



DISHMAN PHARMACEUTICALS & CHEMICALS LIMITED
Q2 & H1 FY16 RESULTS UPDATE
October 2015



- **Q2 & H1 FY16 Results Highlights**
- **Consolidated Financials**
- **About Us**
- **Business Strategy & Outlook**

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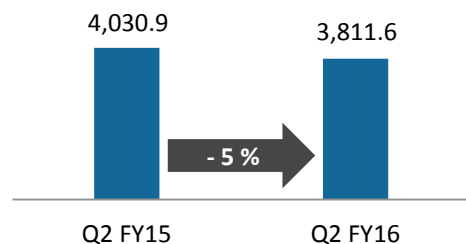
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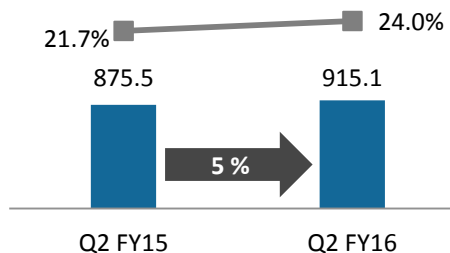
Q2 & H1 FY16 RESULTS HIGHLIGHTS (Consolidated)

Q2 FY16 YoY ANALYSIS

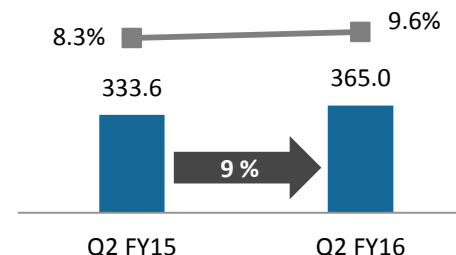
REVENUES



EBITDA & EBITDA MARGIN

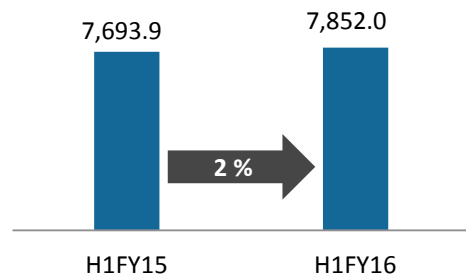


PAT & PAT MARGIN

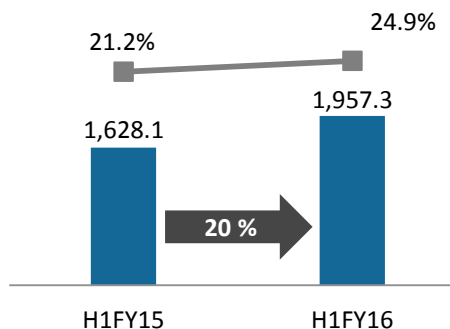


H1 FY16 YoY ANALYSIS

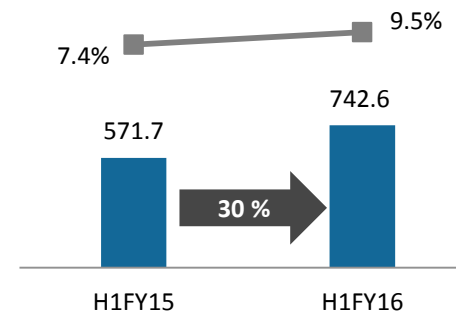
REVENUES



EBITDA** & EBITDA MARGIN



PAT & PAT MARGIN



In Rs Mn

Financial Highlights:

- Q2 FY16 revenues marginally declined by 5% YoY.
- Carbogen Amcis revenues declined as a result of minimum inventory build-up as required by the customers before actual sales. Hence the sales got shifted from Q2 and will be realised in Q3.
- Dishman India focussed more on high margin orders which resulted in lower revenues. Furthermore, CRAMS revenues declined as certain shipments scheduled for delivery in Q2 were delivered in Q1.
- CRAMS UK revenues witnessed healthy growth driven by strong non-GMP orders from customers.
- Vitamin D segment witnessed steady growth of 8% YoY.
- Q2 FY16 EBITDA increased by 5% YoY. EBITDA margin improved from 21.7% in Q2 FY15 to 24.0% in Q2 FY16.
 - CRAMS India and Carbogen Amcis majorly focussed on high margin orders.
 - Vitamin D segment witnessed higher margins due to focus on high value products like cholesterol and certain Vitamin D analogues. Further the segment also benefitted from bulk purchase of raw materials at lower prices.
 - Others segment witnessed healthy margins driven by profitable operations at China facility which recorded 40% EBITDA margin during Q2.
- Interest expense increased by 35% YoY in Q2 FY16 primarily due to notional forex loss of Rs 50.3 mn (as compared to notional forex loss of Rs 7.0 mn in Q2 FY15) included in the interest expense.
- Q2 FY16 PAT increased by 9% driven by improved operational profitability. PAT margin improved from 8.3% in Q2 FY15 to 9.6% in Q2 FY16.
- Total debt declined by 7% from Rs 9,326.9 mn at March-15 to Rs 8,692.7 mn at September-15.

Revenues – Segment wise Breakup	Q2 FY16	Q2 FY15	YoY%	H1 FY16	H1 FY15	YoY%
CRAMS (% of Total)	72.2%	71.7%	-	67.4%	69.1%	-
CRAMS – India	570.0	629.3	-9.4%	1,238.2	1,213.1	2.1%
CRAMS – Carbogen Amcis	1,884.0	1,990.7	-5.4%	3,651.6	3,614.6	1.0%
CRAMS – UK	242.7	191.7	26.6%	325.7	378.4	-13.9%
Marketable Molecules (% of Total)	27.8%	28.3%	-	32.6%	30.9%	-
Vitamin D	530.6	491.8	7.9%	1,404.9	1,204.4	16.6%
Others	509.4	619.7	-17.8%	1,116.7	1,128.4	-1.0%
Total	3,736.6	3,923.2	-4.8%	7,737.0	7,538.8	2.6%

In Rs Mn

EBITDA Margin % – Segment wise	Q2 FY16	Q2 FY15	H1 FY16	H1 FY15
CRAMS				
CRAMS – India	48.0%	41.0%	47.9%	38.4%
CRAMS – Carbogen Amcis	18.7%	16.3%	18.0%	14.5%
CRAMS – UK	24.2%	46.2%	22.3%	41.0%
Marketable Molecules				
Vitamin D	27.1%	25.2%	29.2%	26.0%
Others	17.1%	13.2%	20.1%	15.3%

Particulars (Rs Mn)	Q2 FY16	Q2 FY15	YoY %	Q1 FY16	QoQ %	H1 FY16	H1 FY15	YoY %	FY15
Revenue from Operations	3,736.6	3,923.2	-4.8%	4,000.4	-6.6%	7,737.0	7,538.8	2.6%	15,603.5
Other Operating Income	75.0	107.7	-30.4%	40.0	87.6%	115.0	155.0	-25.8%	283.9
Total Revenues	3,811.6	4,030.9	-5.4%	4,040.3	-5.7%	7,852.0	7,693.9	2.1%	15,887.4
COGS	902.5	1,229.9	-26.6%	860.6	4.9%	1,763.1	2,312.1	-23.7%	5,494.7
Employee Expenses	1,237.1	1,135.4	9.0%	1,240.7	-0.3%	2,477.8	2,254.3	9.9%	4,232.1
Other Expenses	757.0	790.1	-4.2%	896.8	-15.6%	1,653.8	1,499.4	10.3%	3,033.5
EBITDA	915.1	875.5	4.5%	1,042.3	-12.2%	1,957.3	1,628.1	20.2%	3,127.1
<i>EBITDA Margin %</i>	<i>24.0%</i>	<i>21.7%</i>	<i>229bps</i>	<i>25.8%</i>	<i>-179bps</i>	<i>24.9%</i>	<i>21.2%</i>	<i>377bps</i>	<i>19.7%</i>
Other Income	76.0	12.4	511.8%	43.2	76.1%	119.2	58.7	103.0%	869.1
EBITDA with Other Income	991.1	888.0	11.6%	1,085.5	-8.7%	2,076.6	1,686.8	23.1%	3,996.2
<i>EBITDA Margin %</i>	<i>26.0%</i>	<i>22.0%</i>	<i>397bps</i>	<i>26.9%</i>	<i>-86bps</i>	<i>26.4%</i>	<i>21.9%</i>	<i>452bps</i>	<i>25.2%</i>
Depreciation	261.2	240.0	8.8%	259.3	0.7%	520.5	545.8	-4.6%	1,507.1
Finance Cost (Incl. Forex Impact)	235.9	175.0	34.8%	318.7	-26.0%	554.7	380.3	45.9%	897.1
PBT	493.9	472.9	4.4%	507.4	-2.7%	1,001.4	760.8	31.6%	1,592.0
Tax Expense	128.9	139.4	-7.5%	129.9	-0.7%	258.8	189.5	36.6%	394.4
<i>% Tax Rate</i>	<i>26.1%</i>	<i>29.5%</i>	<i>-</i>	<i>25.6%</i>	<i>-</i>	<i>25.8%</i>	<i>24.9%</i>	<i>-</i>	<i>24.8%</i>
PAT	365.0	333.6	9.4%	377.6	-3.3%	742.6	571.3	30.0%	1,197.6
Income from Associates	0.0	-0.0	-	0.0	-100.0%	0.0	0.4	-97.2%	0.5
Minority Interest	0.0	0.0	-	0.0		0.0	0.0		0.0
PAT after Minority Interest and Share of profit/(loss) of Associates	365.0	333.6	9.4%	377.6	-3.3%	742.6	571.7	29.9%	1,198.1
<i>PAT Margin %</i>	<i>9.6%</i>	<i>8.3%</i>	<i>130bps</i>	<i>9.3%</i>	<i>23bps</i>	<i>9.5%</i>	<i>7.4%</i>	<i>203bps</i>	<i>7.5%</i>

Particulars (Rs mn)	H1 FY16	FY15
EQUITIES & LIABILITIES		
Shareholder Funds		
(A) Equity Share Capital	161.4	161.4
(C) Reserves & Surplus	13,186.9	12,216.5
Total - Shareholder Funds	13,348.3	12,377.9
Non Current Liabilities		
(A) Long Term Borrowings	4,303.7	3,301.9
(B) Deferred Tax Liabilities (Net)	643.6	628.7
(C) Other Long Term Liabilities	26.2	0.0
(D) Long Term Provisions	835.3	733.1
Total - Non – Current Liabilities	5,808.8	4,663.6
Current Liabilities		
(A) Short term Borrowings	3,438.1	4,068.2
(B) Trade Payables	828.4	1,514.4
(C) Other Current Liabilities**	4,286.0	4,751.9
(D) Short Term Provisions	707.8	713.4
Total – Current Liabilities	9,260.4	11,047.9
GRAND TOTAL – EQUITIES & LIABILITIES	28,417.4	28,089.4

** Includes CPLTD of Rs 950.9 mn as on H1 FY16 and Rs 1,956.8 mn as on FY15

Particulars (Rs. Mn)	H1 FY16	FY15
ASSETS		
Non Current Assets		
(A) Fixed Assets	15,813.6	15,704.5
(B) Goodwill on Consolidation	134.8	122.9
(C) Non-Current Investments	234.3	249.5
(D) Long Term Loans & Advances	2,055.2	1,871.3
(E) Other Non-Current Assets	3.1	5.9
Total - Non – Current Assets	18,241.0	17,954.1
Current Assets		
(A) Current Investments	132.0	132.0
(B) Inventories	4,934.2	4,482.6
(C) Trade Receivables	1,813.4	2,171.1
(D) Cash and Bank Balances	524.3	362.0
(E) Short Term Loans and Advances	2,633.6	2,897.5
(F) Other Current Assets	138.9	90.1
Total – Current Assets	10,176.4	10,135.3
GRAND TOTAL – ASSETS	28,417.4	28,089.4

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:

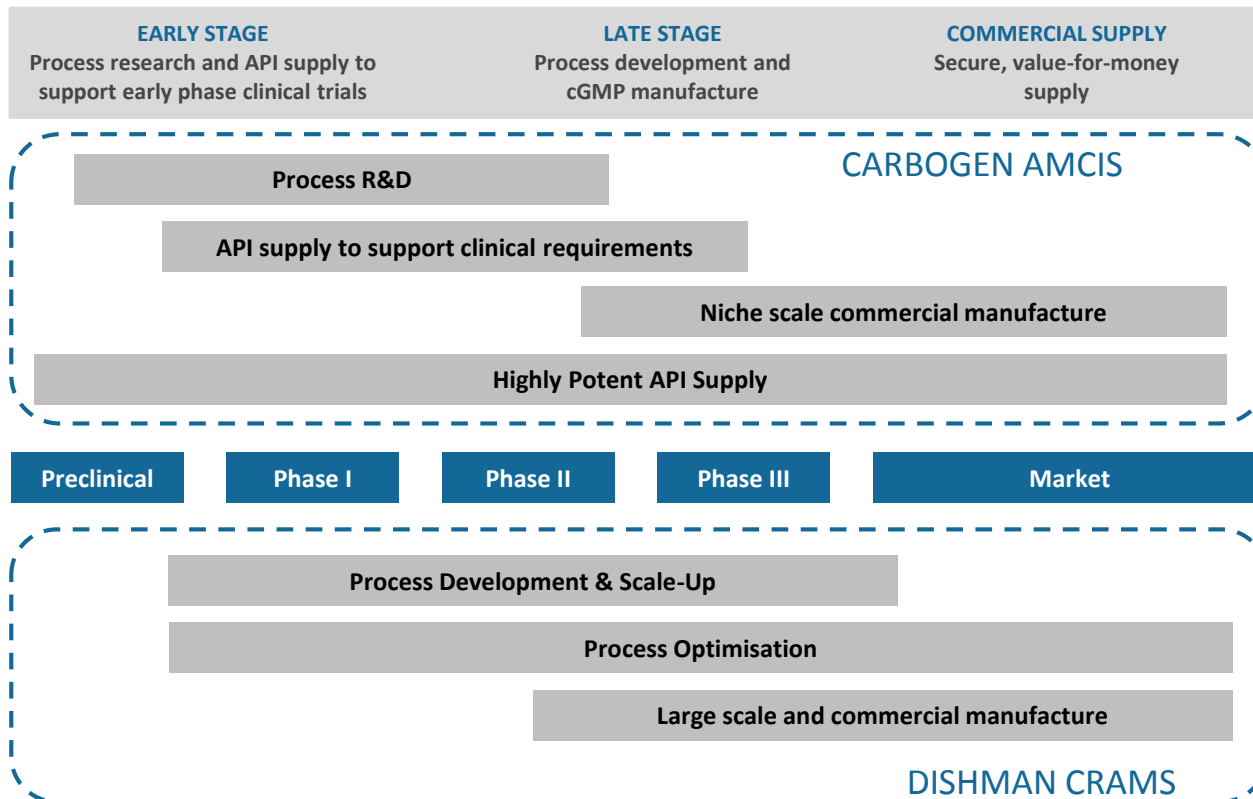
- Phase transfer catalysts, Vitamin D, Vitamin D analogues, cholesterol, laolin related products, antiseptic and disinfectant formulations for pharmaceutical, cosmetic and related markets.
- High quality supply of generic APIs and intermediates for pharmaceutical industry.

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

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 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

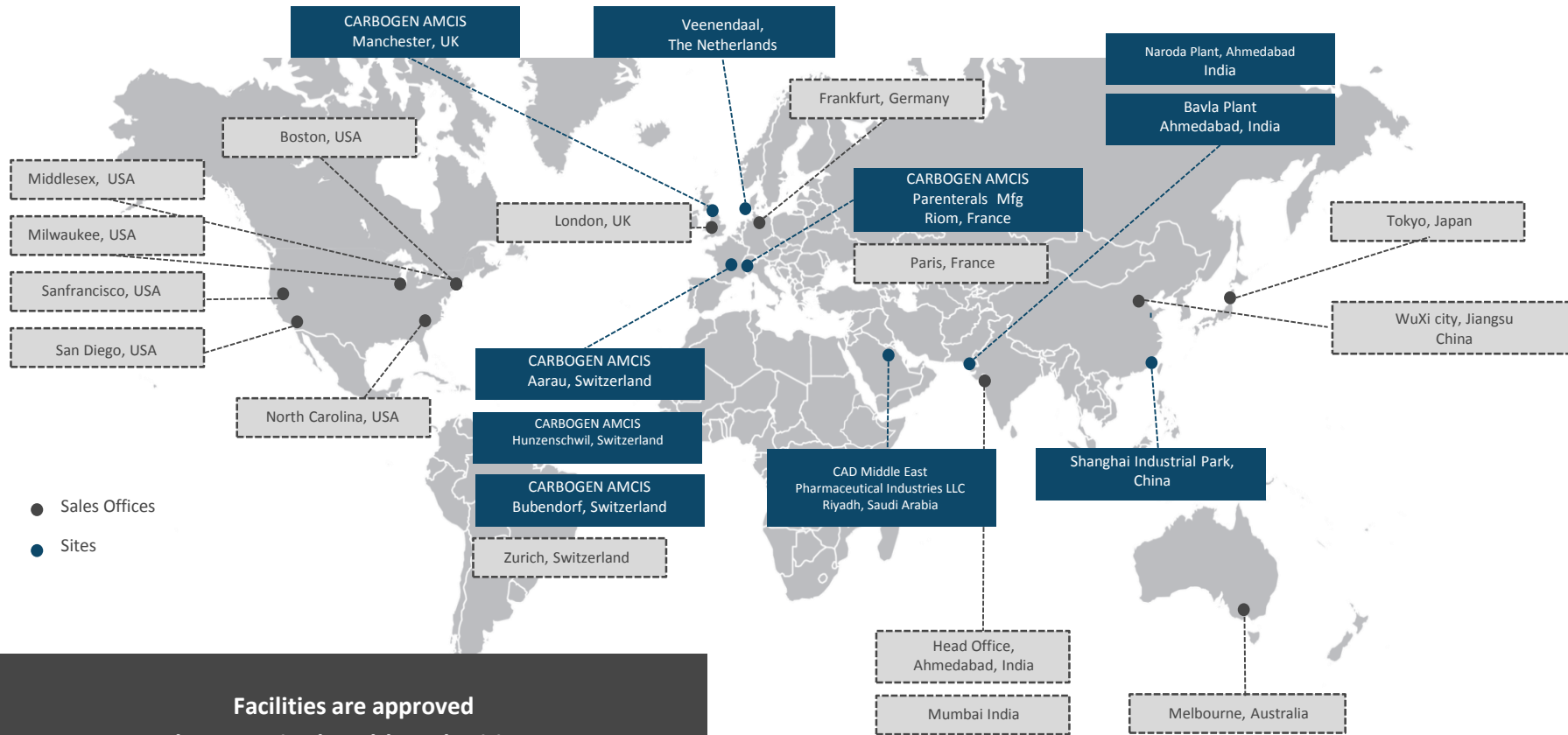
- 7,500 m2 R&D facilities, 28 R&D labs, formulation devp. lab, kilo lab, & pilot plant all cGMP compliant.
- Carbogen Amcis employs almost 200 chemists, ~40 % of whom hold a PhD in Chemistry.
- Dishman India employs 125 chemists, 30% of whom hold PhD in Chemistry.

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.

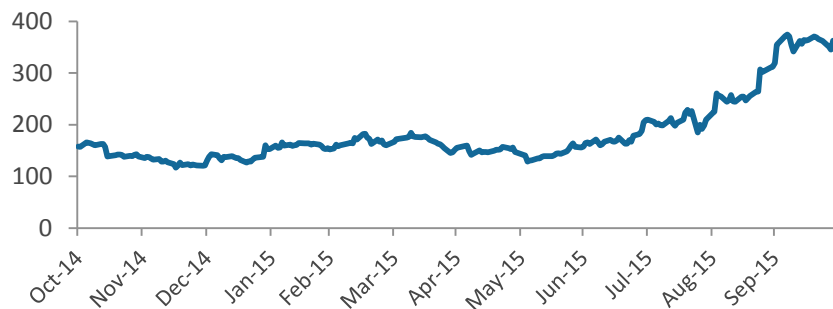
Strategy – Focus on Improvement in Margins

- 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



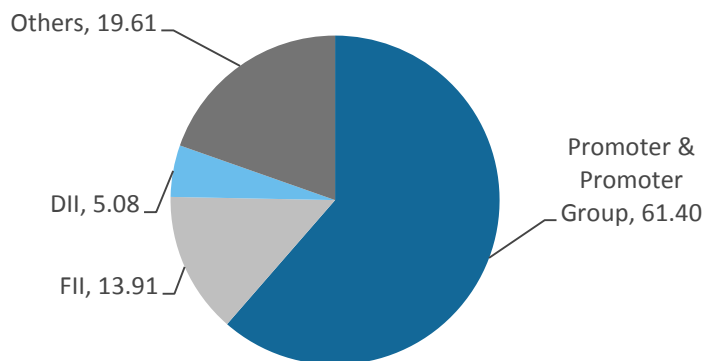
Source: BSE

Market Data

As on 29.10.15 (BSE)

Market capitalization (Rs Mn)	28,026.1
Price (Rs.)	347.3
No. of shares outstanding (Mn)	80.7
Face Value (Rs.)	2
52 week High-Low (Rs.)	389.8 – 102.8

% Shareholding – September 2015



Source: BSE

Key Institutional Investors as at September-15

% Holding

Birla Sun Life	2.99%
Goldman Sachs (Singapore) Pte	2.04%
LIC India	1.51%
Dimensional Fund Advisors	1.11%

Source: BSE

FOR ANY FURTHER QUERIES :



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Thank you!

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