

Unichem Laboratories Limited



Investor Presentation
Q1 FY 2016

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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 26th in the Domestic Formulations market as per AWACS MAT June, 2015
 - Amongst the top # 18 companies in representative (covered) market
 - Domestic Operations contribute ~57% of Consolidated Revenues
 - International Operations contribute ~43% 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 June, 2015*)
 - Largest brand / brand extensions in excess of Rs160 Cr
 - 15 brands with Rs. 10cr + Revenues
 - 20 brands with Rs. 5cr + Revenues and 22 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 55 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)

- USFDA certification of Goa Plant
- Acquisition of 100% stake in Niche Generics
- USFDA certification of Ghaziabad Plant
- EDQM certification of Roha Plant
- USFDA certification of API plant at Pithampur
- USFDA re-certification of Goa Plant & Roha Plant
- Commencement of Sikkim & Baddi – Formulation Plant
- Commencement of US sales
- Expansion of Packaging facility at Goa Plant
- Construction of R & D Centre at Goa started
- Re-location of R&D from Mumbai to Goa (CoE). Filings commissioned from new R&D Centre
- Sale of Indore SEZ plant to Mylan Laboratories Ltd.
- USFDA re-certification of API plant Pithampur
- USFDA's surprise inspection at 3 plants
- No Critical Observations were highlighted
- Enabling business continuity in US

2005-06 >

2007-08 >

2009 >

2010-11 >

2012 >

2013-14 >

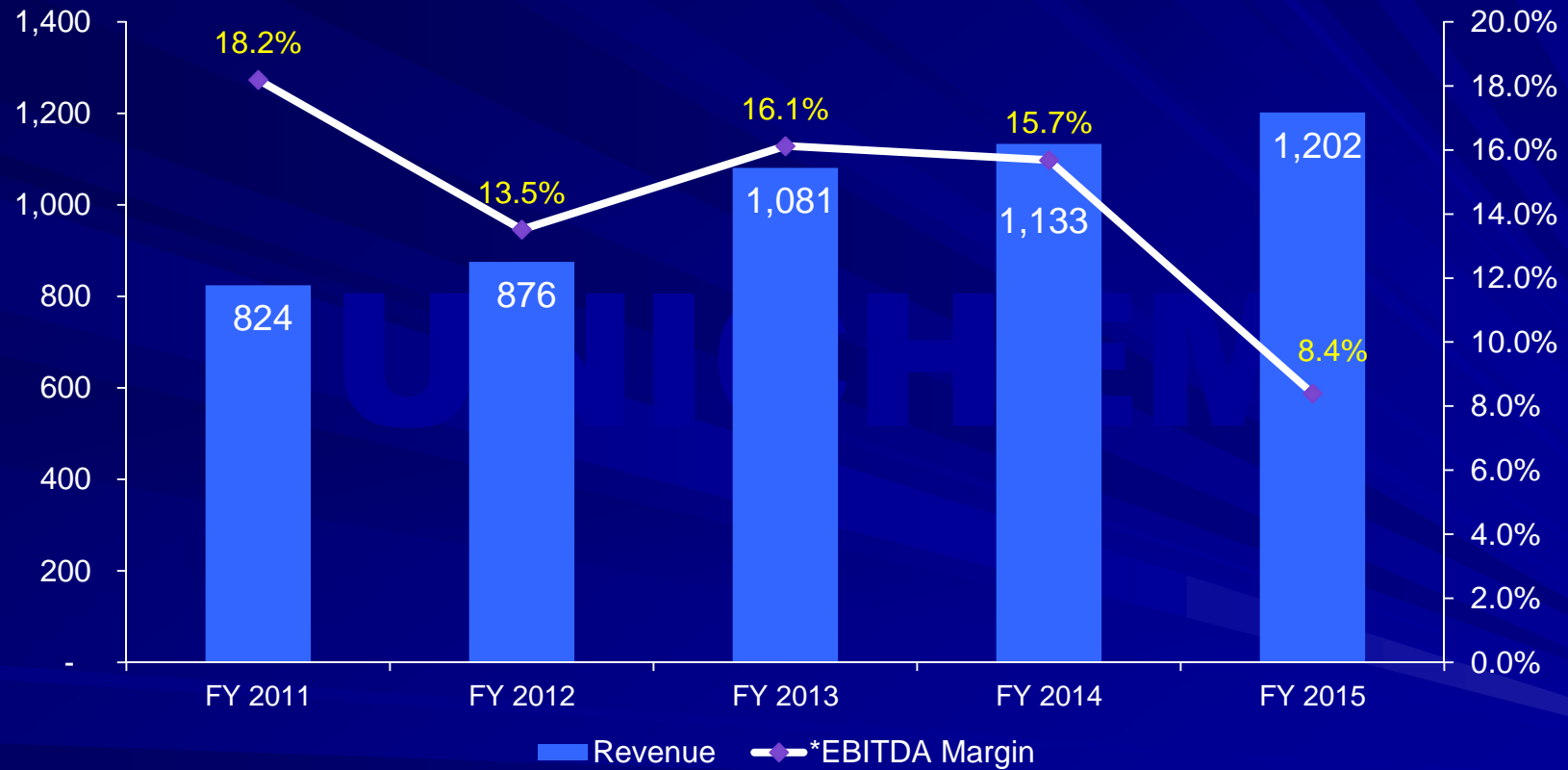
2015-16 >

- New PTD at Goa
- Baddi II commissioned
- Acquisition of API plant at Pithampur
- Goa BioScience R&D commissioned
- Launch of Unikare - Derma Division
- Sikkim Factory construction started
- Establishment of packing unit at Ireland
- Modernization of Betalactum Plant - Baddi
- SEZ Pithampur construction started
- Reorganization of Acute Business
- Purchase of additional land at Goa
- Realignment of Chronic business.
- Commenced further sub divisionalization with increased focus on Chronic, launching new division on Cardio & Neuro.
- Commencement of expansion at API facility in Pithampur
- Acquiring API facility in Kolhapur, Maharashtra

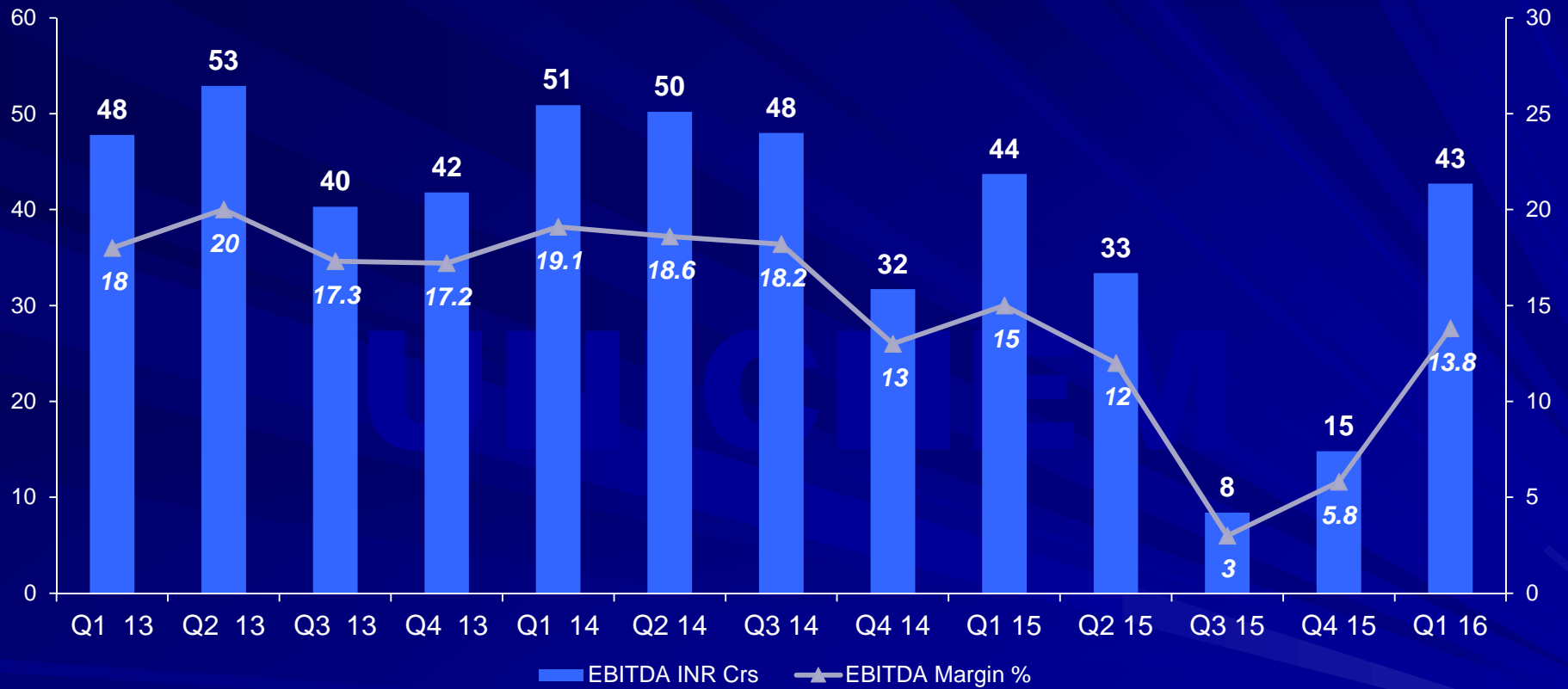
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Unichem Consolidated Financials {Rs. Crores}



EBITDA Profile from FY 13 onwards



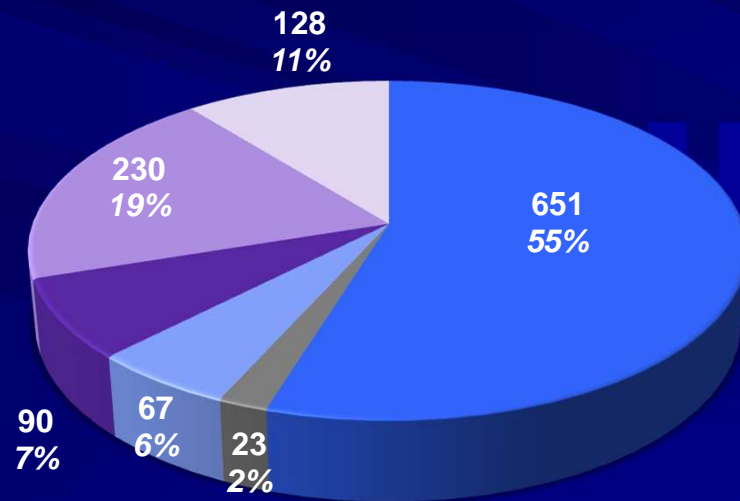
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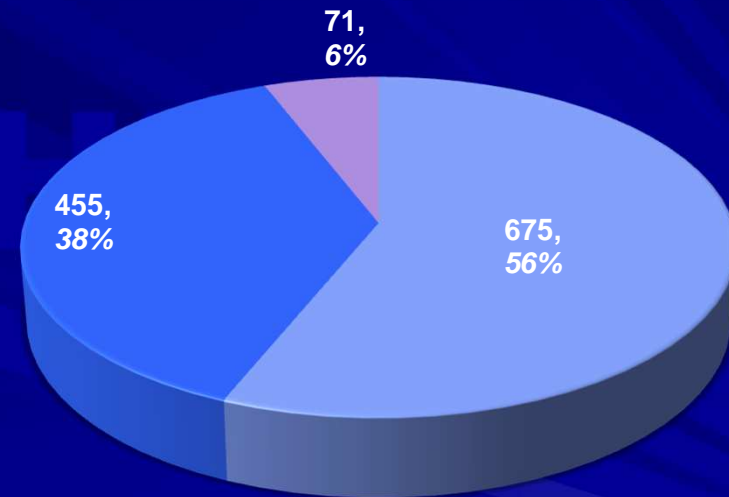
Revenue & Business areas break-up

Consolidated – FY 2015

Revenue Break-up by Segment
Rs. Crores



Revenue Break-up by Region
Rs. Crores



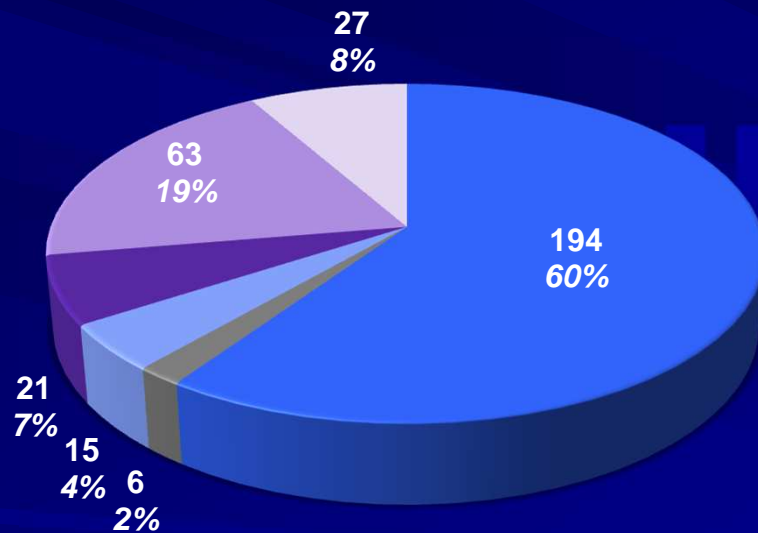
- Formulation - Domestic
- API - Domestic
- Formulation - Exports
- API - Exports
- International Business - US/Brazil
- International Business - Niche/EU

- India Business
- Regulated Markets
- Emerging Markets

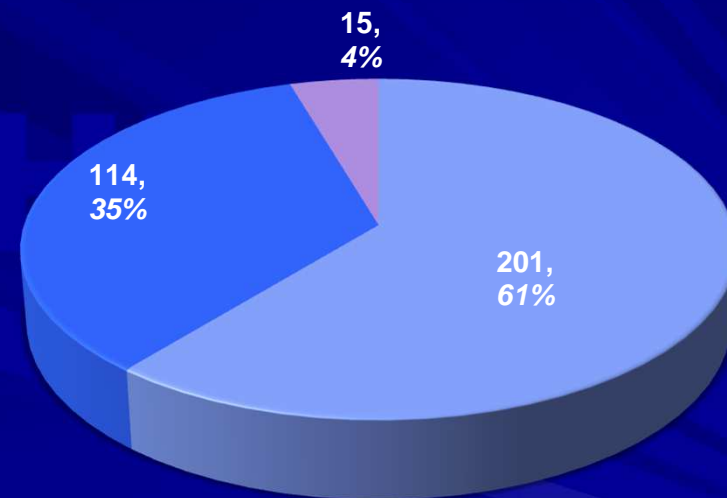
Revenue & Business areas break-up

Consolidated – Q1 FY 2016

Revenue Break-up by Segment
Rs. Crores



Revenue Break-up by Region
Rs. Crores

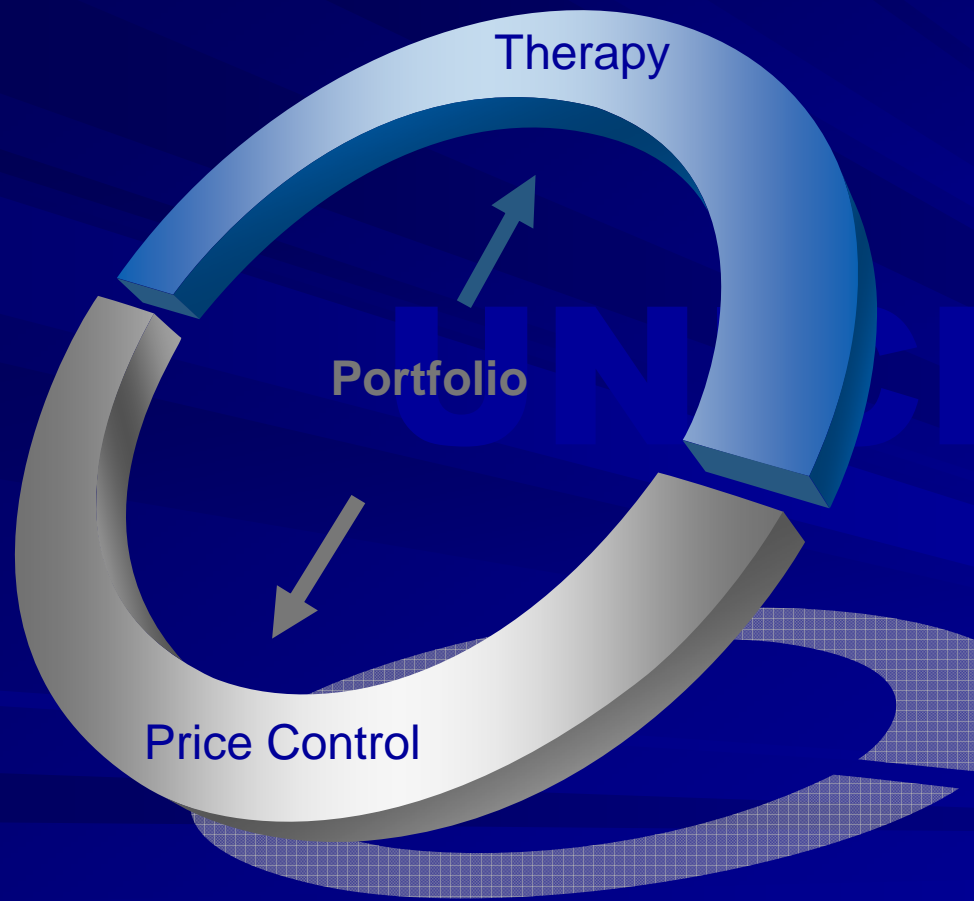


- Formulation - Domestic
- API - Domestic
- Formulation - Exports
- API - Exports
- International Business -US/Brazil
- International Business - Niche/EU

- India Business
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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 NLEM.
 - Major products are: Losartan, Alprozolam, Atorvastatin, Cetrizine, Metoprolol and Tramadol.
- Under the old DPCO, the coverage was Approx 13% in value terms.

Cash Generation – Pre R & D Expenses

Rs. Crores

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Q1 FY 2016	Cumulative
Positive Cash Flow	168.4	188.7	179.6	152.1	201.3	235.9*	166.5	52.4	1,345
Spending:									
R & D Expenditure	23.5	29.7	40.5	39.7	36.4	52.2	65.4	13.6	301
Capital Expenditure	45.5	44.3	84.2	106.5	76.1	86.3	78.6	37.8	560
Investment in Subs	19.0	10.0	11.0	14.2	20.6	7.6	7.2	1.3	91
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	8.2	(15.2)	178
Others (Incl Cash Equivalents and Deposits)	16.6	51.8	(53.1)	(22.3)	35.4	71.3	(35.4)	14.9	79

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

Unichem in The Indian Pharma Market

Rs. Crores

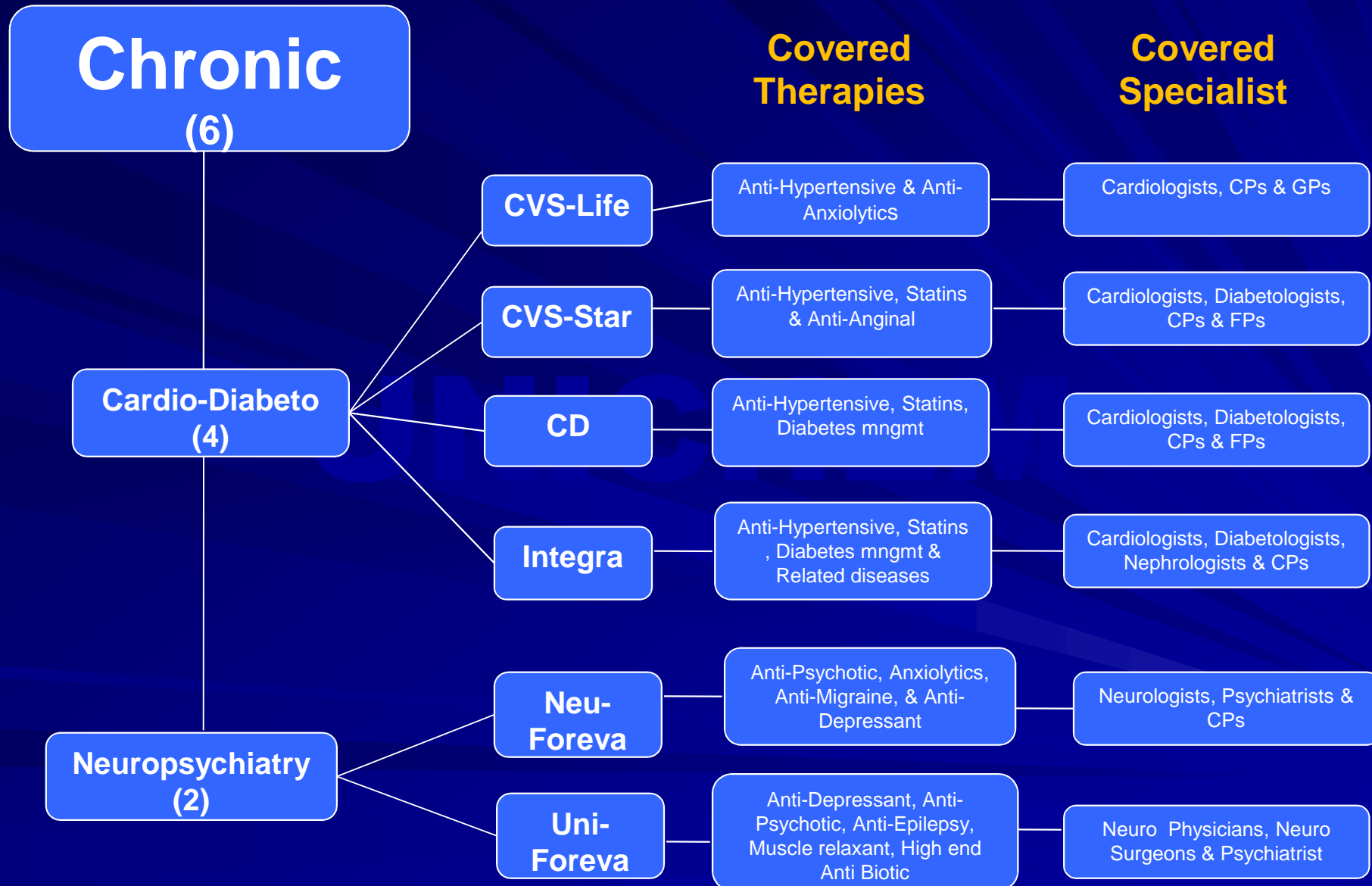
	Indian Pharmaceutical Market	MAT June, 2015	% Growth
	Total Size of the Market	90,085	14.3
	Unichem Represented (Covered) Market	43,814	12.7
Sr. No	Top Companies in Covered Market		
1	Sun Pharma + Ranbaxy	4,824	15.5
2	Alkem	2,414	14.9
3	Mankind	2,025	14.2
4	Zydus	1,916	4.9
5	Cipla	1,896	16.3
6	Macleods	1,750	25.3
7	Lupin	1,706	9.8
8	Abbott Healthcare	1,626	5.9
9	Aristo	1,514	19.9
10	GlaxoSmithkline	1,326	16.9
18	Unichem Labs	856	9.2

Unichem's Therapy Gaps in the market

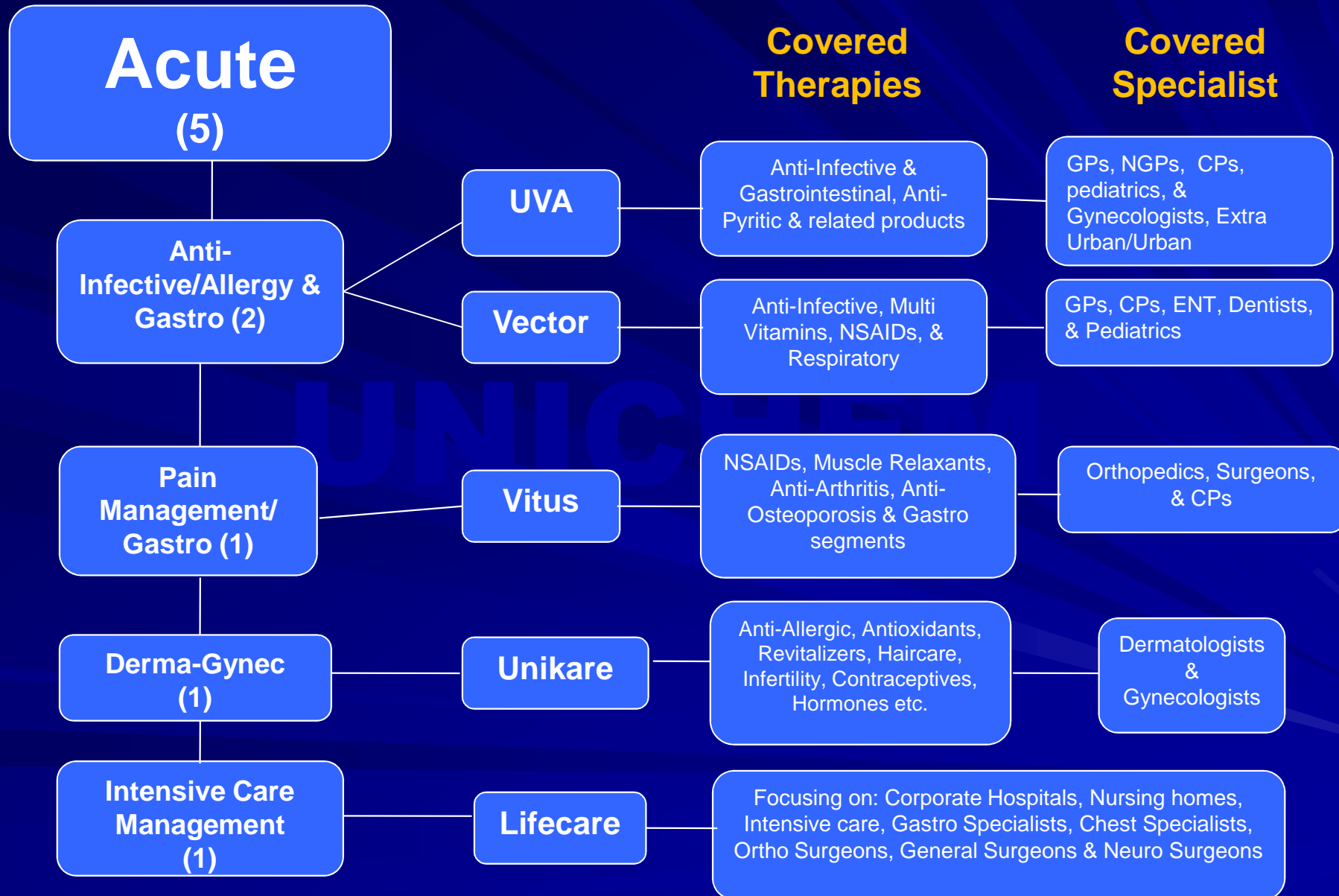
	MAT June15 Value Rs. Crs	% of Total Value	No. of Sub- Segments	% of Total No. of Segments
Unichem Non-Represented Segments	46,272	51.4%	2,563	87.8%
Unichem Represented Segments	43,814	48.6%	357	12.2%
Total Market	90,085	100.0%	2,920	100.0%

- Unichem is represented in 357 sub-segments (*about ~12 % 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

- 6 Chronic Verticals manned by ~1500 + CBAs
- 5 Acute verticals manned by ~1200 + CBAs

■ Doctor Coverage: Over 100,000 doctors covered

■ Chronic Coverage

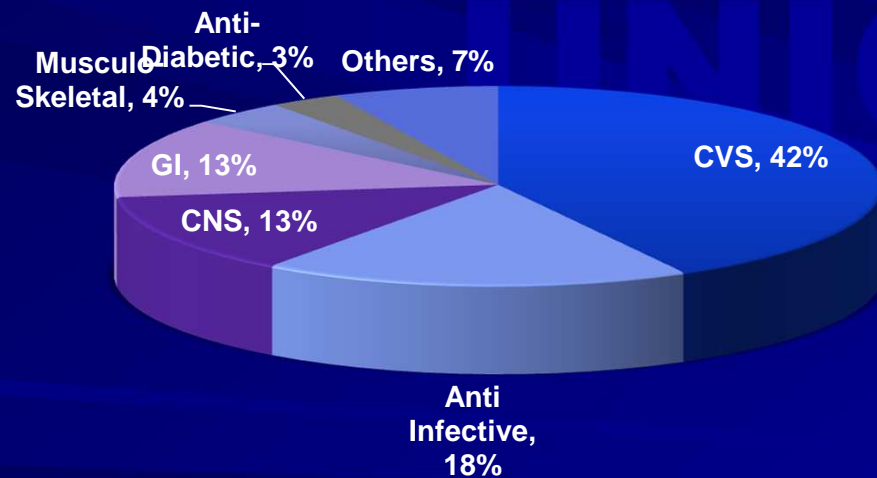
Cardiologists, Diabetologists, Neurologists, Psychiatrists, Nephrologists, Gynaecologists (Infertility treatment), CPs, GPs etc.

■ Acute Coverage

GPs, CPs, NGPs, ENTs, Dentists, Surgeons, Paediatrics, Gynaecologists (General), Dermatologists, 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, Unienzyme & Losar
- In 18 therapeutic groups Unichem's brand is No 1 brand
- Over all Unichem's brands rank in the top 5 in 55 therapeutic sub-groups
- Healthy balance between chronic (~58%) & acute (~42%)

Brand Building – Focus Brand Portfolio

- # Top 10 Brands contributes ~48% of the company's domestic revenues
 - *Losar H, Ampoxin, Unienzyme, Losar, Vizylac, Trika, Serta, Telsar, Unistar and Telsar-H*

- # 50 Brands contributes ~81% of the company's domestic revenues
 - # 4 - Rs. 50 +crore brands
 - # 2 - Rs. 20 ~ 30 crore brand
 - # 8 - Rs. 10 ~ 20 crore brands
 - # 20- Rs. 5 ~ 10 crore brands
 - # 22 - Rs. 3 ~ 5 crore brands

Top 10 Product Groups Performance

Rs. Crores

	MAT June, 2015	% Growth	% Market Share	% Contribution to Revenue
Total Revenue	856	9.2	1.0	100.0
Losar Group	170	6.8	34.3	19.8
Ampoxin Group	81	20.7	44.4	9.5
Unienzyme	65	20.4	17.5	7.6
Telsar Group	51	6.6	3.5	5.9
Olsar Group	32	-0.3	5.4	3.8
Vizylac	34	30.5	5.4	4.0
Trika Group	31	6.2	22.9	3.6
Pregaba Group	22	49.3	5.7	2.6
Serta	20	8.0	28.6	2.4
Metride Group	19	-2.1	0.9	2.2

AWACS Data – MAT June, 2015

Therapy Market Segment	Representative Market		Unichem Laboratories		
	Size (Rs. Crs)	% Growth	Sales (Rs. Crs)	% Share	% Growth
Cardiac Care	7,139	13.7	358	5.0	2.0
Anti-Infectives	10,619	10.3	154	1.5	13.1
Gastroenterologicals	5,454	13.8	113	2.1	22.8
Neuro-Psychiatry	2,975	12.8	107	3.6	11.9
Musculoskeletal	3,669	10.1	32	0.9	23.4
Anti – Diabetic	3,178	16.4	28	0.9	-2.3
Others	10,779	13.8	63	0.6	17.6
TOTAL	43,814	12.7	856	2.0	9.2

AWACS Data

Quarterly Sales & MAT

Indicators	Market Size (Crs)	Value Growth (%)	Unichem (Crs)	Value Growth (%)
Q1 FY 16	23,800	14.8	232	15.1
Q4 FY 15	21,984	17.3	212	12.1
Q3 FY 15	21,597	10.3	199	(3.4)
Q2 FY 15	22,122	12.3	215	13.0
Q1 FY 15	20,065	8.8	202	10.7
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 and developing regulated market
 - Regulatory approvals – MHRA & ANVISA
- Ghaziabad (UP) – for catering to regulated and developing regulated markets
 - Regulatory approvals - USFDA, ANVISA, TGA, MHRA
- Goa – for catering both to regulated and developing regulated markets
 - Regulatory approvals - USFDA, MHRA, ANVISA, TGA
- Sikkim Plant – catering to domestic market
- Ireland – Packaging facility in Baldoyle
 - Regulatory Approvals – Irish Medical Board and Kazakhstan Regulatory Authority

■ APIs

- Roha (Maharashtra) – Multiple plants
 - Regulatory approvals - USFDA, EDQM, PMDA, EU GMP, KFDA, ISO, OHSAS
- Pithampur (MP) – Multiple plants
 - Regulatory approvals – USFDA , EUGMP, COFEPRIS

Unichem is built on the foundation of "Quality & Reliability"

Domestic Market – Management Focus

■ Domestic Market

- Enhancing relationship with customers and Focus on Field Productivity
- Brand building through ‘Focused Brand approach’
- Increased coverage and compliance
- Entry into unrepresented / uncovered market segments
 - Entered Hospital and Gynecology segments in 2011-12. Currently focusing on portfolio augmentation for enhanced coverage
- Optimal use of Manufacturing Assets
- **Key risks:**
 - Higher competition in the domestic market
 - Regulatory hurdles
 - High concentration risk (*Three products generate ~25% of sales*)

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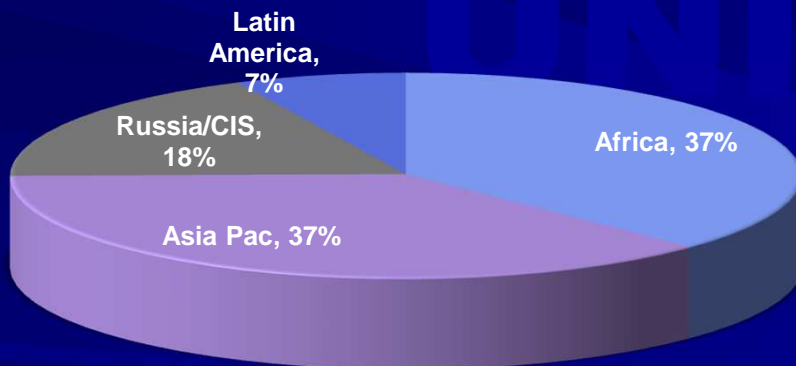
International Formulation Business

- 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
 - Ghaziabad Plant - USFDA, MHRA, ANVISA, TGA
- More than # 800 product registrations across the world
- # 34 US ANDAs filed so far and # 18 of which already approved (*including #3 tentative approvals*)
 - Many more filings in the pipeline
- Total R & D spending is in excess of ~5 % of sales
 - More than # 275 Scientists (including # 28 PhDs) in R & D activities

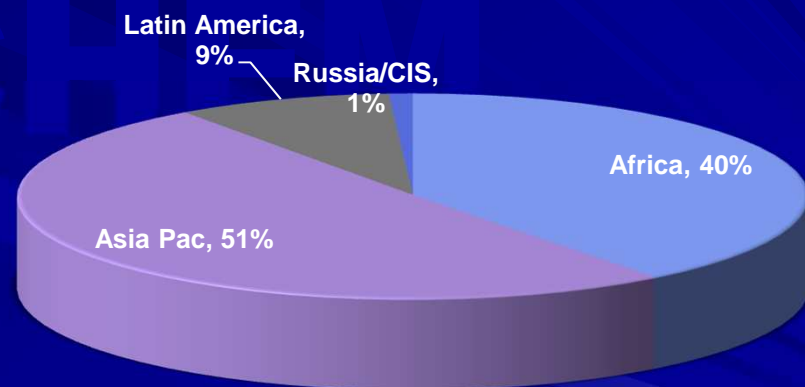
International Business – Formulations

Zone 1 : Emerging Global Markets

Geographic Mix – FY 2015



Geographic Mix – Q1 FY 2016



International Business – Formulations

Regulated Markets

Geographic Mix – FY 2015



Geographic Mix – Q1 FY 2016



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 # 34 and development in progress for further filings
 - Total ANDAs approved so far # 18 (Including #3 tentative approvals)
 - Total number of products launched # 12, 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 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 distributors, retailers and wholesalers
- 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, PMDA, EU GMP, KFDA, ISO, OHSAS
- Pithampur (MP) – Multiple plants
 - Regulatory Approvals – USFDA, EUGMP, 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 # 28 PhDs) in R & D activities

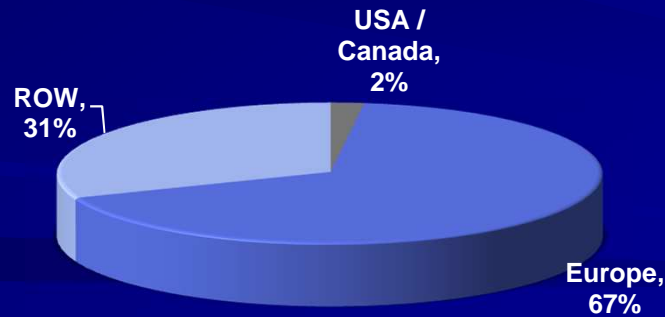
API - Total Revenue

F Y 2015

Revenue Break-up by Segment



Export Revenue Break-up by Region



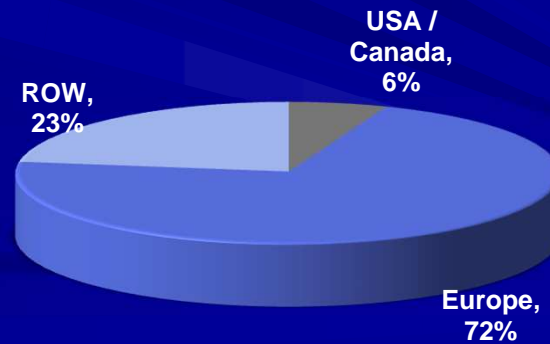
Total API Revenue : Rs.113 Crores

Q1 F Y 2016

Revenue Break-up by Segment



Export Revenue Break-up by Region



Total API Revenue : Rs. 27 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-excipient 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)*

STAND ALONE FINANCIALS			
Particulars	Three months ended June 30, 2015	Three months ended June 30, 2014	% Growth
Sales Income from Operations:			
<i>Domestic Operations</i>			
Formulations	19,428	18,003	8%
API	593	726	-18%
<i>International Operations</i>			
Formulations	8,328	7,465	12%
API	2,127	2,656	-20%
Other Operating Income	432	249	74%
Total Income	30,908	29,099	6%
Expenditure:			
Material Consumption	11,469	11,466	0%
% Sales Income	37.1%	39.4%	
Staff Cost	5,505	4,993	10%
Other Expenditure	9,667	8,273	17%
EBITDA	4,267	4,368	
% Total Income	13.8%	15.0%	
Interest	53	73	-27%
Depreciation	880	847	4%
Total Expenditure	27,574	25,652	7%
% Total Income	89.2%	88.2%	
Operating Income	3,334	3,447	
% Total Income	10.8%	11.8%	
Other Income	616	517	19%
Exceptional Items (Gain/-Loss)			
Profit before Tax	3,950	3,965	0%
% Total Income	12.8%	13.6%	
Income Tax	1,072	945	13%
Net Profit	2,878	3,020	-5%
% Total Income	9.3%	10.4%	
Earning Per Share- Basic	3.17	3.33	-5%
Earning Per Share- Diluted	3.16	3.32	-5%
Notes: The previous period figures have been regrouped wherever necessary.			

Thank You