higher incidence of depreciation and amortisation expenses:

- In Q4 FY 2015 the Swiss subsidiary CA has made a one time provision of around Rs.270 mn as higher depreciation charge on account of the provision for Asset Retirement Obligation (ARO) required to be made so as to provide for replacement of asset which was acquired on long term lease basis by the Swiss subsidiary. This is a “one time” charge and the normalised level of depreciation will be lower to that extent.

### Write back of employee pension liability in the Swiss subsidiary: CA:

- In Q4 FY 2015 Swiss subsidiary CA has written back employee pension liability to the extent of around CHF 6.8 million (Rs.447 mn) in view of the fact that since the Swiss subsidiary is participating in the employee pension retirement plan run by the insurance company, it was not required to make any provision for the same. Again, this is a one-time write back and due to this reason in the consolidated financial statements for Q4 FY 2015 the employee benefits cost looks to have been reduced to that extent.

### Understanding Other Income Accounting Treatment –

- The consolidated other income in Q4 FY 2015 of Rs.727.1 mn (Rs.859.8 mn other income of FY 2015 consolidated) included an insurance claim amount of Rs.437 mn received by Swiss subsidiary CA. This claim was in respect of loss of profit resulting out of a break-down of a major commercial equipment during Q3 FY 2015. Such loss of profit is also covered by the insurance company and the said subsidiary CA was able to recover the same by way of an insurance claim receipt which materialised in Q4 FY 2015.

## 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 11,780 mn as on 29<sup>th</sup> May, 2015.

## 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:

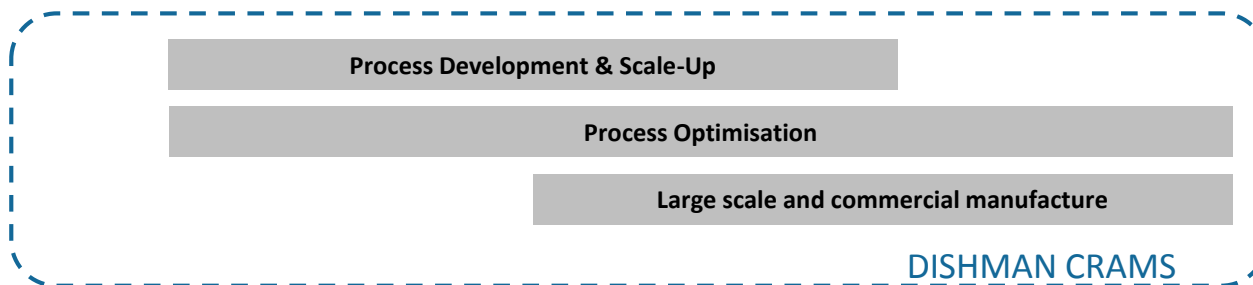
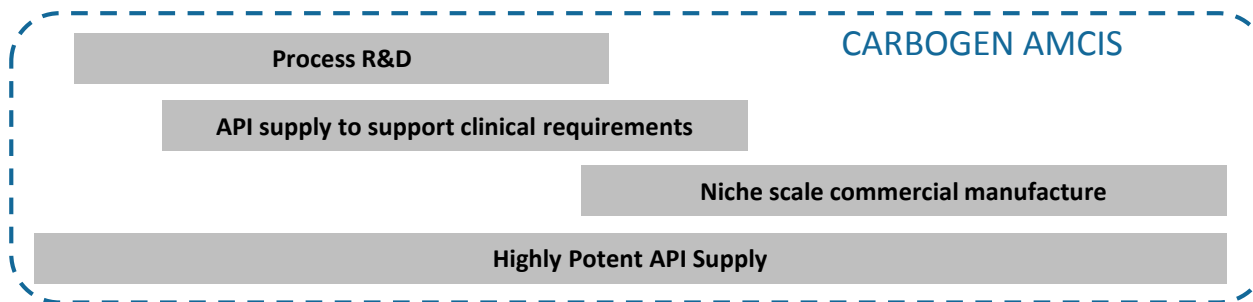
- Phase transfer catalysts, Vitamin D, Vitamin D analogues, cholesterol, laolin related products, antiseptic and disinfectant formulations for pharmaceutical, cosmetic and related markets.
- High quality supply of generic APIs and intermediates for pharmaceutical industry.

## 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 that 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)

**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**

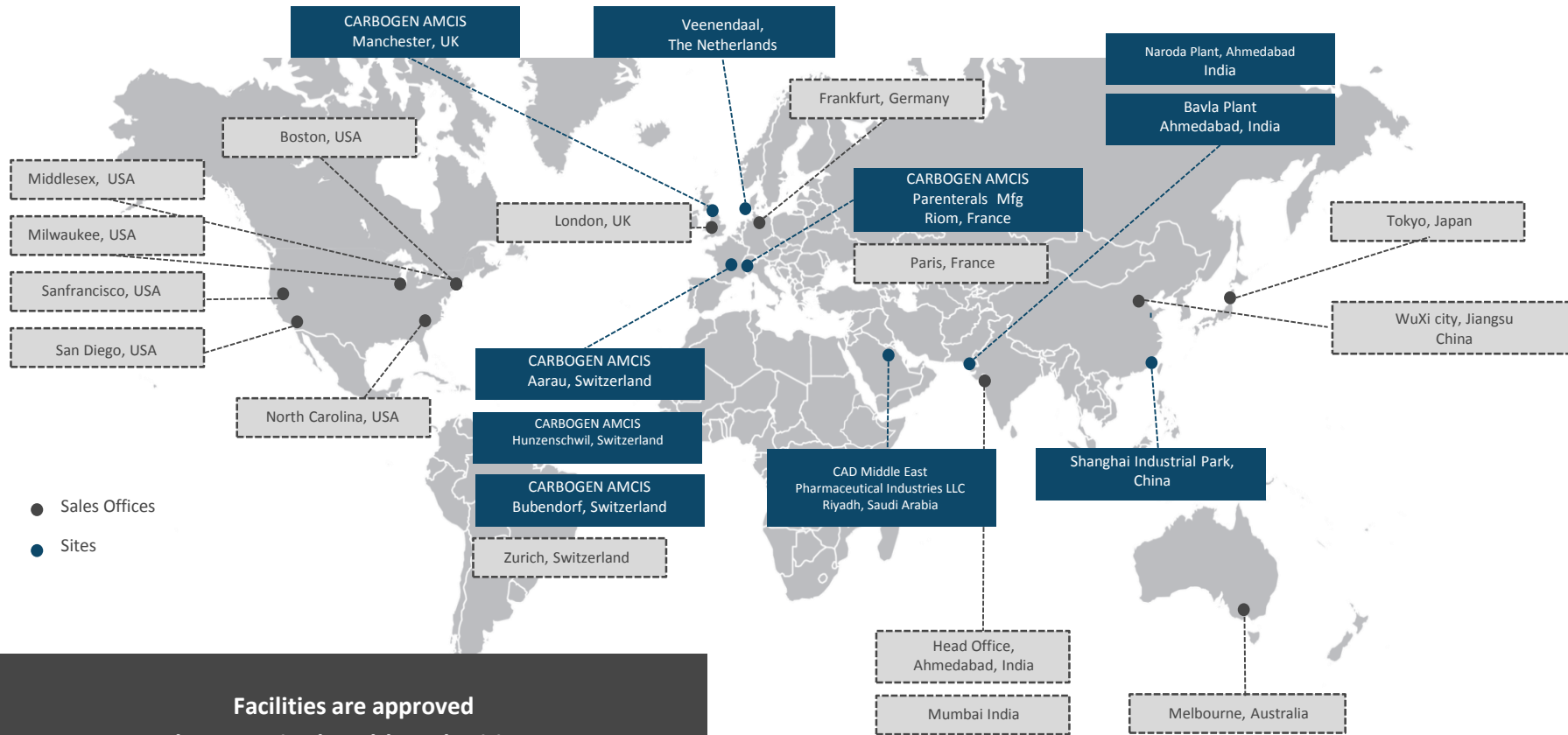
- 7,500 m2 R&D facilities, 28 R&D labs, formulation devp. lab, kilo lab, & pilot plant all cGMP compliant.
- Carbogen Amcis employs almost 200 chemists, ~40 % of whom hold a PhD in Chemistry.
- Dishman India employs 125 chemists, 30% of whom hold PhD in Chemistry.

#### **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 m3 of reactor capacity in Bavla, 230 m3 in Naroda and 63 m3 in Shanghai.
- Asia's largest HIPO facility in Bavla.
- Large capacities provide competitive edge to win big long-term contracts



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

**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.

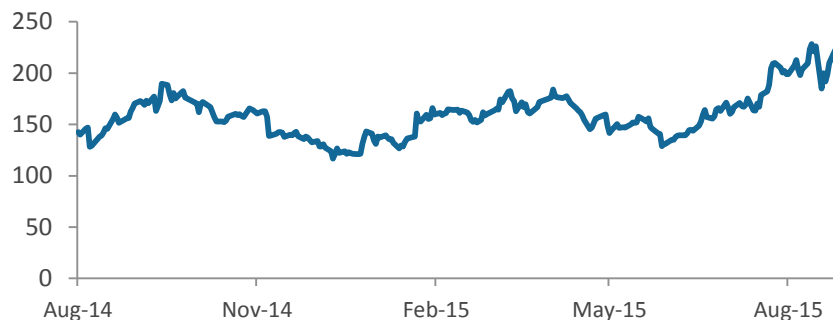
**Strategy – Focus on Improvement in Margins**

- 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.

### Share Price Performance

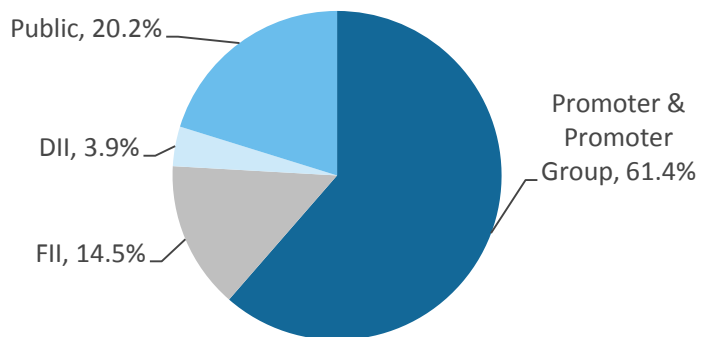


### Market Data

As on 31.08.15 (BSE)

Market capitalization (Rs Mn)	17,934.9
Price (Rs.)	222.3
No. of shares outstanding (Mn)	80.7
Face Value (Rs.)	2.0
52 week High-Low (Rs.)	233.8 – 102.8

### % Shareholding – Jun 2015



Source: BSE

### Key Institutional Investors at Jun-15

% Holding

Goldman Sachs (Singapore) Pte	2.47%
Birla Sunlife AMC	2.27%
LIC India	2.06%
Dimensional Fund Advisors	1.90%
Swiss Fin Corp	1.24%
HDFC Life Insurance	0.62%
HDFC AMC	0.45%

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**Thank you!**

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