Unichem Laboratories Limited

Investor Presentation
Q2 & H1 FY 2017

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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 Sept 2016
  - Amongst the top # 18 companies in representative (covered) market
  - Domestic Operations contribute ~58% of Consolidated Revenues
  - International Operations contribute ~42% of Consolidated Revenues
    - US revenues showing a robust growth
  - Dedicated focus on International operations –gaining momentum

- 4 brands featuring among top 300 brands *(AWACS MAT Sept, 2016)*
  - Largest brand / brand extensions in excess of Rs170Cr
  - Over 21 brands with Rs. 10cr + Revenues
  - Over 21 brands with Rs. 5cr + Revenues and over 25 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 45 therapeutic sub-groups

- Uninterrupted Dividend track record and cash generating operations

Source: AWACS MAT Sept 2016

History - Key Milestones *(Last 10 Years)*

2005-06
- USFDA certification of Goa Plant
- Acquisition of 100% stake in Niche Generics
- New PTD at Goa
- Baddi II commissioned
- Acquisition of API plant at Pithampur

2007-08
- USFDA certification of Ghaziabad Plant
- EDQM certification of Roha Plant
- Goa BioScience R&D commissioned
- Launch of Unikare - Derma Division

2009
- USFDA certification of API plant at Pithampur
- Sikkim Factory construction started
- Establishment of packing unit at Ireland

2010-11
- USFDA re-certification of Goa Plant & Roha Plant
- Commencement of Sikkim & Baddi – Formulation Plant
- Commencement of US sales
- Modernization of Betalactum Plant - Baddi
- SEZ Pithampur construction started
- Reorganization of Acute Business

2012
- Expansion of Packaging facility at Goa Plant
- Construction of R & D Centre at Goa started
- Purchase of additional land at Goa

2013-14
- 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
- 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

2015-16
- USFDA's surprise inspection at 3 plants
- EIR received from USFDA, for Goa, Ghaziabad, Pithampur and Roha plants, thereby enabling business continuity in US
- Commissioned expanded capacities at Goa Formulation plant. Significantly increasing the capacities
- Entered over the counter market by launching Unienzyme via Wellness Division

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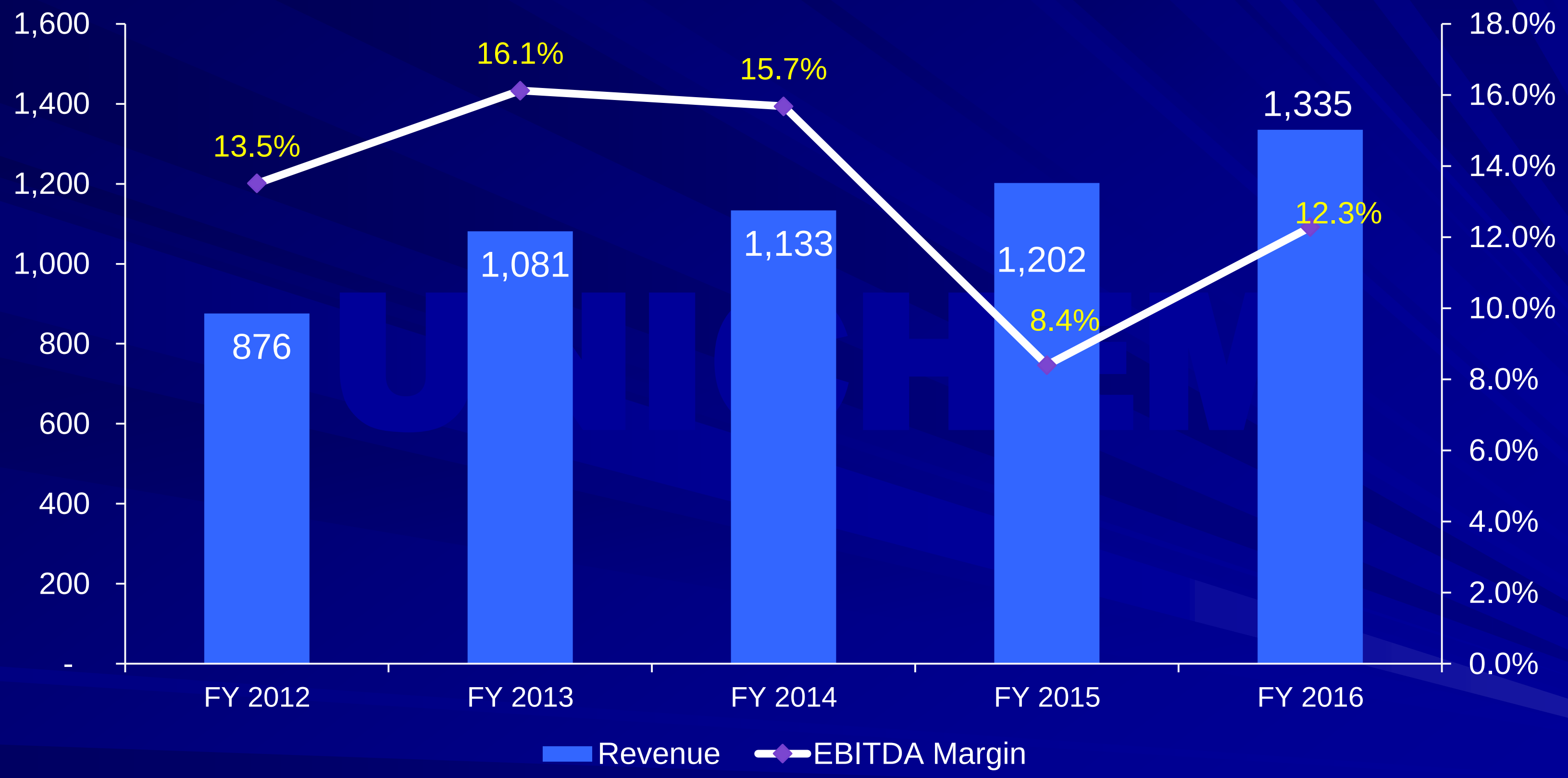
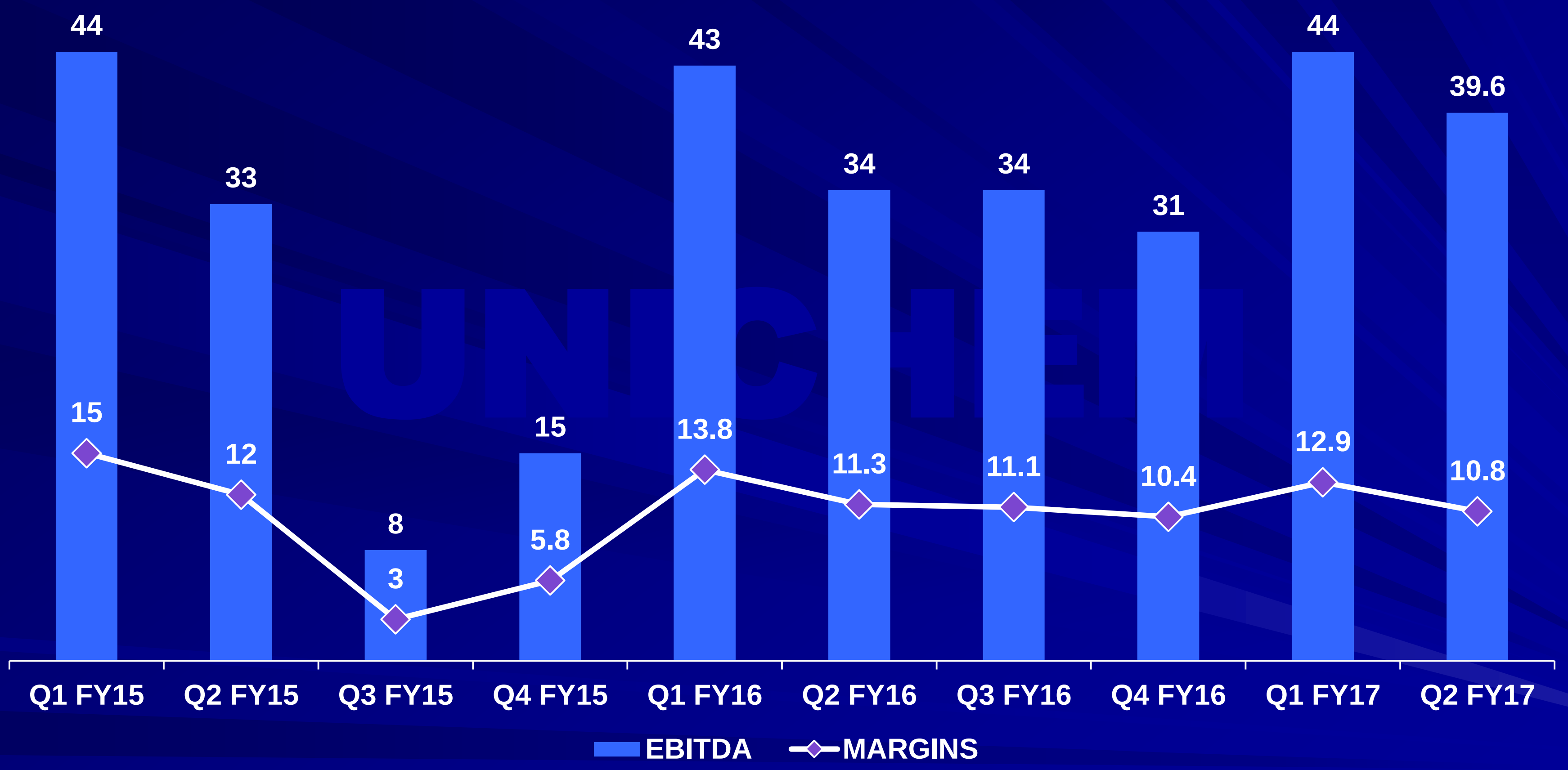
Consolidated Financials {Rs. Crores}



Standalone EBITDA Profile from FY 15 onwards



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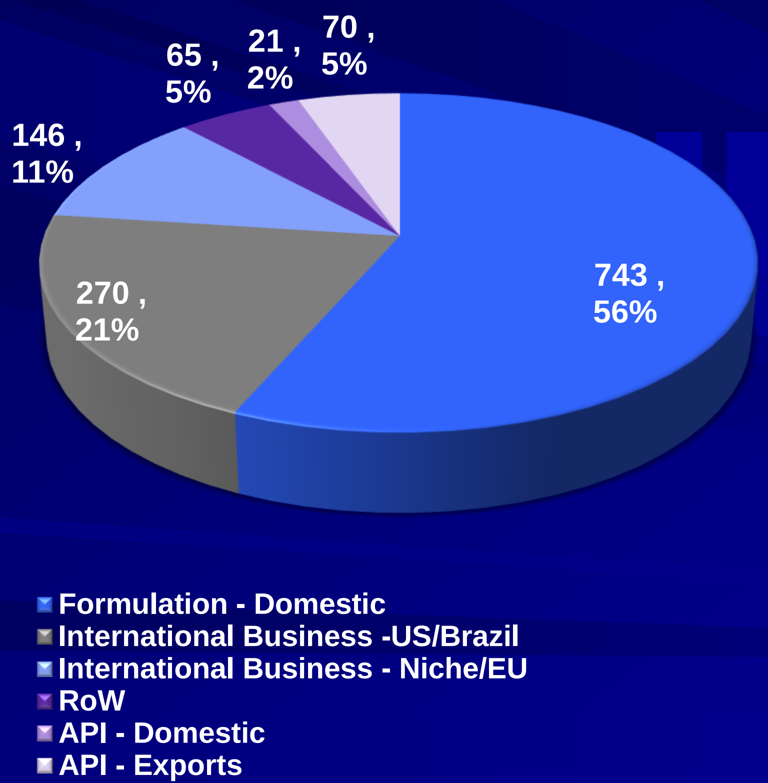
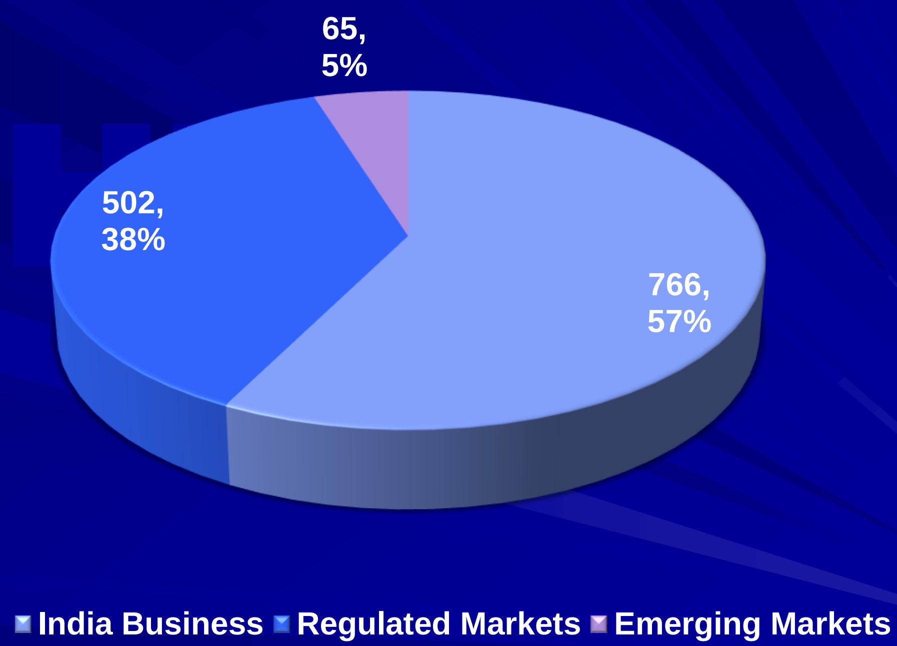
Revenue & Business areas break-up

Consolidated – FY 2016

Revenue Break-up by Segment
Rs. Crores

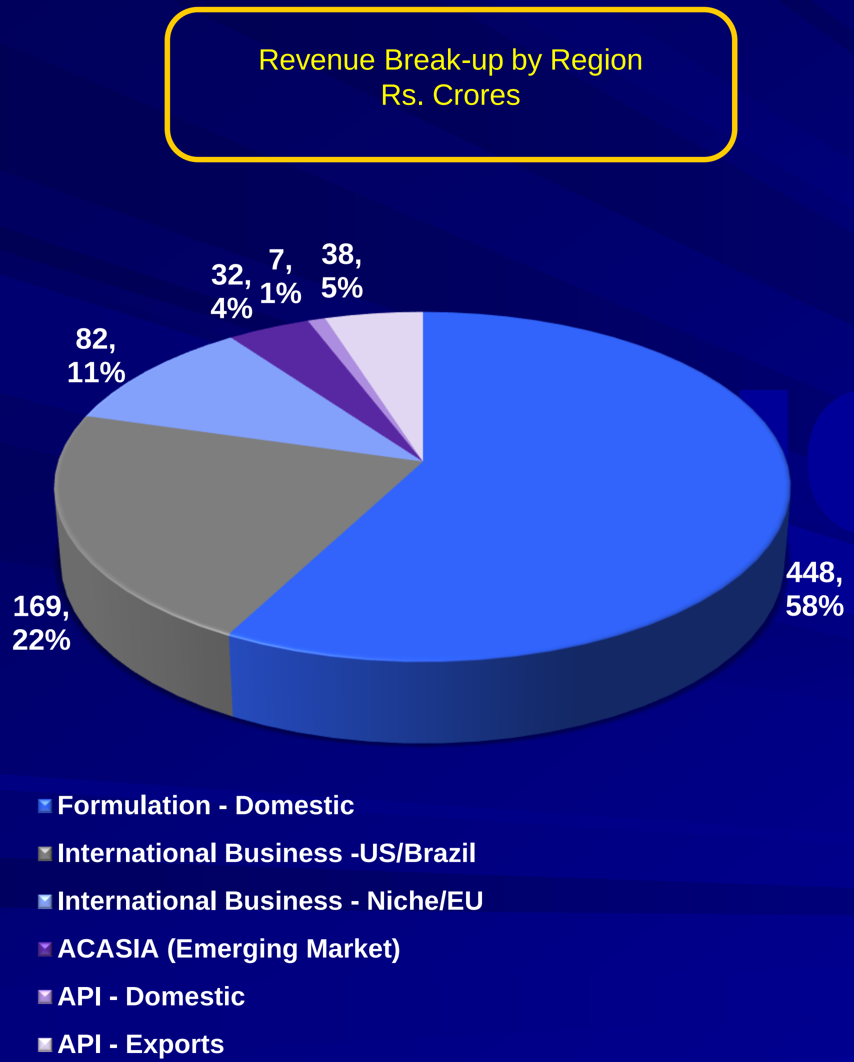


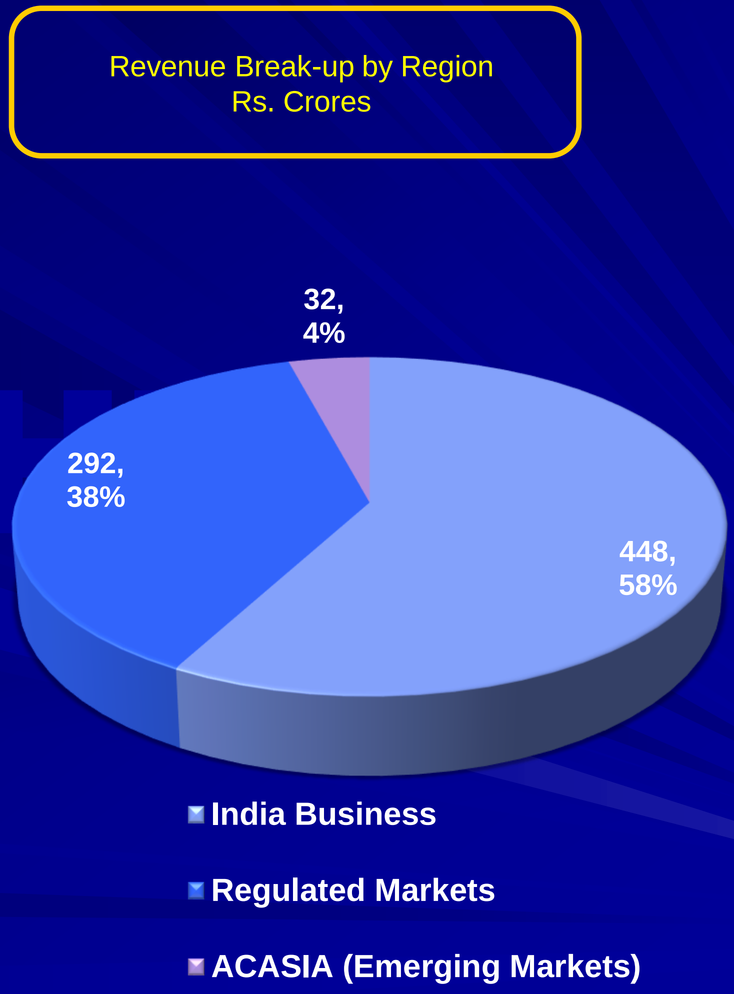
Revenue Break-up by Region
Rs. Crores



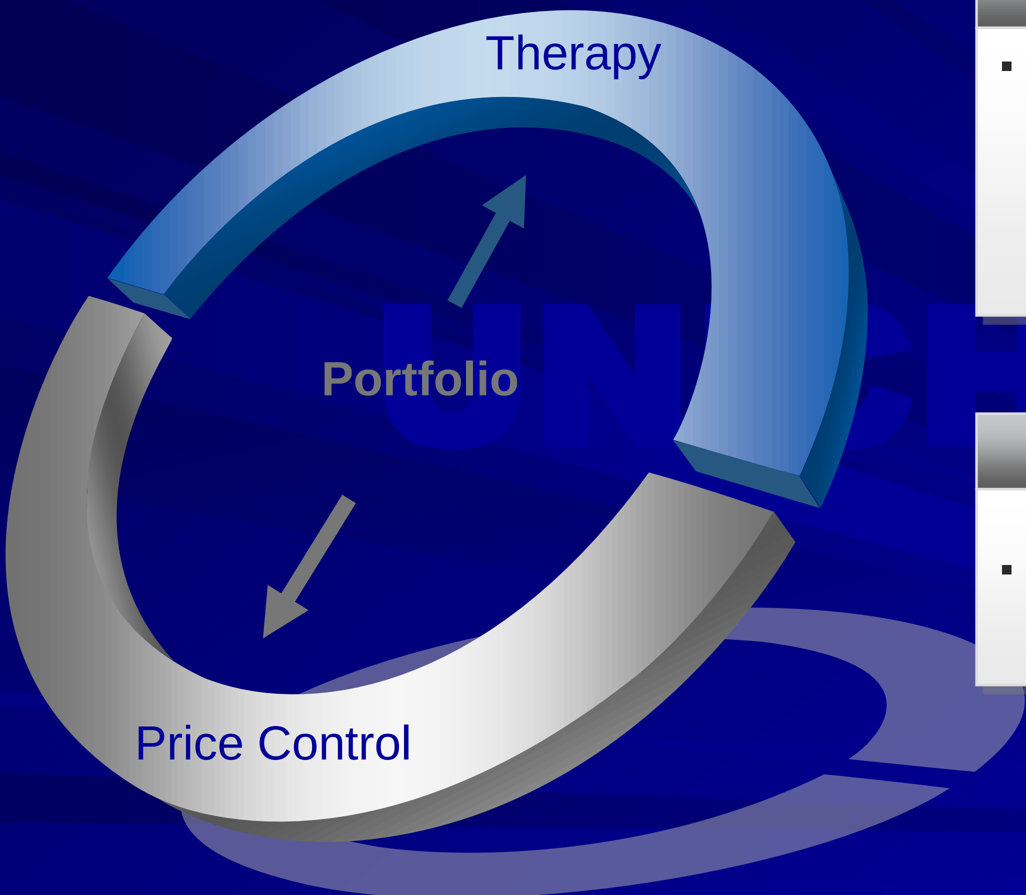
Revenue & Business areas break-up

Consolidated – H1 FY 2017





Portfolio
Therapy Dominance & Price Control



Therapy

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

Price Control

- Less than 20% of Domestic Portfolio (in value terms) are under DPCO 2013.

** primary Sales – MAT Sept, 2016*

Unichem in The Indian Pharma Market

Rs. Crores

	Indian Pharmaceutical Market	MAT Sept, 2016	% Growth
	Total Size of the Market	*103820*	*10.9*
	Unichem Represented (Covered) Market	*49777*	*10.6*
Sr. No	**Top Companies in Covered Market**		
1	Sun Pharma + Ranbaxy	*5397*	*11.2*
2	Alkem	*2789*	*10.4*
3	Mankind	*2433*	*17.3*
4	Cipla	*2124*	*9.8*
5	Zydus	*2122*	*7.8*
6	Lupin	*1976*	*9.8*
7	Macleods	*1911*	*9.3*
8	Abbott Healthcare	*1839*	*6.8*
9	Aristo	*1731*	*12.7*
10	Intas	*1540*	*13.8*
18	Unichem Labs	*935*	*13.5*

Source: AWACS MAT Sept, 2016

Unichem's Therapy Gaps in the market

	MAT Sept' 16 Value Rs. Crs	% of Total Value	No. of Sub-Segments	% of Total No. of Segments
Unichem Non-Represented Segments	54,043	52.1%	2,620	87.6%
Unichem Represented Segments	49,777	47.9%	372	12.4%
Total Market	103,820	100.0%	2,992	100.0%

- Unichem is represented in 372 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

Source: AWACS MAT Sept, 2016

Domestic Formulations: Divisions

Chronic (6)

Division	Sub-division	Covered Therapies	Covered Specialist
Cardio-Diabeto (4)	CVS-Life	Anti-Hypertensive & Anti-Anxiolytics	Cardiologists, CPs & GPs
	CVS-Star	Anti-Hypertensive, Statins & Anti-Anginal	Cardiologists, Diabetologists, CPs & FPs
	CD	Anti-Hypertensive, Statins, Diabetes mngmt	Cardiologists, Diabetologists, CPs & FPs
	Integra	Anti-Hypertensive, Statins , Diabetes mngmt & Related diseases	Cardiologists, Diabetologists, Nephrologists & CPs
Neuropsychiatry (2)	Neu-Foreva	Anti-Psychotic, Anxiolytics, Anti-Migraine, & Anti-Depressant	Neurologists, Psychiatrists & CPs
	Uni-Foreva	Anti-Depressant, Anti-Psychotic, Anti-Epilepsy, Muscle relaxant, High end Anti Biotic	Neuro Physicians, Neuro Surgeons & Psychiatrist

Domestic Formulations: Divisions

Division	Brand	Covered Therapies	Covered Specialist
Acute (6)			
Anti-Infective/Allergy & Gastro (3)	UVA	Anti-Infective & Gastrointestinal, Anti-Pyritic & related products	GPs, NGPs, CPs, pediatrics, & Gynecologists, Extra Urban/Urban
	Vector	Anti-Infective, Multi Vitamins, NSAIDs, & Respiratory	GPs, CPs, ENT, Dentists, & Pediatrics
	Wellness - OTX	Gastrointestinal	
Pain Management/ Gastro (1)	Vitus	NSAIDs, Muscle Relaxants, Anti-Arthritis, Anti-Osteoporosis & Gastro segments	Orthopedics, Surgeons, & CPs
Derma-Gynec (1)	Unikare	Anti-Allergic, Antioxidants, Revitalizers, Haircare, Infertility, Contraceptives, Hormones etc.	Dermatologists & Gynecologists
Intensive Care Management (1)	Lifecare	Focusing on: Corporate Hospitals, Nursing homes, Intensive care, Gastro Specialists, Chest Specialists, Ortho Surgeons, General Surgeons & Neuro Surgeons	

Domestic Business: Customer Coverage

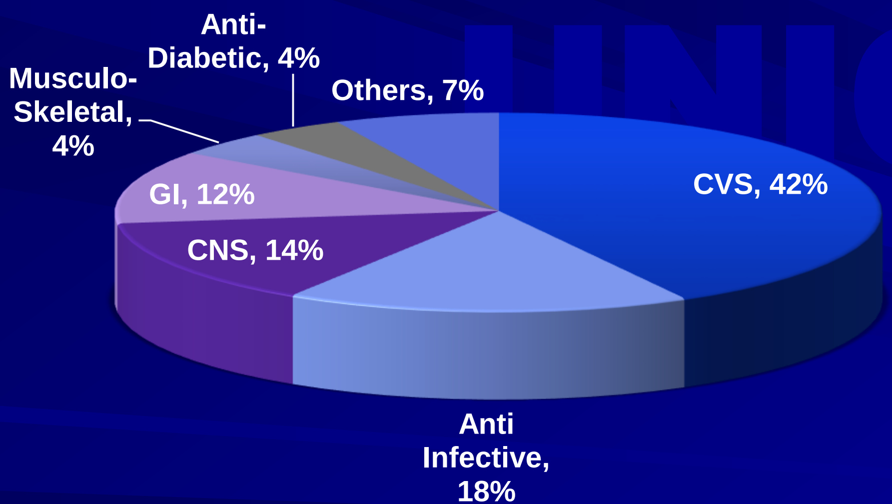
- **Penetration**
  - 6 Chronic Verticals manned by ~1300 + CBAs
  - 6 Acute verticals manned by ~1200 + CBAs

- **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 Rs170cr
- # 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 45 therapeutic sub-groups
- Healthy balance between chronic *(~58%)* & acute *(~42%)*

Source: AWACS MAT Sept, 2016

Brand Building – Focus Brand Portfolio

- # Top 10 Brands contributes ~45% of the company's domestic revenues
  - *Losar H, Ampoxin, Losar, Unienzyme, Vizylac, Trika, Serta, Unistar, Arkamin and Telsar*

- Top 50 Brands contributes ~80% of the company's domestic revenues
  - # 4 - Rs. 50+ crore brands
  - # 1 - Rs. 30 - 50 crore brand
  - # 2 - Rs. 20 - 30 crore brands
  - # 14- Rs.10 - 20 crore brands
  - # 48 - Rs. 3 - 10 crore brands

Source: AWACS MAT Sept, 2016

Top 10 Product Groups Performance

Rs. Crores

	MAT Sept, 2016	% Growth	% Market Share	% Contribution to Revenue
Total Revenue	**935**	**13.5**	**0.9**	**100.0**
Losar Group	**184**	**11.5**	**36.7**	**19.7**
Ampoxin Group	**76**	**1.2**	**45.8**	**8.1**
Unienzyme	**58**	**-5.5**	**15.4**	**6.2**
Telsar Group	**55**	**14.4**	**3.0**	**5.9**
Olsar Group	**37**	**17.3**	**5.4**	**4.0**
Vizylac	**35**	**15.7**	**13.2**	**3.7**
Pregaba Group	**30**	**35.8**	**5.3**	**3.2**
Trika Group	**26**	**-12.5**	**19.3**	**2.8**
Serta	**23**	**13.2**	**27.9**	**2.4**
Metride Group	**20**	**8.9**	**0.8**	**2.1**

Source: AWACS MAT Sept, 2016

AWACS Data – MAT Sept, 2016

Therapy Market Segment	Representative Market		Unichem Laboratories		
	Size (Rs. Crs)	*% Growth*	Sales (Rs. Crs)	*% Share*	*% Growth*
Cardiac Care	8078	9.0	394	4.9	13.6
Anti-Infectives	11364	7.1	157	1.4	8.9
Neuro-Psychiatry	3513	12.1	127	3.6	18.8
Gastro Intestinal	6231	10.8	110	1.8	2.2
Musculoskeletals	4467	12.9	39	0.9	28.1
Anti – Diabetic	3955	19.8	38	1.0	44.0
Others	12169	11.1	70	0.6	13.8
TOTAL	49777	10.6	935	1.9	13.5

Source: AWACS MAT Sept 2016

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 (Re-Certified recently), ANVISA, TGA, MHRA
  - Goa – for catering both to regulated and developing regulated markets
    - Regulatory approvals – USFDA (Re-Certified recently), 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 (Re-Certified recently), 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
  - Optimal use of Manufacturing Assets
  - Over the Counter - In Gastrointestinal market with Unienzyme through Wellness division

  - **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

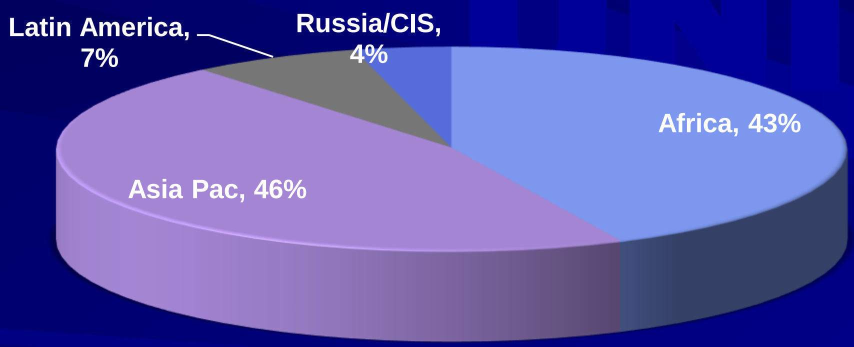
- Company has made significant investments in building infrastructure which includes new R&D centre and API plants for captive consumption to support international business
- Company is in process of further augmenting it API & Formulation capacities for expected future growth
- Regulatory Approvals
  - Goa Plant - USFDA (Re-Certified recently), MHRA, ANVISA, TGA
  - Ghaziabad Plant - USFDA (Re-Certified recently), MHRA, ANVISA, TGA
- More than # 800 product registrations across the world

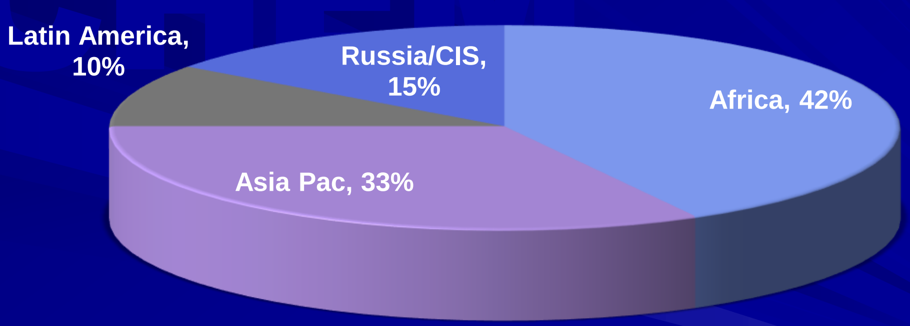
- # 37 US ANDAs filed so far and # 21 of which already approved (Incl 1 PARA IV)
  - Many more filings in the pipeline

International Business – Formulations
ACASIA : Emerging Global Markets

Geographic Mix – FY 16

Geographic Mix – H1 FY 17

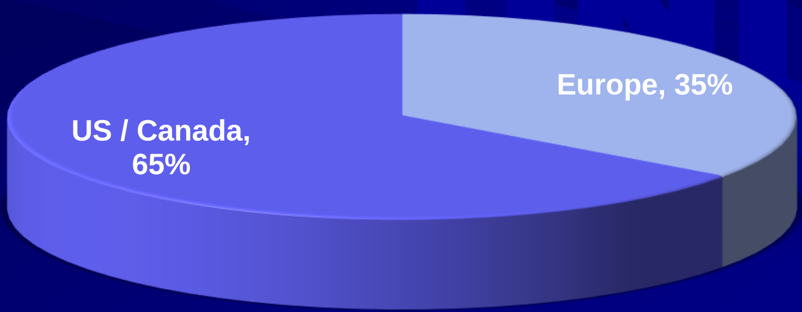




International Business – Formulations

Regulated Markets

Geographic Mix – FY 16



Geographic Mix – H1 FY 17

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
  - Longstanding relationship with large wholesalers and retail chains for products launched
  - Total number of ANDAs filed # 37 and development in progress for further filings
    - Total ANDAs approved so for # 21 including #1 PARA IV approval

- Increase in R & D Investments 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 also looking to extend into other geographies
- 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 : 100% subsidiary in Ireland

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API-World class Manufacturing Facilities and Infrastructure

- Roha (Maharashtra) – Multiple plants
  - Regulatory Approvals – USFDA (Re-Certified recently), EDQM, PMDA, EU GMP, KFDA, ISO, OHSAS
- Pithampur (MP) – Multiple plants
  - Regulatory Approvals – USFDA (Re-Certified recently), EUGMP, COFEPRIS
- More than # 500 Regulatory filings (DMFs, EDMFs. e-CTDs, ACTDs etc)

API - Total Revenue (Excluding Captive)

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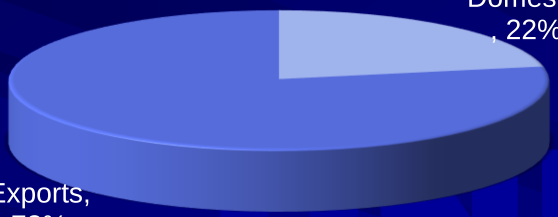
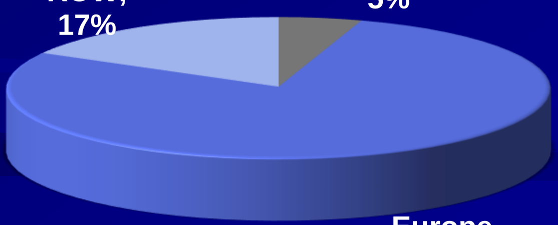
Revenue Break-up by Segment



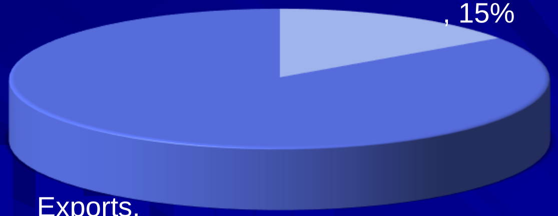
Export Revenue Break-up by Region



Total API Revenue : Rs.93 Crores

F Y H1 2017

Revenue Break-up by Segment



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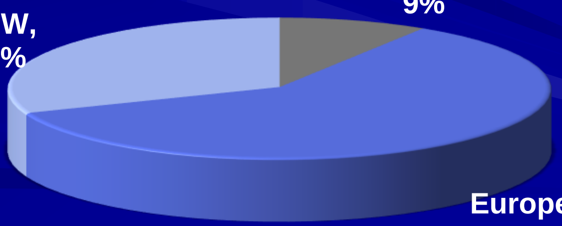

Total API Revenue : Rs. 45 Crores

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UNICHEM

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-excepient 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
- Total R & D spending of ~5 % of sales
  - More than # 300 Scientists (including more than # 30 PhDs) in R & D activities

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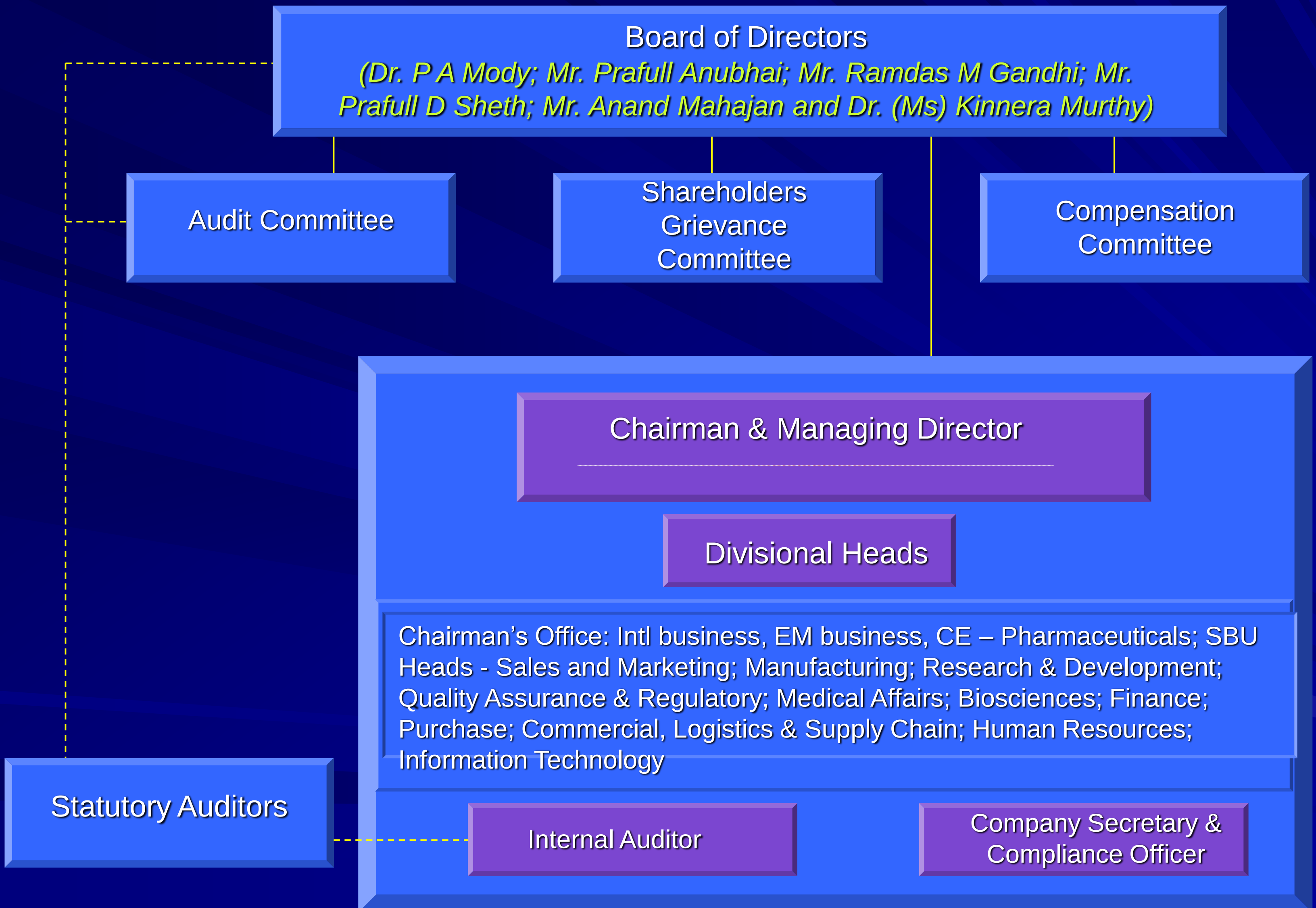
Management & Governance



Maintains high standards of Corporate Governance

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Standalone Financials *(INR Lakhs)*

STAND ALONE FINANCIALS - IND-AS (INR Lakhs)						
Particulars	Three months ended Sept 30, 2016	Three months ended Sept 30, 2015	% Growth	Six Month ended Sept 30, 2016	Six Month ended Sept 30, 2015	% Growth
Sales Income from Operations:						
Domestic Operations						
Formulations	22,695	19,207	18%	44,849	38,903	15%
API	399	857	-53%	694	1,514	-54%
International Operations						
Formulations	11,338	9,025	26%	21,053	17,352	21%
API	2,055	1,688	22%	3,834	3,815	1%
Other Operating Income	317	203	56%	570	635	-10%
Total Income	**36,804**	**30,979**	19%	**71,001**	**62,219**	14%
Expenditure:						
Material Consumption	13,194	12,115	9%	25,579	23,584	8%
% Sales Income	**35.9%**	**39.1%**		**36.0%**	**37.9%**	
Staff Cost	6,901	5,553	24%	13,224	11,032	20%
Other Expenditure	12,750	9,869	29%	23,816	19,868	20%
EBITDA	**3,958**	**3,443**		**8,382**	**7,735**	
% Total Income	**10.8%**	**11.1%**		**11.8%**	**12.4%**	
Interest	62	52	18%	121	106	14%
Depreciation	1,048	866	21%	2,024	1,746	16%
Total Expenditure	**33,955**	**28,455**	19%	**64,764**	**56,336**	15%
% Total Income	**92.3%**	**91.9%**		**91.2%**	**90.5%**	
Operating Income	**2,848**	**2,524**		**6,237**	**5,883**	
% Total Income	**7.7%**	**8.1%**		**8.8%**	**9.5%**	
Other Income	348	611	-43%	853	1,229	-31%
Profit before Tax	**3,196**	**3,135**	2%	**6,811**	**7,111**	-4%
% Total Income	**8.7%**	**10.1%**		**9.6%**	**11.4%**	
Income Tax	1,144	822	39%	2,460	1,899	30%
Net Profit before Exceptional Items	**2,052**	**2,313**	-11%	**4,629**	**5,212**	-11%
% Total Income	**5.6%**	**7.5%**		**6.5%**	**8.4%**	
Other Comprehensive Income - Net of Tax	2.17	-48.57		-20.16	-10.97	
Total Comprehensive Income after Tax	**2,055**	**2,265**	-9%	**4,609**	**5,201**	-11%
% Total Income	**5.6%**	**7.3%**		**6.5%**	**8.4%**	
Earning Per Share- Basic	**2.26**	**2.55**	-11%	**5.10**	**5.74**	-11%
Earning Per Share- Diluted	**2.26**	**2.54**	-11%	**5.09**	**5.73**	-11%
Notes: The previous period figures have been regrouped wherever necessary.						

Thank You