



DISHMAN PHARMACEUTICALS & CHEMICALS LIMITED
Q1FY17 RESULTS UPDATE
August 2016



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➤ **Consolidated Financials**

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➤ **Business Strategy & Outlook**



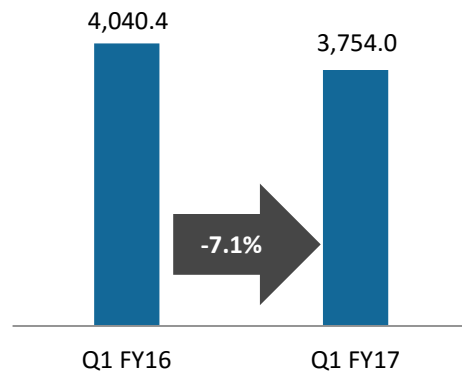
This presentation and the following discussion may contain “forward looking statements” by Dishman Pharmaceuticals and Chemicals Limited (Dishman) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition,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

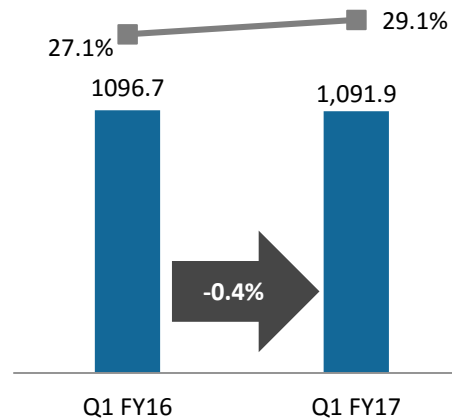
In particular, such statements should not be regarded as a projection of future performance of Dishman. It should be noted that the actual performance or achievements of Dishman may vary significantly from such statements.

Q1 FY17 YoY ANALYSIS

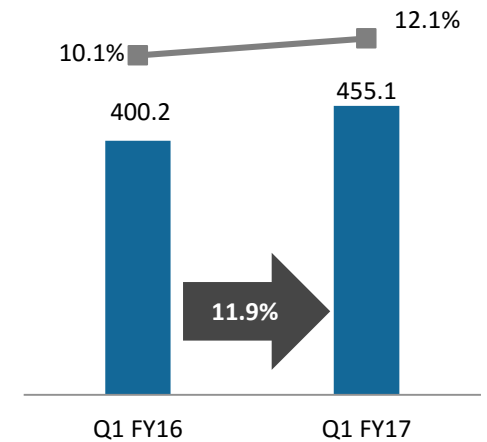
REVENUES



EBITDA & EBITDA MARGIN*



PAT & PAT MARGIN



In Rs Mn.

* EBITDA Includes Other Income

Financial Highlights:

- Q1 FY17 revenues decreased by 7.1% YoY.
 - CRAMS – India: Revenues declined 37% YoY as the corresponding quarter last year had a higher base due to spill over of few commercial orders for a specific customer from Q4FY15 TO Q1FY16 and higher supply requirement of the customer in Q1FY16. These orders in FY 2017 are back ended i.e. to be supplied over the next three quarters.
 - CRAMS – Carbogen Amcis: Revenues were higher 14.3% due to higher share of high margin commercial orders as against development orders.
 - Vitamin D: Revenues declined 28.4% YoY as the company discontinued supply of certain lower margin orders to China and continued to consolidate its focus on high margin Vitamin D analogues and cholesterol business.
- **EBITDA margins* improved from 27.1% in Q1 FY16 to 29.1% in Q1 FY17.**
 - CRAMS – Carbogen Amcis: Operating Margins improved by ~220 bps due to higher revenue contribution from high margin “commercial production” work.
 - CRAMS – India: Operating Margins improved by ~700 bps due to execution of high margin commercial and development orders, process improvement and better Product mix.
 - Vitamin D: Focus on high value products like certain Vitamin D analogues and direct selling of cholesterol to end customers. Further the segment also benefitted from bulk purchase of raw materials at lower prices.
- Other Expenses decreased by 16.6% YoY.
 - The power and fuel cost at India reduced by appx. 30% on account of purchasing power at a cheaper cost from the exchange, which began in Q3FY16. Additionally, the repairs and maintenance cost at Dishman Netherlands declined due to certain provisions made in Q1FY16.
- The other operating income increased by 138% YoY as the company is now eligible for a duty draw back as per the Foreign Trade Policy of Government of India. Other Income increased by 77.9% YoY as the company recognized a forex gain of Rs. ~2.5 Crs. versus a forex gain of Rs. 14 lacs in Q1FY16.
- Interest expense declined by -29.4% YoY in Q1 FY17 driven by lower debt and conversion of certain rupee loans into foreign currency loans and repayment of high cost debt. **Gross Debt reduced by ~Rs. 20 cr during Q1 FY17.**
- **Q1 FY17 PAT increased by 13.7% YoY driven by significant improvement in operational profitability and operational efficiency across global operations. PAT margin improved from 10.1% in Q1 FY16 to 12.1% in Q1 FY17.**

* EBITDA includes other Income

Revenues – Segment wise Breakup	Q1 FY17	Q1 FY16	YoY%
CRAMS (% of Total)	70.4%	63.0%	-
CRAMS – India	421.1	668.2	-37.0%
CRAMS – Carbogen Amcis	2,020.3	1,767.6	14.3%
CRAMS – UK	134.8	83.0	62.4%
Marketable Molecules (% of Total)	29.6%	37.0%	-
Vitamin D	625.7	874.2	-28.4%
Others	456.9	607.3	-24.8%
Total Revenue from Operations*	3,658.8	4,000.4	-8.5%

In Rs Mn

* Does not include other operating income

EBITDA Margin % – Segment wise	Q1 FY17	Q1 FY16
CRAMS		
CRAMS – India	56.5%	49.5%
CRAMS – Carbogen Amcis	19.9%	17.2%
CRAMS – UK	24.2%	16.9%
Marketable Molecules		
Vitamin D	34.0%	30.5%
Others	30.0%	22.7%

Particulars (Rs Mn)	Q1 FY17*	Q1 FY16*	YoY %	Q4 FY16*	QoQ %	FY 16*
Revenue from Operations	3,658.8	4,000.4	-8.5%	4,056.7	-9.8%	15,618.5
Other Operating Income	95.2	40.0	138.0%	164.4	-42.1%	342.0
Total Revenues	3,754.0	4,040.4	-7.1%	4,221.1	-11.1%	15,960.5
COGS	541.8	860.6	-37.0%	755.7	-28.3%	3,363.0
Employee Expenses	1,450.5	1,240.7	16.9%	1,576.0	-8.0%	5,354.9
Other Expenses	739.9	881.8	-16.1%	843.5	-12.3%	3,139.4
EBITDA	1,021.8	1,057.3	-3.4%	1,045.9	-2.3%	4,103.2
EBITDA Margin %	27.2%	26.2%	105 bps	24.8%	244 bps	25.7%
Other Income	70.1	39.4	77.9%	129.5	-45.9%	265.4
EBITDA with Other Income	1,091.9	1,096.7	-0.4%	1,175.4	-7.1%	4,368.6
EBITDA Margin % (with OI)	29.1%	27.1%	194 bps	27.8%	124 bps	27.4%
Depreciation	284.8	261.3	9.0%	299.0	-4.7%	1,090.6
Finance Cost (Incl. Forex Impact)	224.6	318.0	-29.4%	204.8	9.7%	944.4
PBT	582.5	517.4	12.6%	671.6	-13.3%	2,333.6
Tax Expense	127.4	117.2	8.7%	173.5	-26.6%	623.5
<i>% Tax Rate</i>	21.9%	22.7%	-78 bps	25.8%	-396 bps	26.7%
PAT	455.1	400.2	13.7%	498.1	-8.6%	1,710.1
Income from Associates	-	-	-	1.1	-100.0%	1.1
Minority Interest	-	-	0.0%	-	0.0%	-
Other Comprehensive Income		6.4				
PAT after Minority Interest and Share of profit/(loss) of Associates	455.1	406.6	11.9%	499.2	-8.8%	1,711.2
PAT Margin %	12.1%	10.1%	206 bps	11.8%	30 bps	10.7%

- Q1FY17 & Q1FY16 Financials are as per IndAS
- Q4FY16 & FY16 Financials are as per Indian GAAP.

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.

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.

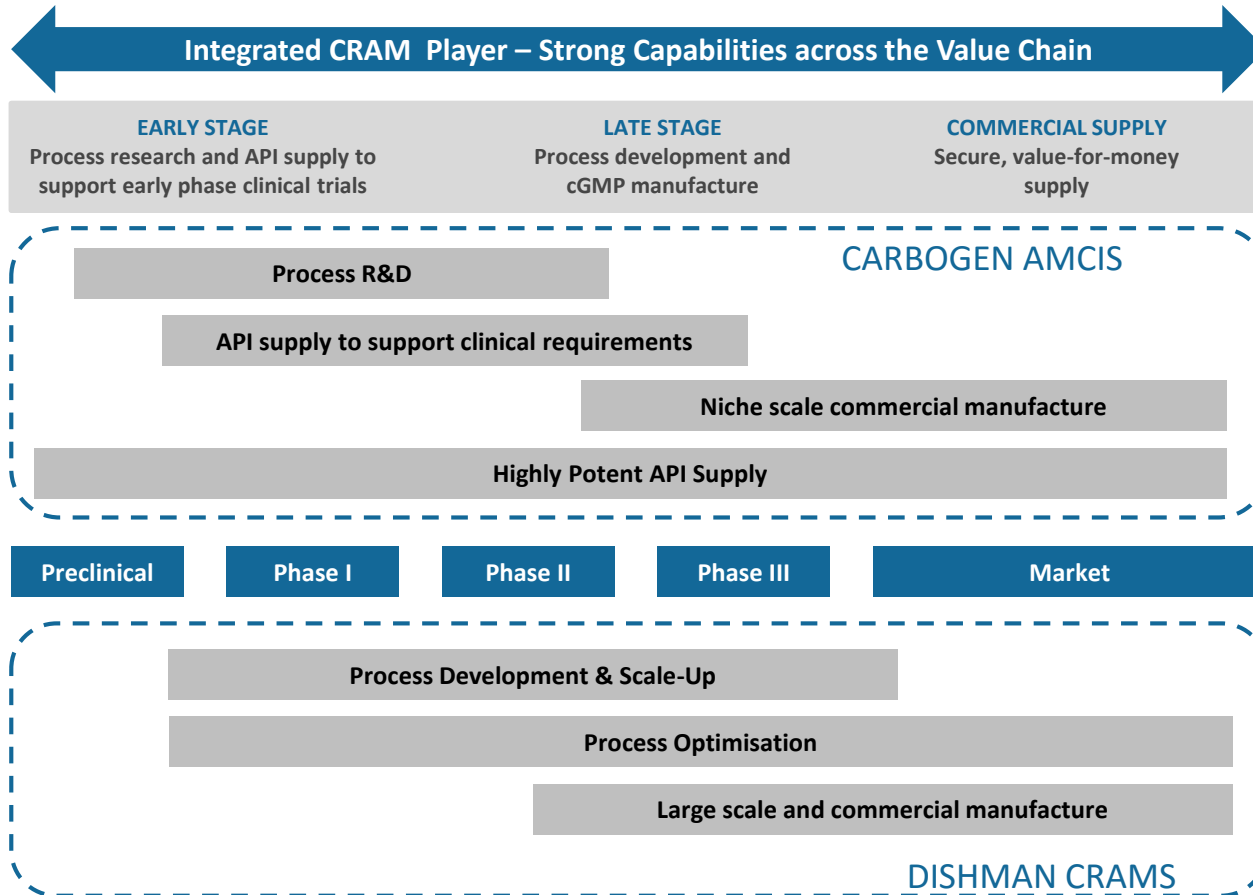
Products:

- 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



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 m³ 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

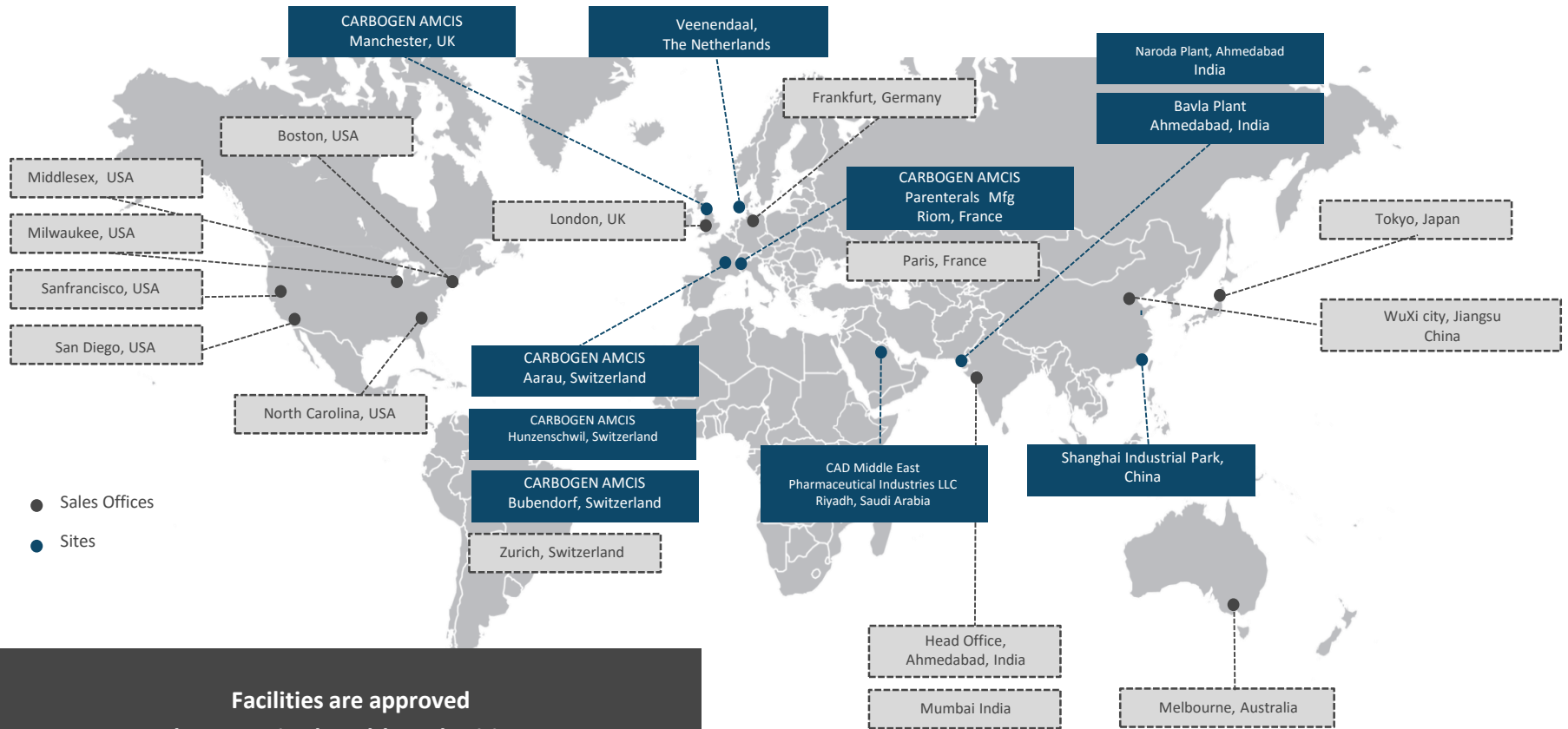
- 7,500 m2 R&D facilities, 28 R&D labs, formulation devp. lab, kilo lab, & pilot plant all cGMP compliant.
- Carbogen Amcis employs almost 200 chemists, ~40 % of whom hold a PhD in Chemistry.
- Dishman India employs 125 chemists, 30% of whom hold PhD in Chemistry.

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, India and China facility.

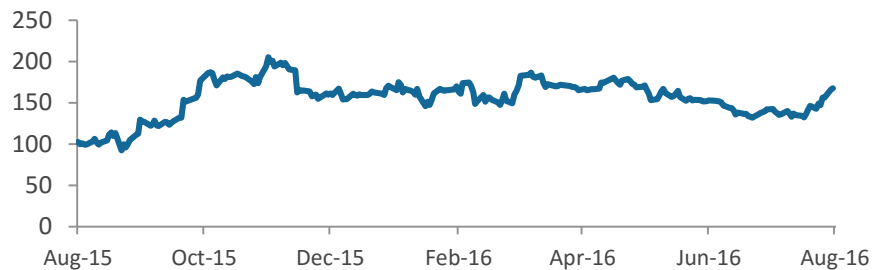
Strategy – Focus on Improvement in Margins

- 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 value added order execution from renovated Vitamin D facility in Netherlands.

Strategy - Reduction in Leverage & Improvement in Return Ratios

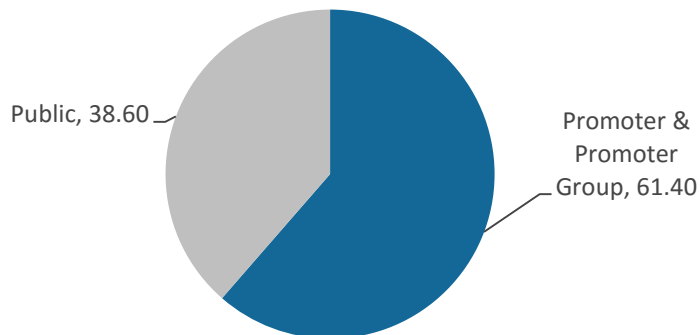
- No major capex planned for next two years.
- Incremental operating cash flows to be utilized for retirement of long term debt resulting to Robust Balance Sheet and Improved Return Ratios.

Share Price Performance



Source: BSE

% Shareholding – June 2016



Source: BSE

Market Data

As on 03.08.16 (BSE)

Market capitalization (Rs Mn)	26,492.9
Price (Rs.)	164.2
No. of shares outstanding (Mn)	161.4
Face Value (Rs.)	2
52 week High-Low (Rs.)	209.9 – 86.9

Key Institutional Investors as at June - 16

% Holding

Goldman Sachs (Singapore) PTE	3.87%
Birla Sun Life Trustee Co. Pvt. Ltd A/C Birla Sun Life Eqty Fund	2.95%
LSV Emerging Markets Equity Fund Lp	1.11%
Dimensional emerging Markets Value Fund	1.05%

Source: BSE

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Thank you!

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