

# ***Unichem Laboratories Limited***



***Investor Presentation***  
***October, 2014***

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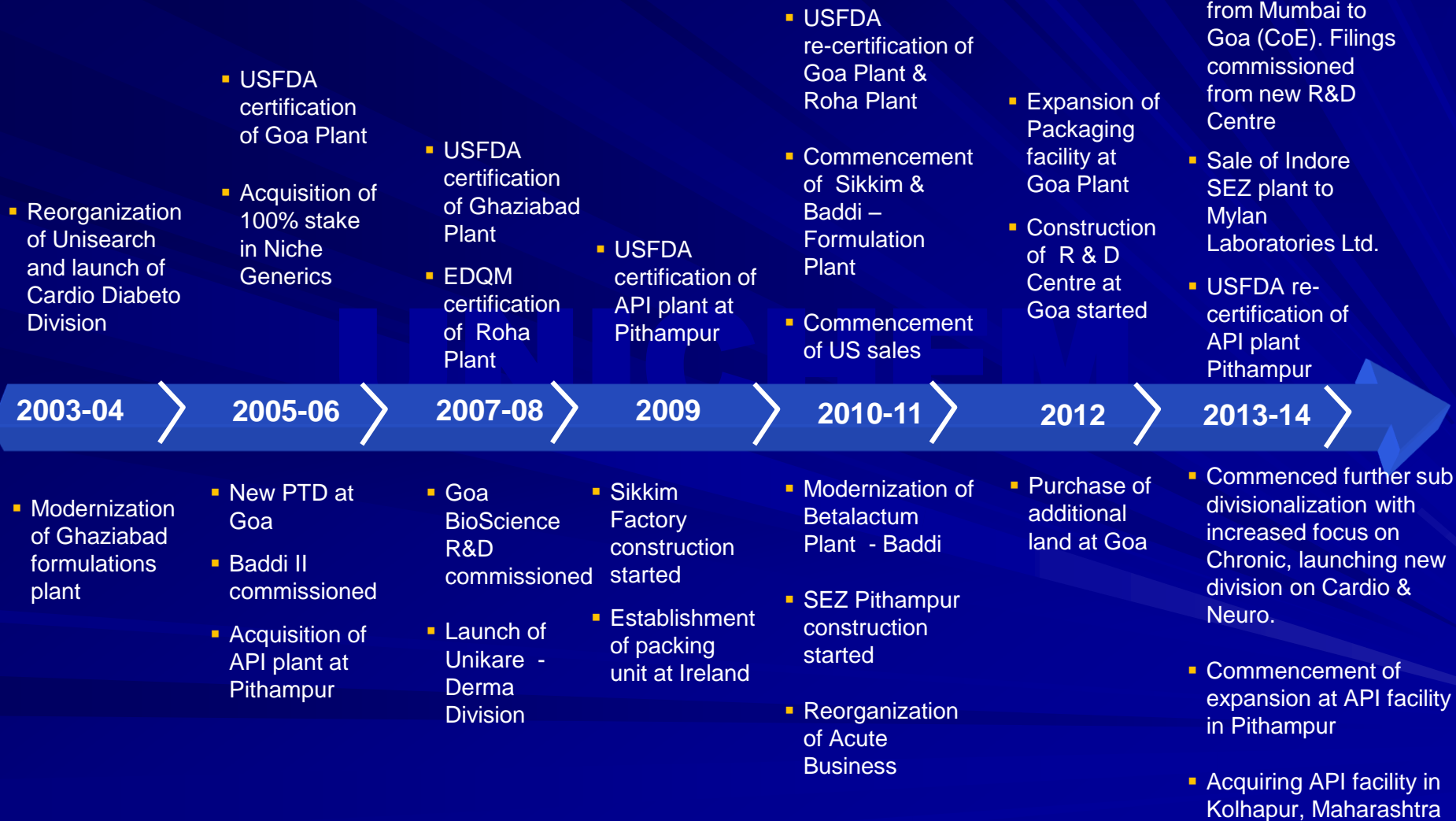
# Agenda

1. Profile & History
2. Growth & Profitability
3. Business Operations
  - Domestic Operations
  - International Operations
  - API Operations
4. Research & Development
5. Management & Governance
6. Financials

# Profile

- One of the India's leading integrated Pharmaceutical Companies with a strong presence in domestic formulations market
  - Ranked 26<sup>th</sup> in the Domestic Formulations market as per AWACS MAT Sept, 2014
  - Amongst the top # 18 companies in representative (covered) market
  - Domestic Operations contribute ~58% of Consolidated Revenues
  - International Operations contribute ~42% of Consolidate Revenues
    - US revenues showing a robust growth
  - Dedicated focus on International operations –gaining momentum
  
- 4 brands featuring among top 300 brands (*AWACS MAT Sept, 2014*)
  - Largest brand / brand extensions in excess of Rs150 Cr
  - 17 brands with Rs. 10cr + Revenues
  - 21 brands with Rs. 5cr + Revenues and 16 brands waiting to cross this threshold
  - In 18 therapeutic sub-groups Unichem's brand is No 1 brand, over all Unichem's brands rank in the top 5 in 61 therapeutic sub-groups
  
- Zero debt company and cash generating business
  - Since many years Company has Net Cash position after reasonable dividend payout

# History - Key Milestones (Last 10 Years)

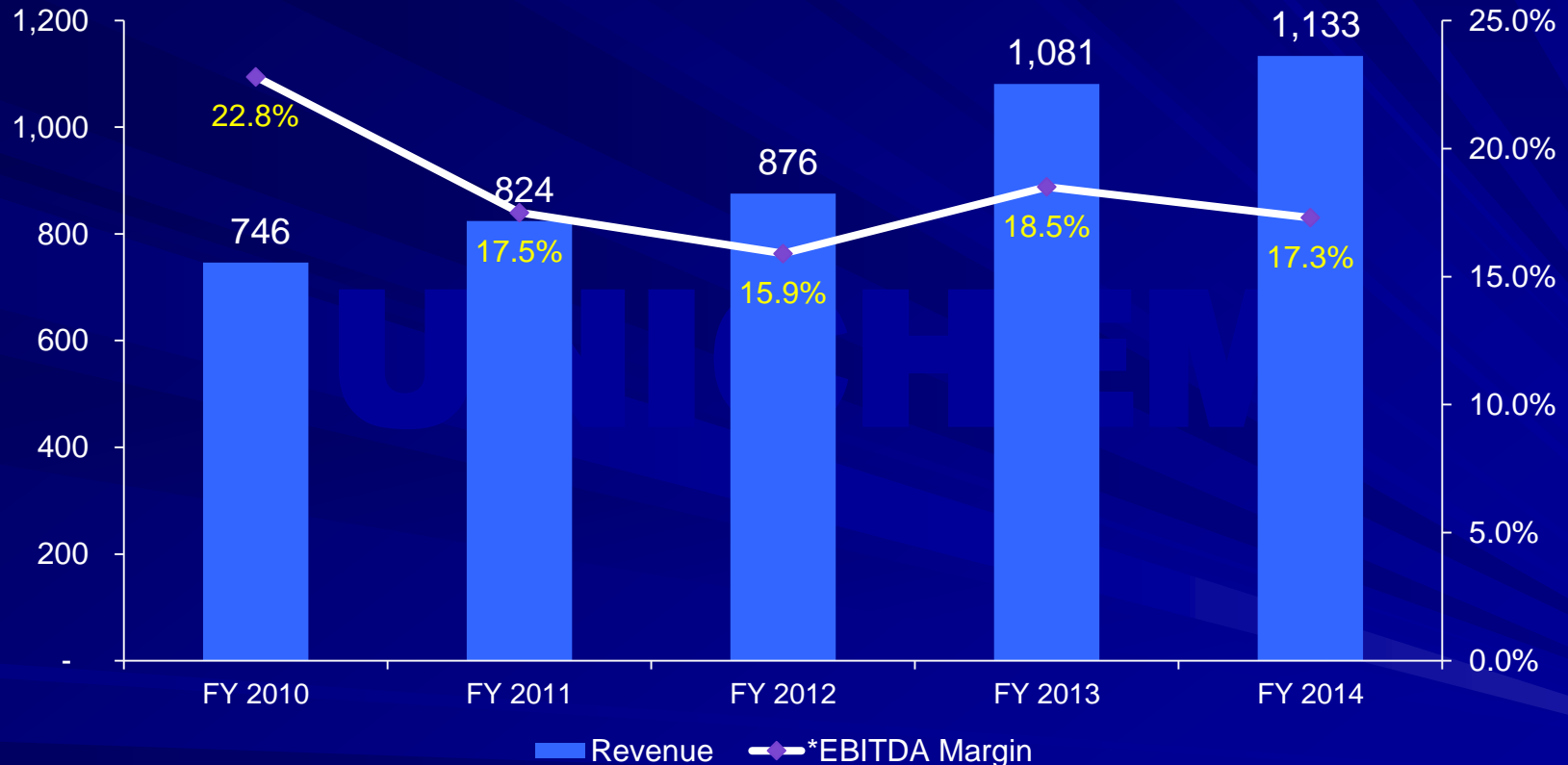


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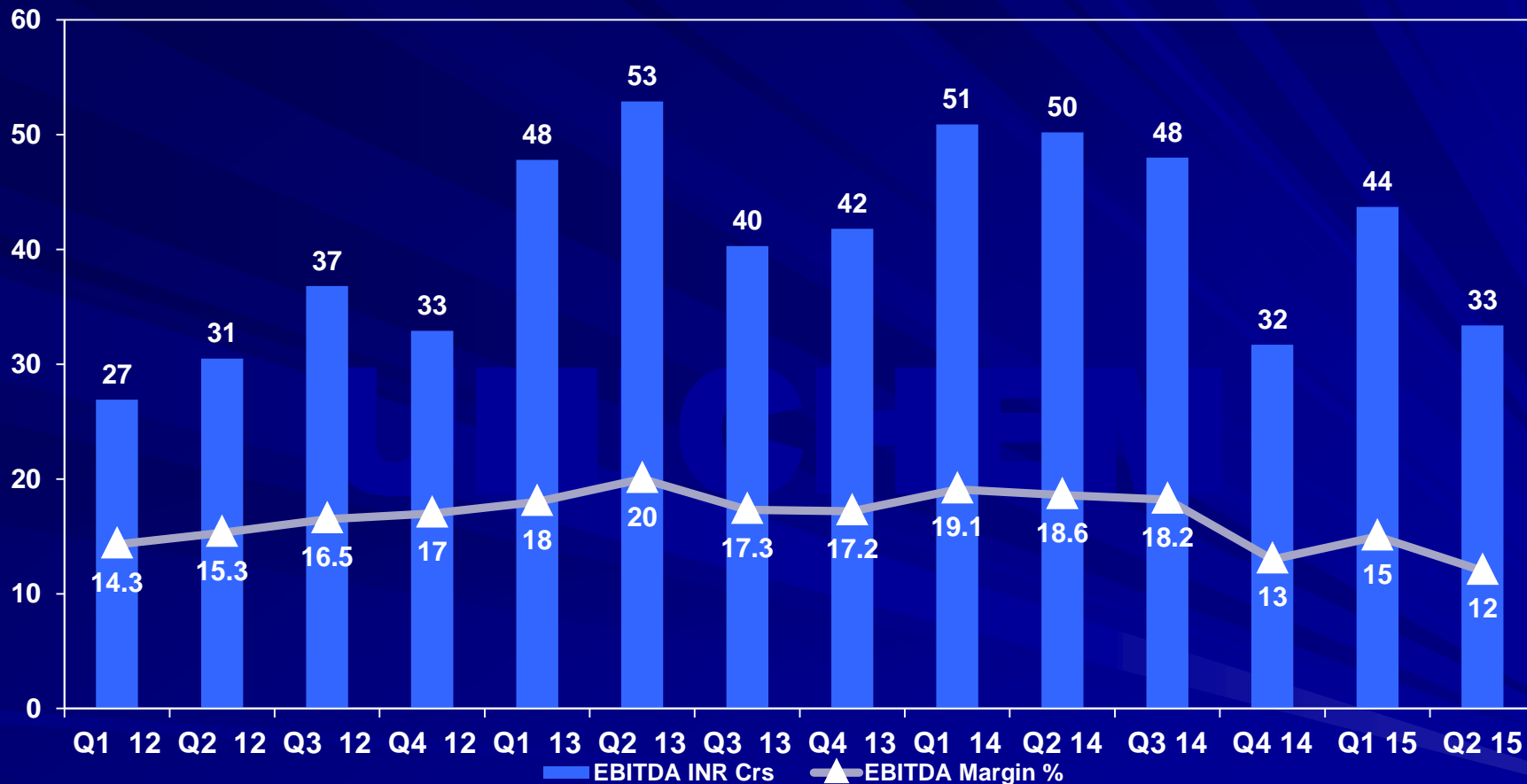
# Unichem Consolidated Financials {Rs. Crores}

## Growing Steadily & Focus on Profitability



EBITDA Margin in FY 2011, FY 2012 & FY 2014 declined due to increased field headcount, marketing spend, commissioning of additional plants, price reduction pursuant to DPCO 2013 and higher R & D expenditure.

# EBITDA Profile from FY 12 onwards





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# The Indian Pharma Market

- Current Estimated Size of IPM (MAT Sept, 2014) is Rs. 80,565 Crores
  - Market Growth MAT Sept– 9.1%
- India ranks globally 3rd by volume and 12th by value
  - Expected to rank 8<sup>th</sup> by value by 2016
- Future growth projections vary from an optimistic 14% p.a. to tempered 12% p.a.
  - CAGR (2012-16) of 12~14%

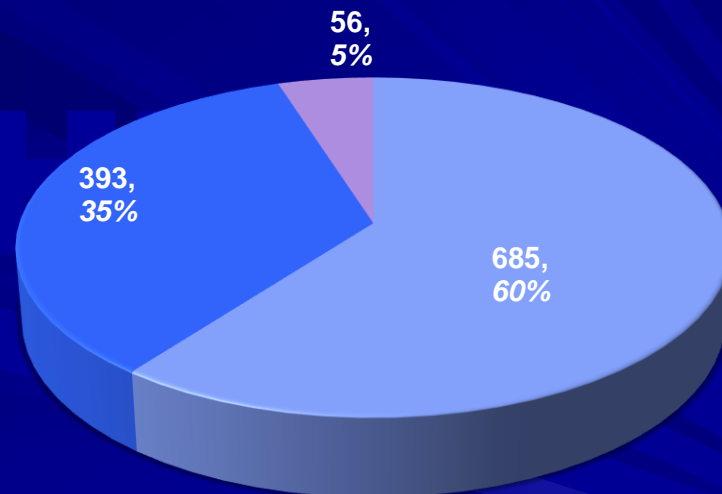
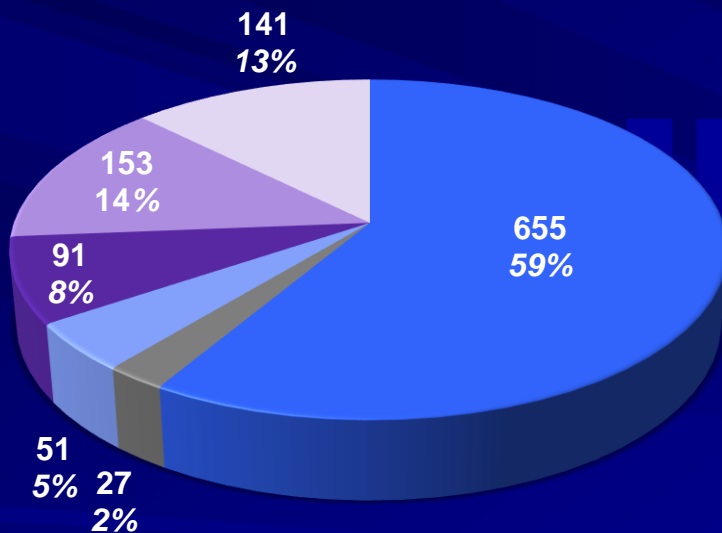
Domestic Market ~ Great Opportunity

# Revenue & Business areas break-up

## Consolidated – FY 2014

Revenue Break-up by Segment  
Rs. Crores

Revenue Break-up by Region  
Rs. Crores



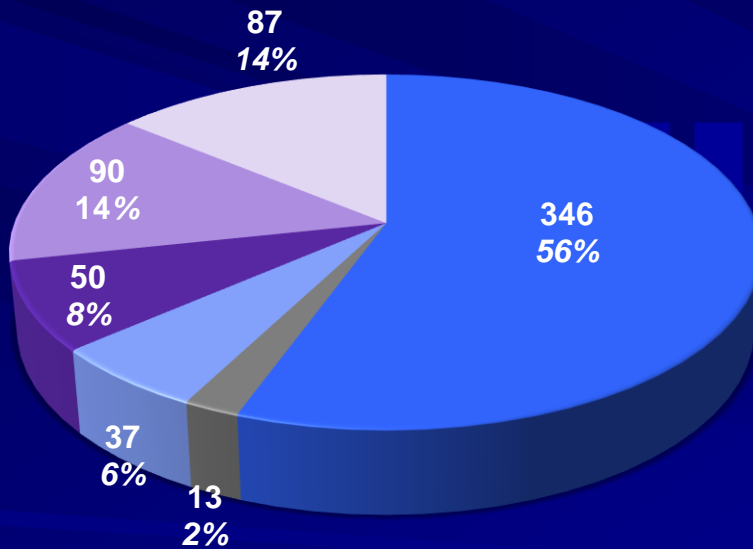
- Formulation - Domestic
- API - Domestic
- Formulation - Exports
- API - Exports
- International Business - US/Brazil
- International Business - Niche/EU

- India Business
- Regulated Markets
- Emerging Markets

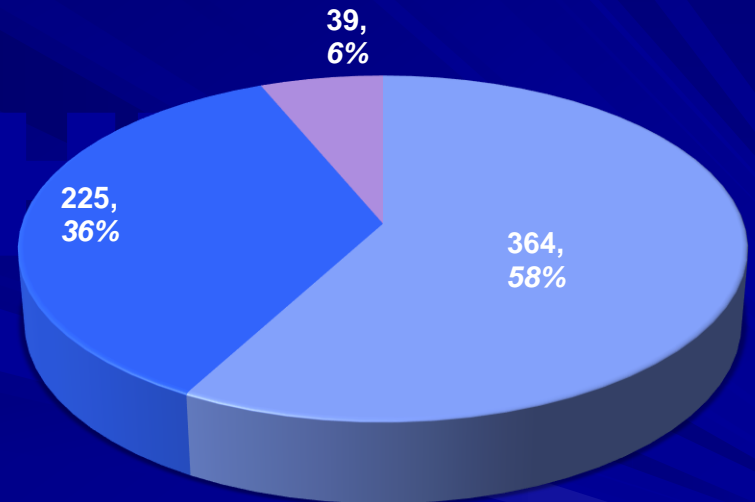
# Revenue & Business areas break-up

## Consolidated – H1 FY 2015

Revenue Break-up by Segment  
Rs. Crores



Revenue Break-up by Region  
Rs. Crores

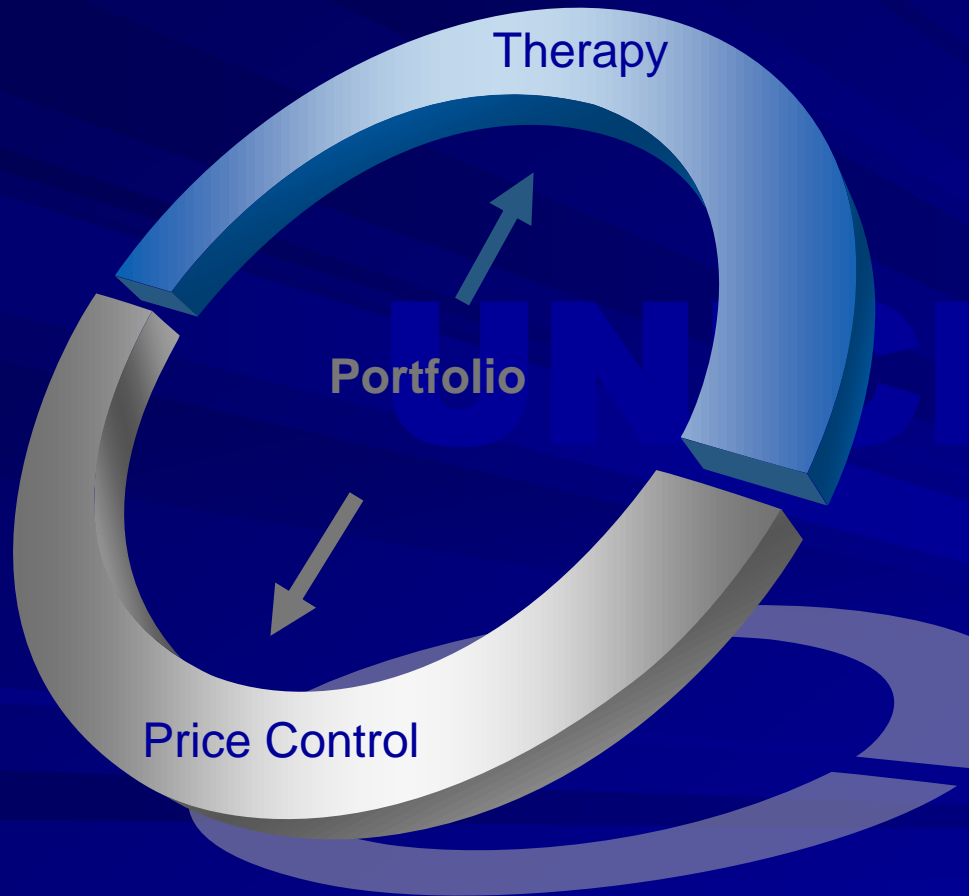


- Formulation - Domestic
- API - Domestic
- Formulation - Exports
- API - Exports
- International Business -US/Brazil
- International Business - Niche/EU

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# Portfolio Therapy Dominance & Price Control

SCENE



## Therapy

- Major Revenue contributors:
  - Chronic care accounts for ~58%\* of Domestic Formulation Revenues
  - Acute portfolio accounts for ~42%\* of Domestic Formulation Revenues

## Price Control

- Appx 16% of Domestic Portfolio (in value terms) are under new DPCO 2013.
  - Major products are: Losartan, Alprozolam, Atorvastatin, Cetrizine, Metoprolol and Tramadol.
- Under the old DPCO, the coverage was Approx 13% in value terms.
- Ampoxin (Anti-infective) will be outside price control under new DPCO 2013.

# Cash Generation – Pre R & D Expenses

*Rs. Crores*

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	H1 FY 2015	Cumulative
Positive Cash Flow	168.4	188.7	179.6	152.1	201.3	235.9*	101.8	1,228
<b>Spending:</b>								
R & D Expenditure	23.5	29.7	40.5	39.7	36.4	52.2	30.0	252
Capital Expenditure	45.5	44.3	84.2	106.5	76.1	86.3	37.6	480
Investment in Subs	19.0	10.0	11.0	14.2	20.6	7.6	4.7	87
Dividend Payments	21.1	33.8	42.1	29.4	31.5	90.0	42.4	290
Increase in Working Capital	42.7	19.1	54.9	(15.4)	1.3	82.3	31.1	216
Others (Incl Cash Equivalents and Deposits)	16.6	51.8	(53.1)	(22.3)	35.4	71.3	(43.9)	56

Note: \* Excluding one time gain from sale of Indore SEZ plant to Mylan Laboratories Limited

# Unichem in The Indian Pharma Market

*Rs. Crores*

	Indian Pharmaceutical Market	MAT Sept, 2014	% Growth
	Total Size of the Market	80,565	9.1
	Unichem Represented (Covered) Market	39,813	7.7
Sr. No	Top Companies in Covered Market		
1	Sun Pharma	2,309	12.7
2	Alkem	2,151	13.5
3	Ranbaxy	2,041	4.3
4	Mankind	1,863	8.7
5	Zydus	1,813	2.2
6	Cipla	1,710	13.2
7	Abbott Healthcare	1,647	-2.0
8	Lupin	1,595	10.8
9	Macleods	1,514	20.4
10	Aristo	1,341	17.9
18	Unichem Labs	815	10.7

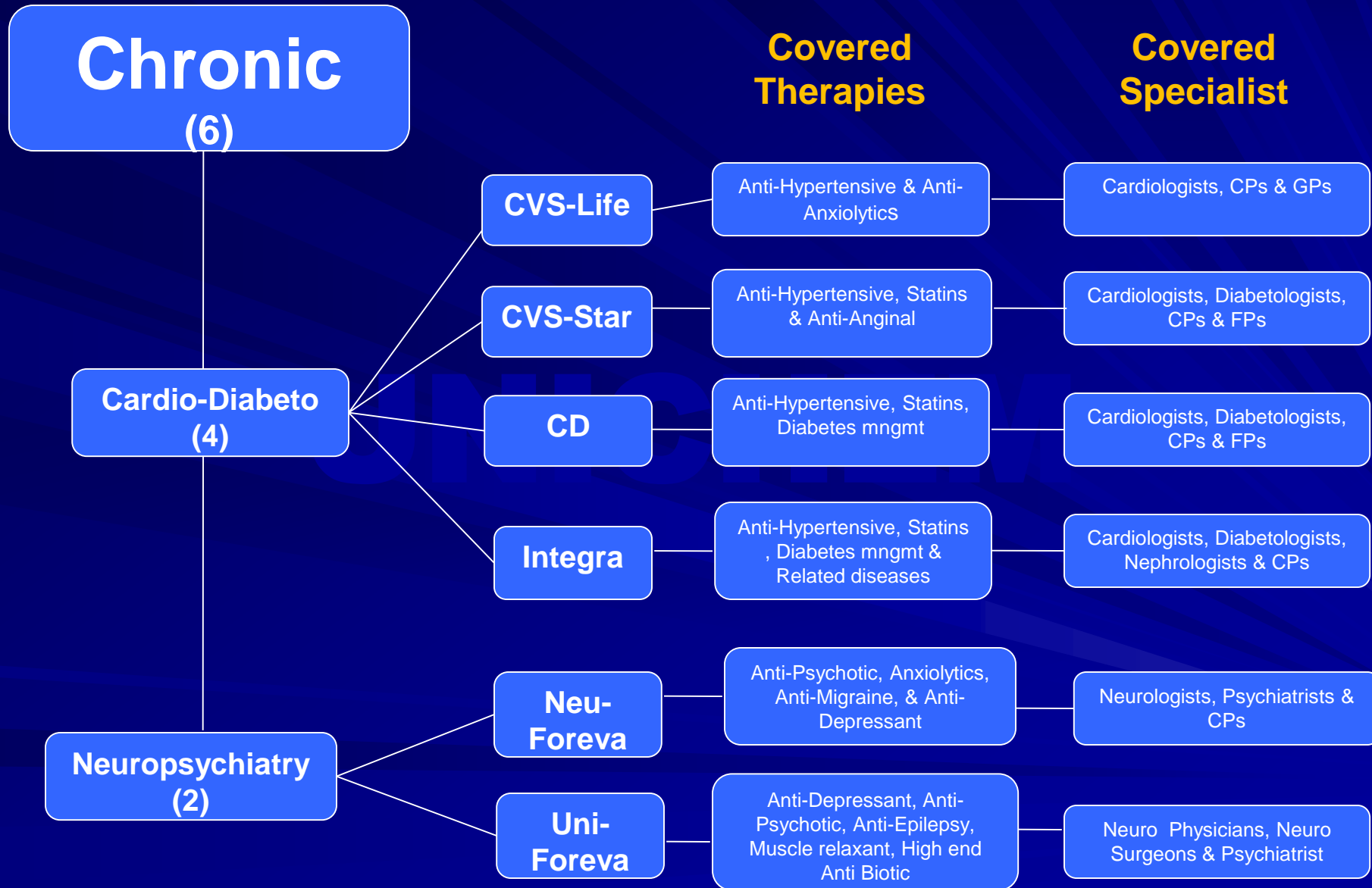
# Unichem's Therapy Gaps in the market

	MAT Sept' 14 Value Rs. Crs	% of Total Value	No. of Sub- Segments	% of Total No. of Segments
Unichem Non-Represented Segments	40,752	50.6%	2,489	87.5%
Unichem Represented Segments	39,813	49.4%	357	12.5%
Total Market	80,565	100.0%	2,846	100.0%

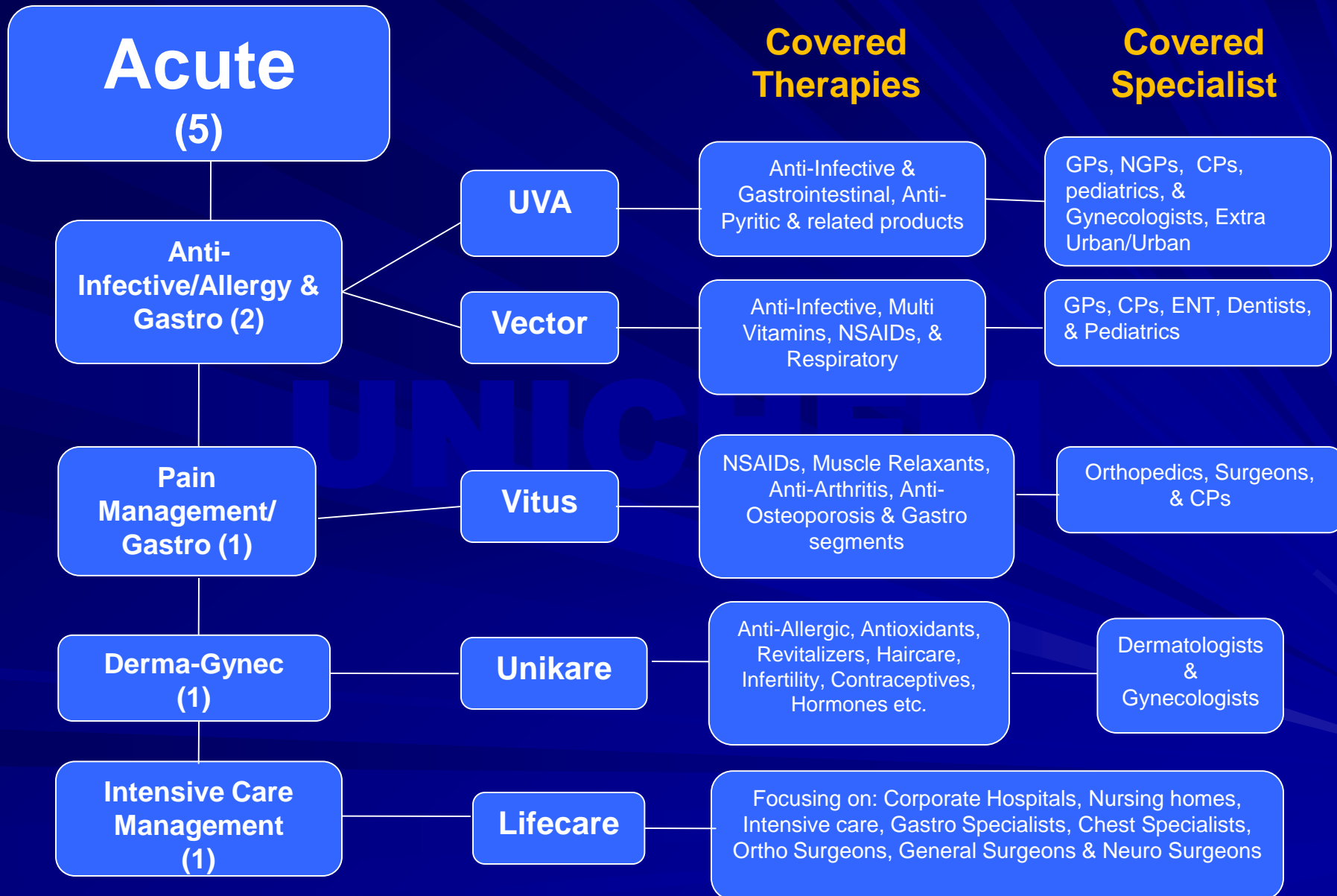
- Unichem is represented in 357 sub-segments (*about ~13 % of total sub-segments*), but covers nearly half of the IPM in value terms
- *However, opportunity does exist for more Unichem introductions in high growth non-represented segments*
- **Opportunity exists in the following Therapeutic Segments:**
  - Hospital Products
  - Women Health
  - Dermatology
  - Nutritional
  - Augmenting product portfolio of -
    - Acute Therapy
    - CNS & Nephrology



# Domestic Formulations: Divisions



# Domestic Formulations: Divisions



# Domestic Business: Customer Coverage

## ■ Penetration

- 7 Chronic Verticals manned by ~1600 + CBAs
- 4 Acute verticals manned by ~1200 + CBAs

## ■ Doctor Coverage: Over 100,000 doctors covered

### ■ Chronic Coverage

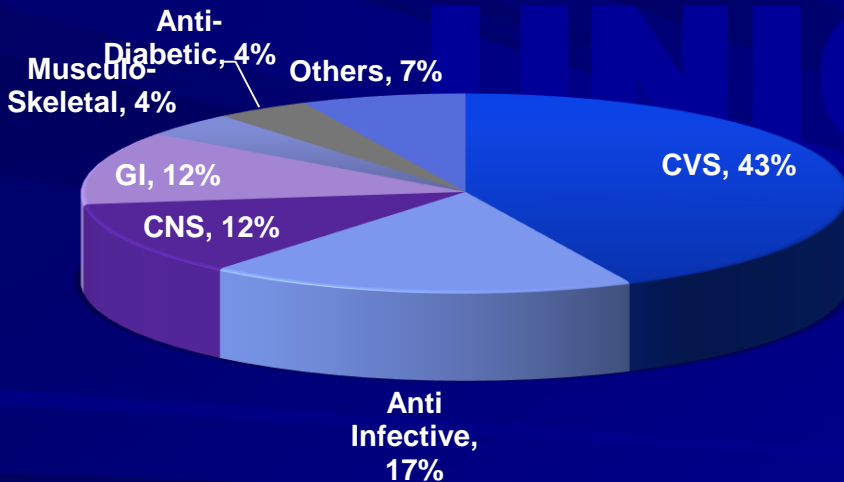
*Cardiologists, Diabetologists, Neurologists, Psychiatrists, Nephrologists, Dermatologists, Gynaecologists (Infertility treatment), CPs, GPs etc.*

### ■ Acute Coverage

*GPs, CPs, NGPs, ENTs, Dentists, Surgeons, Paediatrics, Gynaecologists (General), etc.*

# Domestic Formulations Business

## Therapeutic Segment-wise break-up



- Leadership position in key participated segments
  - Largest brand / brand extensions in excess of Rs150cr
- # 4 Brands in Top 300 brands
  - Losar H, Ampoxin, Losar, & Unienzyme
- In 18 therapeutic groups Unichem's brand is No 1 brand
- Over all Unichem's brands rank in the top 5 in 61 therapeutic sub-groups
- Healthy balance between chronic (~58%) & acute (~42%)

# Brand Building – Focus Brand Portfolio

- # Top 10 Brands contributes nearly 50% of the company's domestic revenues
  - *Losar H, Ampoxin, Losar, Unienzyme, Vizylac, Trika, Serta, Telsar, Unistar and Linx*
  
- # 50 Brands contributes ~82% of the company's domestic revenues
  - # 4 - Rs. 50 +crore brands
  - # 2 - Rs. 20 ~ 30 crore brand
  - # 11 - Rs. 10 ~ 20 crore brands
  - # 21- Rs. 5 ~ 10 crore brands
  - # 16 - Rs. 3 ~ 5 crore brands

# Top 10 Product Groups Performance

*Rs. Crores*

	MAT Sept, 2014	% Growth	% Market Share	% Contribution to Revenue
Total Revenue	<b>815</b>	10.7	1.0	100.0
Losar Group	<b>159</b>	(5.4)	33.1	19.5
Ampoxin Group	<b>70</b>	12.6	43.7	8.6
Unienzyme	<b>57</b>	27.5	16.6	7.0
Telsar Group	<b>49</b>	12.3	4.0	6.1
Olsar Group	<b>33</b>	14.4	6.1	4.0
Trika Group	<b>29</b>	(15.3 )	21.6	3.6
Vizylac	<b>28</b>	28.8	13.8	3.5
Metride Group	<b>20</b>	10.8	1.1	2.5
Serta	<b>19</b>	35.0	30.6	2.4
Unistar	<b>18</b>	20.6	53.6	2.2

# AWACS Data – MAT Sept, 2014

Therapy Market Segment	Representative Market		Unichem Laboratories		
	Size (Rs. Crs)	% Growth	Sales (Rs. Crs)	% Share	% Growth
Cardiac Care	6,417	8.6	353	5.5	1.6
Anti-Infectives	9,846	3.8	143	1.4	20.7
Neuro-Psychiatry	2,835	7.2	100	3.5	10.7
Gastroenterologicals	4,908	8.0	99	2.0	25.4
Musculosketetals	3,459	7.5	33	1.0	34.2
Anti – Diabetic	2,826	16.7	29	1.0	15.1
Others	9,524	9.1	58	0.6	13.9
<b>TOTAL</b>	<b>39,813</b>	<b>7.7</b>	<b>815</b>	<b>2.0</b>	<b>10.7</b>

# AWACS Data

## Quarterly Sales & MAT- Mar, 2014

Indicators	Market Size (Crs)	Value Growth (%)	Unichem (Crs)	Value Growth (%)
Q2 FY 15	22,122	12.3	215	13.0
Q1 FY 15	20,065	8.8	202	10.7
MAT March' 14	75,588	6.1	771	6.4
Q1 FY 14	18,426	8.3	184	6.0
Q2 FY 14	19,357	3.2	187	0.1
Q3 FY 14	19,028	4.9	203	11.9
Q4 FY 14	18,228	6.6	190	4.8
Q1 FY 13	17,016	16.9	174	7.2
Q2 FY 13	18,755	13.6	187	9.2
Q3 FY 13	18,137	8.9	182	8.1
Q4 FY 13	17,083	8.1	181	8.4



# Globally Accredited State of the art Manufacturing Facilities

## ■ Formulations

- Baddi (HP) – essentially catering to domestic market
  - Regulatory approvals - MHRA, ANVISA and WHO
- Ghaziabad (UP) – for catering to regulated and developing regulated markets
  - Regulatory approvals - USFDA, ANVISA, TGA, MHRA, and WHO
- Goa – for catering both to regulated and developing regulated markets
  - Regulatory approvals - USFDA, MHRA, ANVISA, TGA and WHO
- Sikkim Plant – catering to domestic market
- Ireland – Packaging facility in Baldoye
  - Regulatory Approvals – Irish Medical Board and Kazakhstan Regulatory Authority

## ■ APIs

- Roha (Maharashtra) – Multiple plants
  - Regulatory approvals - USFDA, EDQM, WHO GMP, PMDA, EU GMP, KFDA, ISO, OHSGS and M-FDA
- Pithampur (MP) – Multiple plants
  - Regulatory approvals – USFDA , EUGMP, WHO, COFEPRIS

**Unichem is built on the foundation of “Quality & Reliability”**

# Domestic Market – Management Focus

## ■ Domestic Market

- Entry into unrepresented / uncovered market segments
  - Entered Hospital and Gynecology segments in 2011-12. Currently focusing on portfolio augmentation for enhanced coverage
- Enhancing relationship with customers and Focus on Field Productivity
- Brand building through ‘Focused Brand approach’
- More FF to drive growth – increased coverage and compliance
- Optimal use of Manufacturing Assets
  
- **Key risks:**
  - Higher competition in the domestic market
  - Regulatory hurdles
  - High concentration risk (*Three products generate ~28% of sales*)

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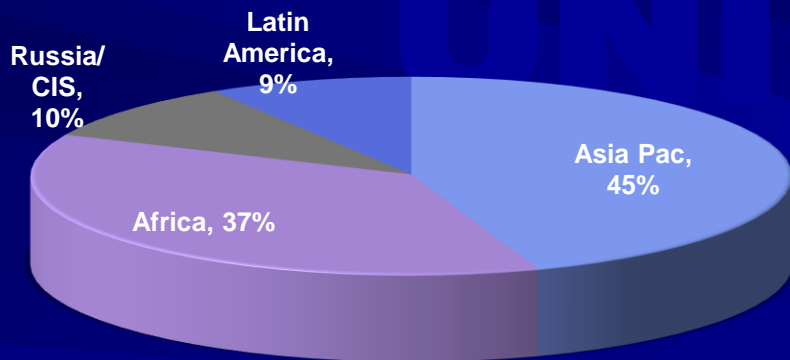
# International Formulation Business

- Company has made significant investments in building infrastructure which includes new R&D centre and API plants for captive consumption to support international business
- Company is in process of further augmenting its API & Formulation capacities for expected future growth
- Regulatory Approvals
  - Goa Plant - USFDA, MHRA, ANVISA, TGA & WHO
  - Ghaziabad Plant - USFDA, MHRA, ANVISA
- More than # 800 product registrations across the world
- # 33 US ANDAs filed so far and # 17 of which already approved (*including #2 tentative approvals*)
  - Many more filings in the pipeline
- Total R & D spending is in excess of ~5 % of sales
  - More than # 275 Scientists (including # 27 PhDs) in R & D activities

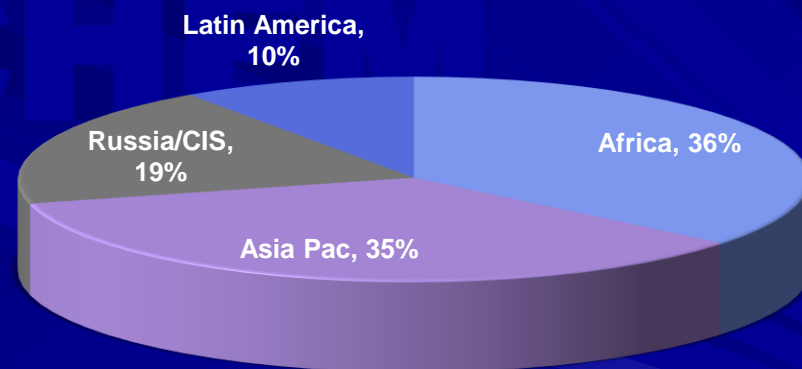
# International Business – Formulations

## Zone 1 : Emerging Global Markets

Geographic Mix – FY 2014



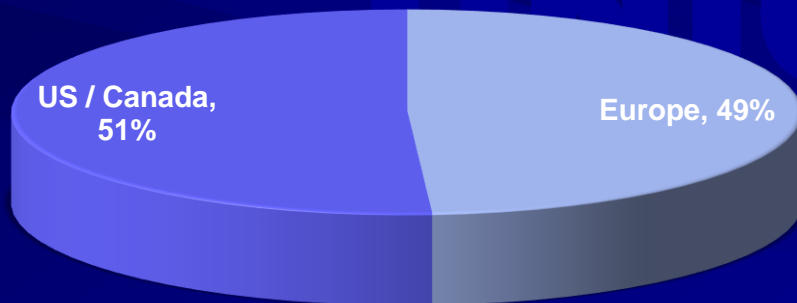
Geographic Mix – H1 FY 2015



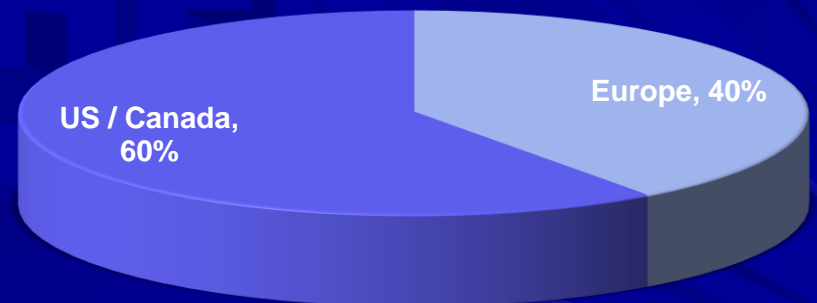
# International Business – Formulations

## *Regulated Markets*

Geographic Mix – FY 2014



Geographic Mix – H1 FY 2015



# International Business – Formulations

## Regulated Markets - USA and LATAM

### UNITED STATES:

- UNICHEM PHARMACEUTICALS (USA) Inc - wholly owned subsidiary to manage ANDA filings and Business Development
  - Business model is based on leveraging Unichem's technical expertise and production capability with integrated end-to-end value chain
  - Tied with large wholesalers and retail chains for products launched
  - Total number of ANDAs filed # 33 and development in progress for further filings
    - Total ANDAs approved so far # 17 (Including #2 tentative approvals)
    - Total number of products launched # 10, featuring amongst top 3 in few
- Unichem's investments in R & D is increasing every year to support the anticipated further growth
- Company's strategy is to scale-up operations for sustained growth over time

# International Business – Formulations

## *Regulated Markets*

### EUROPE

- European presence through 100% subsidiary - Niche Generics, UK
- The subsidiary identifies products for development, recommends these products to Unichem for development. In the later stages of development the subsidiary sells these regulatory dossiers and supply agreements to third party companies
  - Total # 37 products {(Own:# 34; In-Licensing: # 3) (Direct marketing by Niche#23)}
  - Packing facility at Ireland
- The subsidiary has direct sales operations in the U.K.
- The subsidiary trades across Europe and has extended its operations into South Africa, and also looking to extend into other geographies like Australia
- The subsidiary to focus on developing markets for generics and identifying potential products that can drive the business in in UK and Europe
- Direct (Unichem) presence through contract manufacturing and supply agreements
- 2012-13 : Established 100% subsidiary in Ireland



# International Market – Management Focus

## ■ United States

- Develop long term relationships with local partners
- Finalize tie-ups for launching ANDA approved products
- ANDA filings and approvals
- Capitalize end-to-end value chain
- Forge relationship with Innovators to become building blocks in NCE Research ( contract research and supply of APIs)

## ■ European Union

- Align with existing Key Regional Players across Europe
- Identify and support new players in emerging CEE Markets & Australia
- Develop and manage own commercial capability in UK, and Ireland

## ■ Brazil

- Additional product registrations

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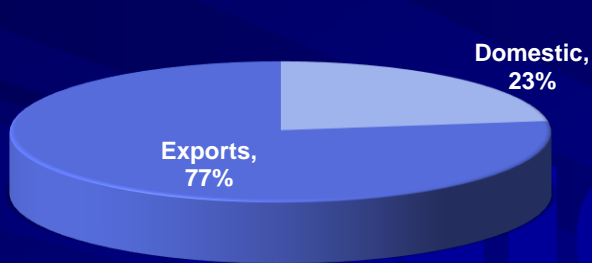
# API-World class Manufacturing Facilities and Infrastructure

- Roha (Maharashtra) – Multiple plants
  - Regulatory Approvals – USFDA, EDQM, WHO GMP, PMDA, EU GMP, KFDA, ISO, OHSGS and M-FDA
- Pithampur (MP) – Multiple plants
  - Regulatory Approvals – USFDA, EUGMP, WHO, COFEPRIS
- More than # 500 Regulatory filings (DMFs, EDMFs, e-CTDs, ACTDs etc)
- Total R & D spending is in excess of ~5 % of sales
  - More than # 275 Scientists (including # 27 PhDs) in R & D activities

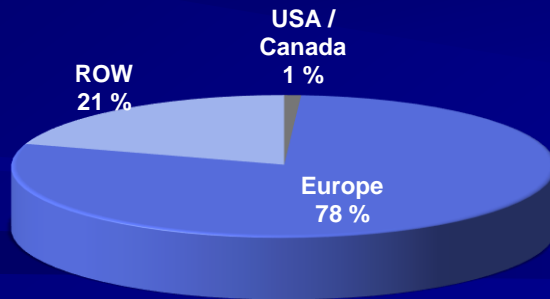
# API - Total Revenue

F Y 2014

Revenue Break-up by Segment



Export Revenue Break-up by Region



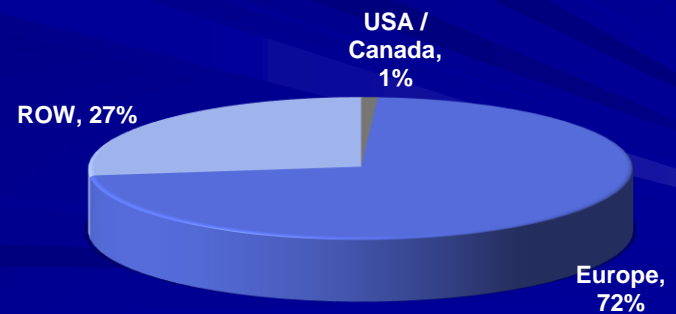
Total API Revenue : Rs.118 Crores

H1 F Y 2015

Revenue Break-up by Segment



Export Revenue Break-up by Region



Total API Revenue : Rs. 63 Crores

# Management Focus

- API's for Generic Markets
  - Improve Profitability of API Business
  - Focus on profitable Generic APIs to
    - New customers in existing Regulated Markets
    - Penetrate into New Regulated Markets
    - Achieve cost leadership in 3~4 molecules
  - Long term Supply Contracts with customers in Regulated Markets for Generic API's
  - Marketing globally all API's primarily developed as a in-house source for Generic Dosage Form foray for US, South American markets, and also for UK subsidiary for Europe
  - To become most cost efficient manufacturer for identified APIs
  - Enhance manufacturing capacities by acquisition of facilities

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# Focus

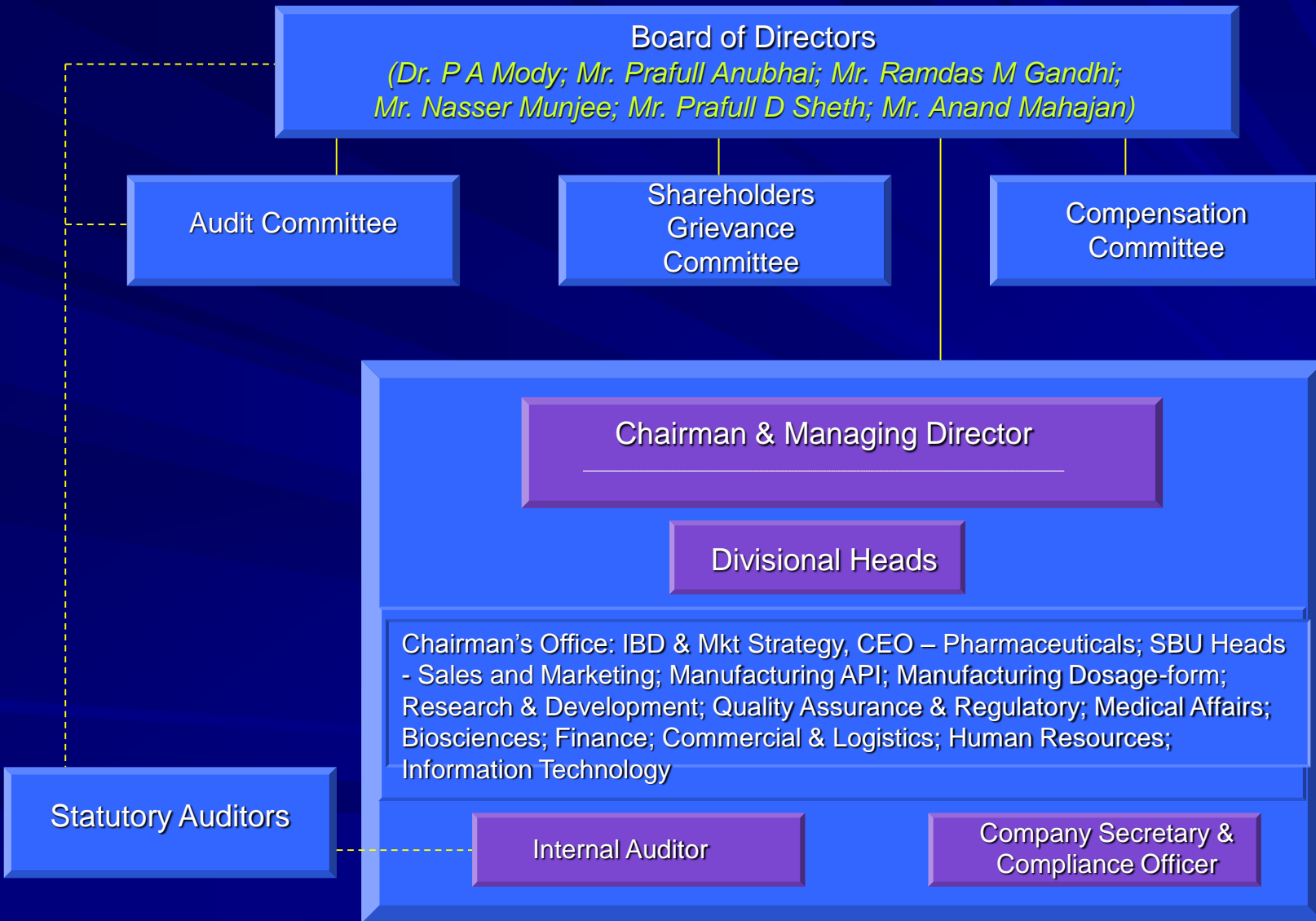
- Unichem has a two fold R&D strategy
  - Development of patent non-infringing processes for APIs
  - Development of Novel Drug Delivery Systems (NDDS)
- Chemical R&D
  - Centre of Excellence at Goa offering the most conducive environment for value added research
  - Developed novel, innovative & efficient processes for 45 new generation molecules in various therapeutic categories
  - Strong synthesis & analytical team fully equipped with latest facilities
- Formulations R&D
  - State-of-the-art Pharma R & D facilities to undertake formulation development of Tablets, Capsules, Liquid Orals, Creams, Ointments & Injectibles
  - Separate facilities for antibiotics
  - Pre-formulation laboratories to carry out drug-exceptient compatibility studies and physical characterization of API regarding compressibility and flow characteristics
  - Formulation services on contract research and development projects for a number of leading European companies
  - Formulation Development and ANDA filings following QbD protocol
- Biosimilar products at various stages of development
  - Recombinant DNA Technique
  - Fermentation based products
  - Monoclonal Anti Bodies

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# Management & Governance



*Maintains high standards of Corporate Governance*

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# Standalone Financials *(INR Lakhs)*

Particulars	For three months ended Sept 30, 2014	For three months ended Sept 30, 2013	% Growth	For Six months ended Sept 30, 2014	For Six months ended Sept 30, 2013	% Growth
<b>Sales Income from Operations:</b>						
<i>Domestic Operations</i>						
Formulations	16,658	17,394	-4.2%	34,661	34,954	-0.8%
API	588	656	-10.4%	1,314	1,057	24.3%
<i>International Operations</i>						
Formulations	7,889	6,335	24.5%	15,354	11,964	28.3%
API	2,360	2,234	5.7%	5,016	4,864	3.1%
Other Operating Income	320	338	-5.3%	569	676	-15.8%
<b>Total Income</b>	<b>27,815</b>	<b>26,957</b>	<b>3.2%</b>	<b>56,914</b>	<b>53,515</b>	<b>6.4%</b>
<b>Expenditure:</b>						
Material Consumption	11,032	9,420	17.1%	22,498	19,016	18.3%
<b>% Sales Income</b>	<b>39.7%</b>	<b>34.9%</b>		<b>39.5%</b>	<b>35.5%</b>	
Staff Cost	4,614	4,145	11.3%	9,606	8,277	16.1%
Other Expenditure	8,831	8,371	5.5%	17,104	16,116	6.1%
<b>EBITDA</b>	<b>3,339</b>	<b>5,021</b>	<b>-33.5%</b>	<b>7,706</b>	<b>10,107</b>	<b>-23.8%</b>
<b>% Total Income</b>	<b>12.0%</b>	<b>18.6%</b>		<b>13.5%</b>	<b>18.9%</b>	
Interest	1,074	1,098	-2.2%	1,921	2,166	-11.3%
Depreciation	56	65	-13.2%	130	127	2.4%
<b>Total Expenditure</b>	<b>25,607</b>	<b>23,099</b>	<b>10.9%</b>	<b>51,259</b>	<b>45,701</b>	<b>12.2%</b>
<b>% Total Income</b>	<b>92.1%</b>	<b>85.7%</b>		<b>90.1%</b>	<b>85.4%</b>	
<b>Operating Income</b>	<b>2,208</b>	<b>3,858</b>	<b>-42.8%</b>	<b>5,656</b>	<b>7,814</b>	<b>-27.6%</b>
<b>% Total Income</b>	<b>7.9%</b>	<b>14.3%</b>		<b>9.9%</b>	<b>14.6%</b>	
Other Income	557	770	-27.7%	1,074	1,531	-29.9%
Exceptional Items (Gain/-Loss)						
<b>Profit before Tax</b>	<b>2,765</b>	<b>4,629</b>	<b>-40.3%</b>	<b>6,730</b>	<b>9,346</b>	<b>-28.0%</b>
<b>% Total Income</b>	<b>9.9%</b>	<b>17.2%</b>		<b>11.8%</b>	<b>17.5%</b>	
Income Tax	533	1,008	-47.1%	1,478	2,115	-30.1%
<b>Net Profit</b>	<b>2,232</b>	<b>3,621</b>	<b>-38.4%</b>	<b>5,252</b>	<b>7,231</b>	<b>-27.4%</b>
<b>% Total Income</b>	<b>8.0%</b>	<b>13.4%</b>		<b>9.2%</b>	<b>13.5%</b>	
<b>Earning Per Share- Basic</b>	2.46	4.00		5.79	7.99	
<b>Earning Per Share- Diluted</b>	2.45	3.99		5.77	7.97	
Notes: The previous period figures have been regrouped wherever necessary.						

Thank You