

# *Unichem Laboratories Limited*



*Investor Presentation*  
*Q2 & H1 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 26<sup>th</sup> in the Domestic Formulations market as per AWACS MAT June, 2015
  - 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, 2015*)
  - Largest brand / brand extensions in excess of Rs160 Cr
  - 15 brands with Rs. 10cr + Revenues
  - 25 brands with Rs. 5cr + Revenues and 20 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 51 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

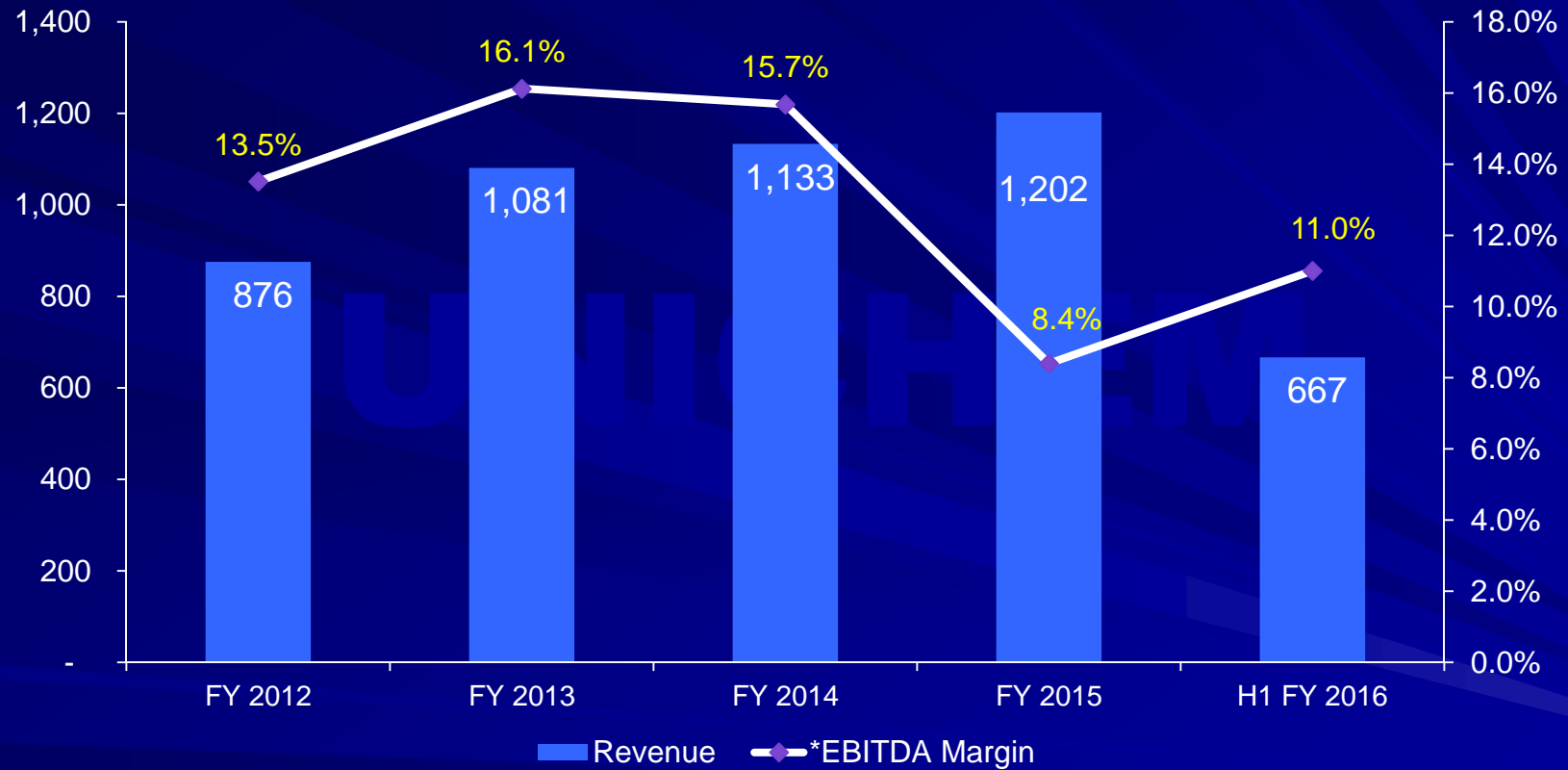
2015-16

- 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

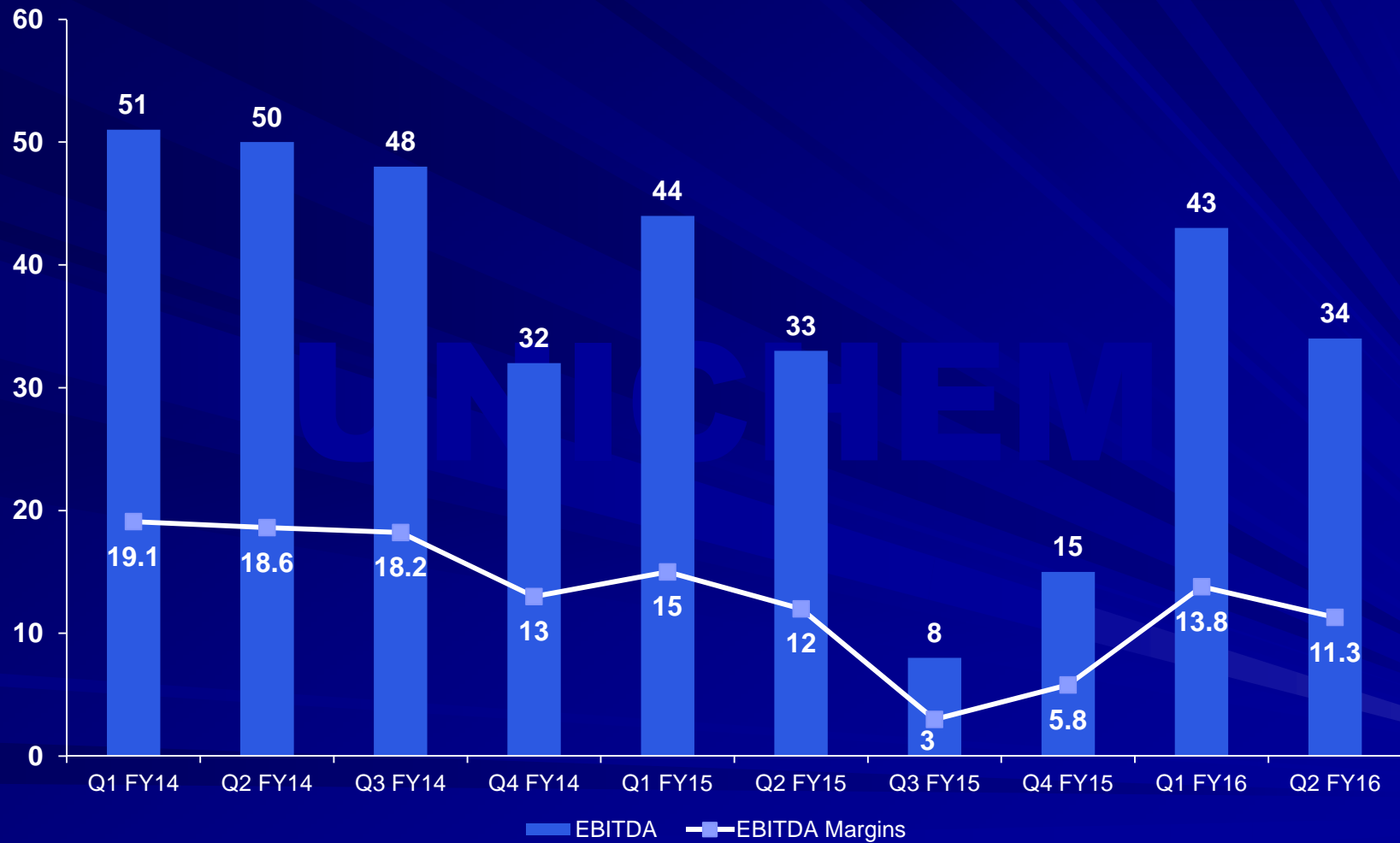
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# Unichem Consolidated Financials {Rs. Crores}



# Standalone EBITDA Profile from FY 14 onwards





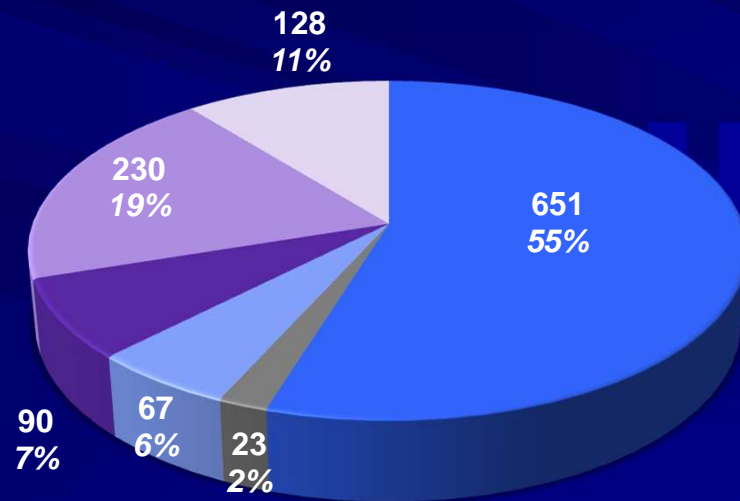
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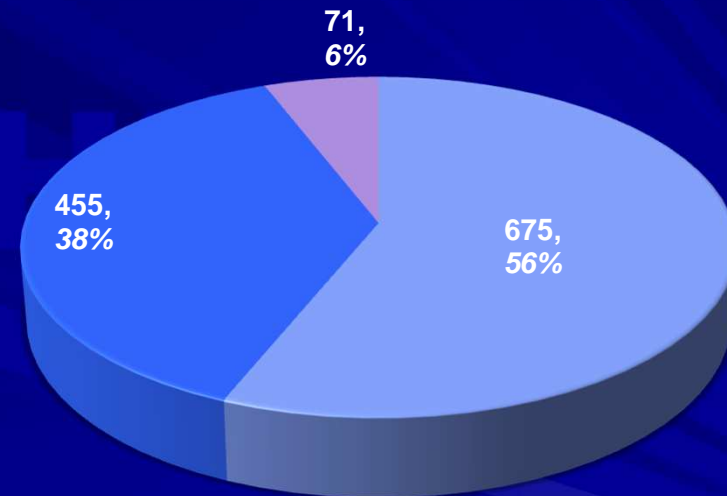
# Revenue & Business areas break-up

## 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

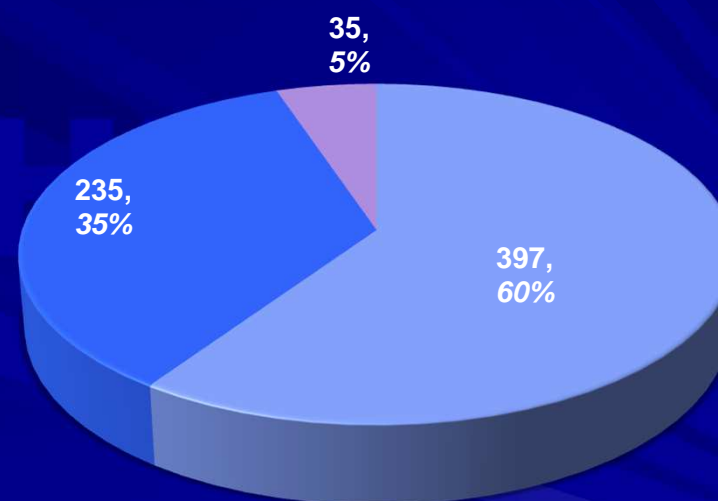
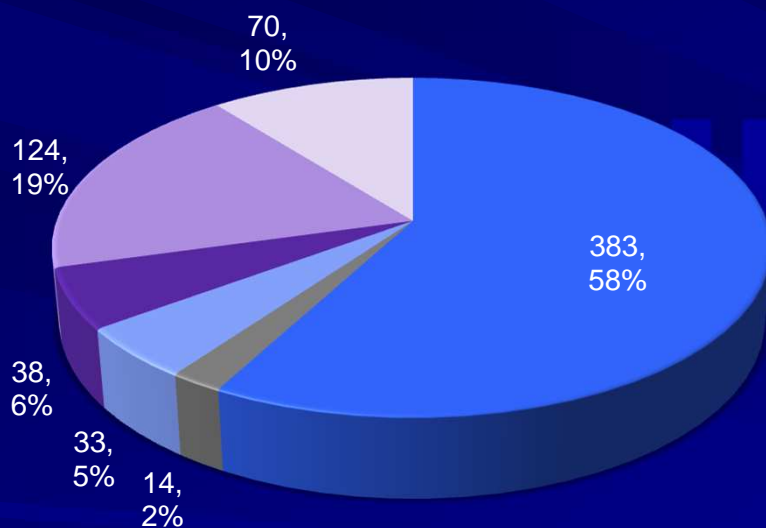
- India Business
- Regulated Markets
- Emerging Markets

# Revenue & Business areas break-up

## Consolidated – H1 FY 2016

Revenue Break-up by Region  
Rs. Crores

Revenue Break-up by Region  
Rs. Crores

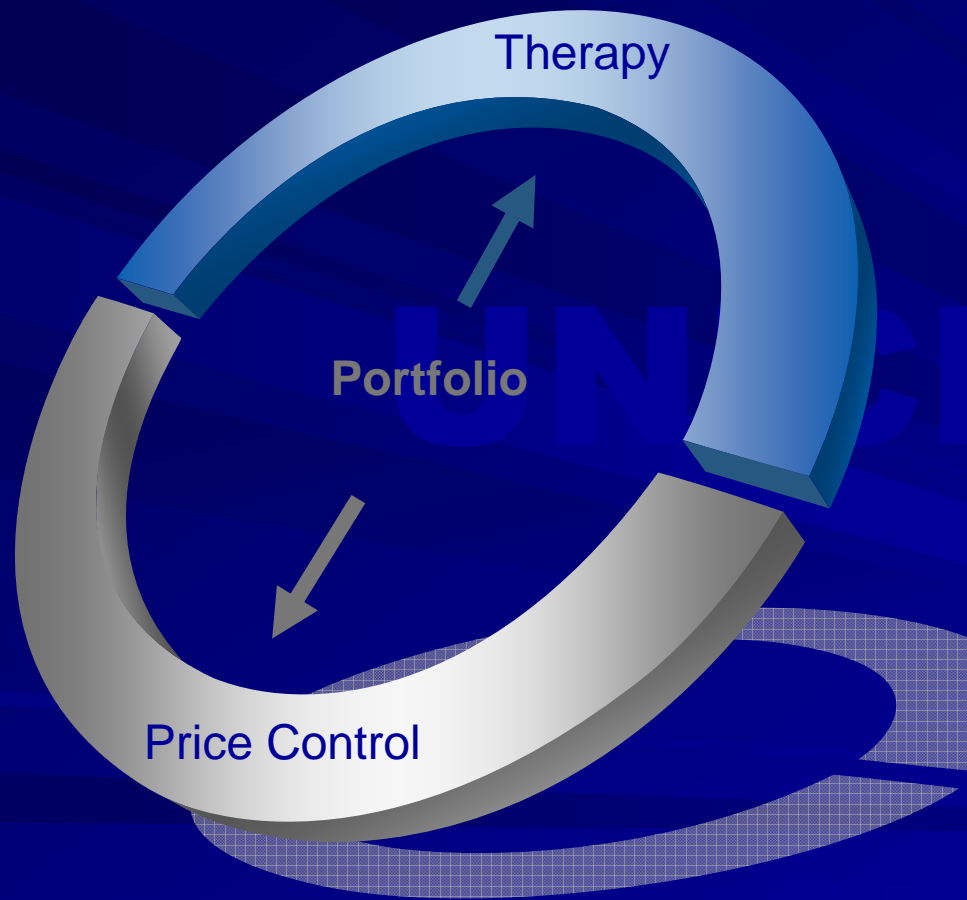


- Formulation - Domestic
- API - Domestic
- Formulation - Exports
- API - Exports
- International Business - US/Brazil
- International Business - Niche/EU

- India Business
- Regulated Markets
- Emerging Markets

# 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 15% 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	H1 FY 2016	Cumulative
Positive Cash Flow	168.4	188.7	179.6	152.1	201.3	235.9*	166.5	98.8	1,391
<b>Spending:</b>									
R & D Expenditure	23.5	29.7	40.5	39.7	36.4	52.2	65.4	27.1	315
Capital Expenditure	45.5	44.3	84.2	106.5	76.1	86.3	78.6	68.7	591
Investment in Subs	19.0	10.0	11.0	14.2	20.6	7.6	7.2	2.6	92
Dividend Payments	21.1	33.8	42.1	29.4	31.5	90.0	42.4	21.9	312
Increase in Working Capital	42.7	19.1	54.9	(15.4)	1.3	82.3	8.2	1.4	195
Others (Incl Cash Equivalents and Deposits)	16.6	51.8	(53.1)	(22.3)	35.4	71.3	(35.4)	(22.8)	42

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

# Unichem in The Indian Pharma Market

*Rs. Crores*

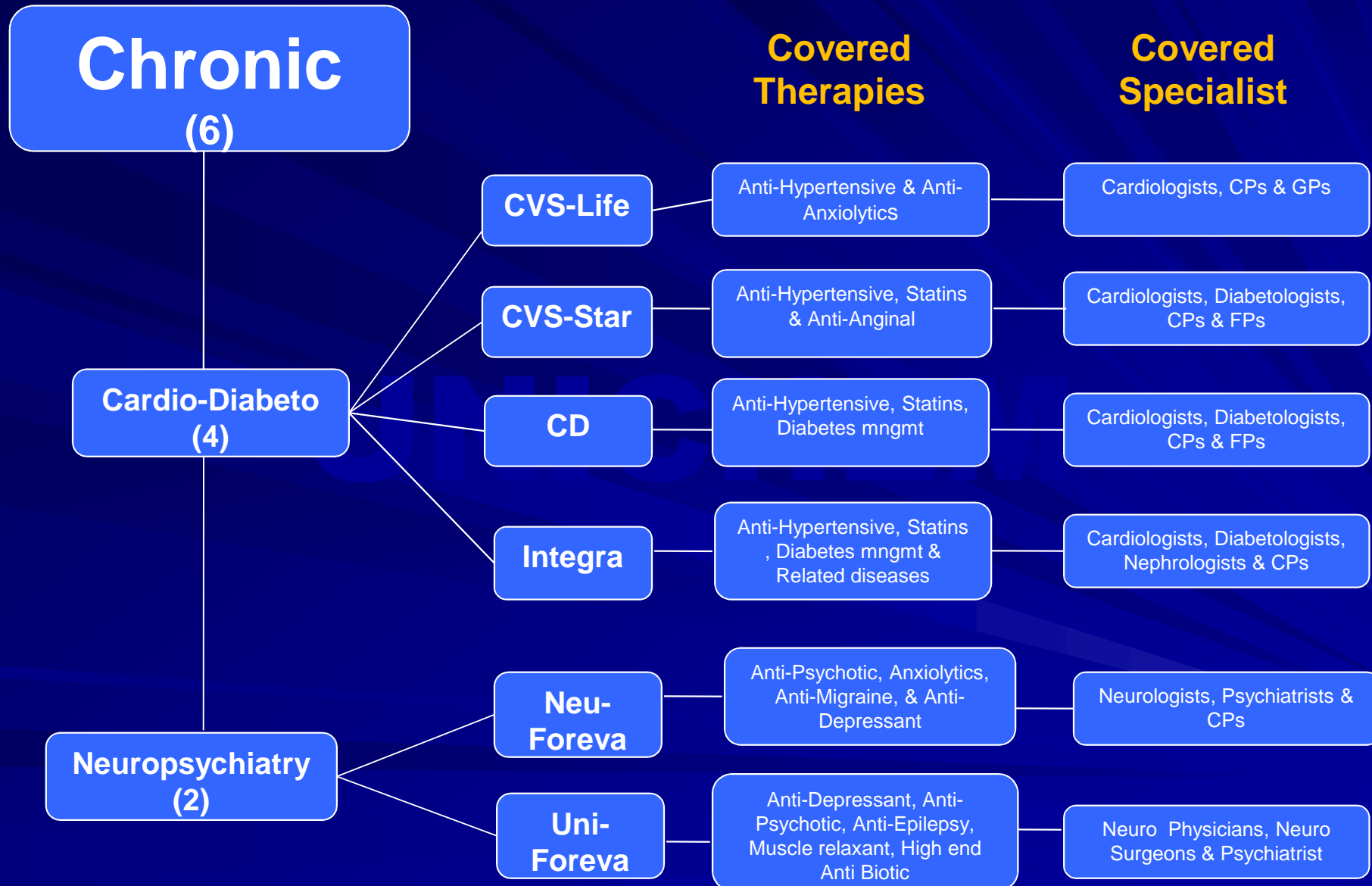
	Indian Pharmaceutical Market	MAT Sept, 2015	% Growth
	Total Size of the Market	93,021	13.7
	Unichem Represented (Covered) Market	45,228	11.7
Sr. No	Top Companies in Covered Market		
1	Sun Pharma + Ranbaxy	4,950	14.6
2	Alkem	2,441	11.9
3	Mankind	2,017	9.7
4	Zydus	1,958	5.7
5	Cipla	1,945	11.8
6	Lupin	1,856	14.8
7	Macleods	1,753	16.5
8	Abbott Healthcare	1,656	7.5
9	Aristo	1,542	15.7
10	Intas	1,397	18.8
18	Unichem Labs	864	7.0

# Unichem's Therapy Gaps in the market

	MAT Sept' 15 Value Rs. Crs	% of Total Value	No. of Sub- Segments	% of Total No. of Segments
Unichem Non-Represented Segments	47,794	51.4%	2,595	87.8%
Unichem Represented Segments	45,228	48.6%	360	12.2%
Total Market	93,021	100.0%	2,955	100.0%

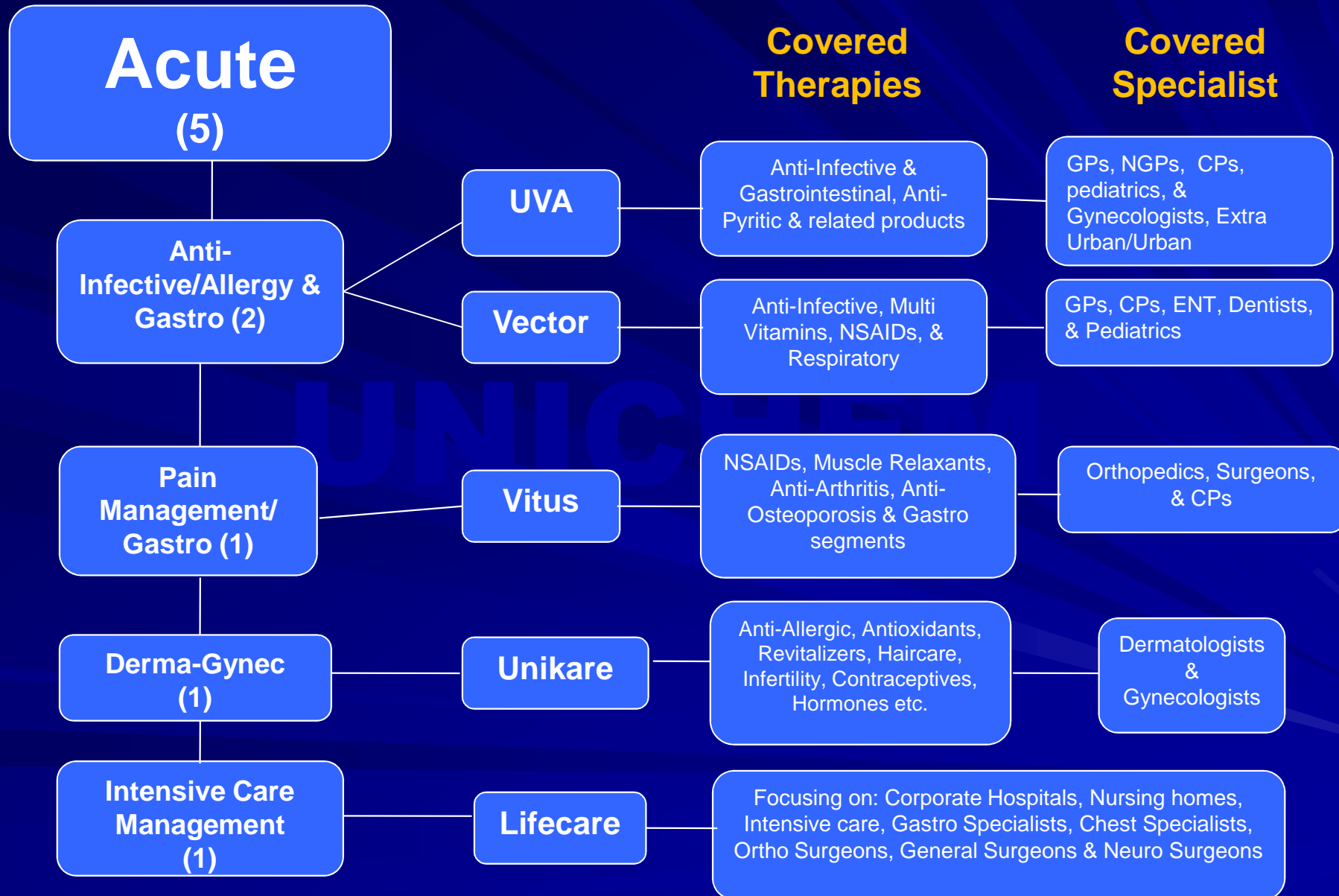
- Unichem is represented in 360 sub-segments (*about ~12 % of total sub-segments*), but covers nearly half of the IPM in value terms
- *However, opportunity does exist for more Unichem introductions in high growth non-represented segments*
- **Opportunity exists in the following Therapeutic Segments:**
  - 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

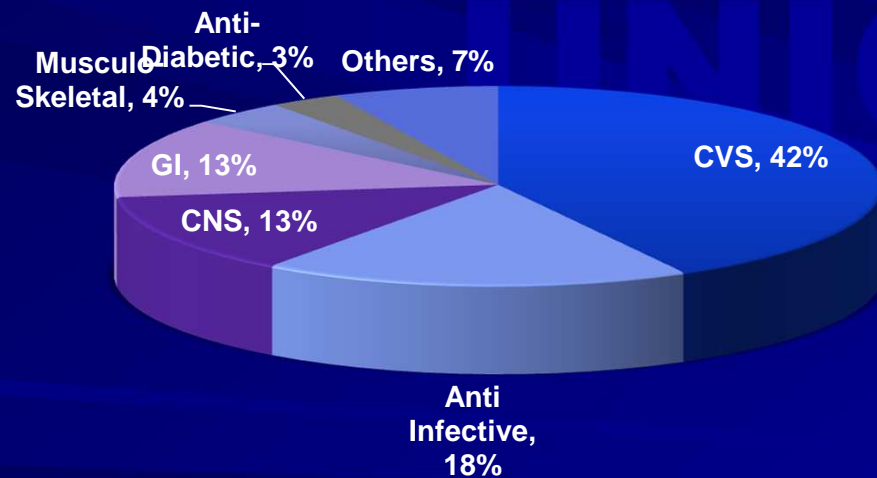
*Cardiologists, Diabetologists, Neurologists, Psychiatrists, Nephrologists, Gynaecologists (Infertility treatment), CPs, GPs etc.*

### ■ 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 51 therapeutic sub-groups
- Healthy balance between chronic (~58%) & acute (~42%)

# Brand Building – Focus Brand Portfolio

- # Top 10 Brands contributes ~49% of the company's domestic revenues
  - *Losar H, Ampoxin, Unienzyme, Losar, Vizylac, Trika, Serta, Unistar, Telsar, and Telsar-H*
  
- Top 50 Brands contributes ~81% of the company's domestic revenues
  - # 4 - Rs. 50+ crore brands
  - # 1 - Rs. 30 - 50 crore brand
  - # 2 - Rs. 20 - 30 crore brands
  - # 10 - Rs. 10 - 20 crore brands
  - # 45 - Rs. 3 - 10 crore brands

# Top 10 Product Groups Performance

*Rs. Crores*

	MAT Sept, 2015	% Growth	% Market Share	% Contribution to Revenue
Total Revenue	<b>864</b>	7.0	0.9	100.0
Losar Group	<b>172</b>	8.7	34.5	20.0
Ampoxin Group	<b>78</b>	11.2	44.3	9.1
Unienzyme	<b>65</b>	13.9	17.6	7.5
Telsar Group	<b>51</b>	2.7	3.4	5.8
Vizylac	<b>32</b>	12.8	14.1	3.7
Olsar Group	<b>33</b>	0.5	5.3	3.8
Trika Group	<b>32</b>	10.5	22.7	3.7
Pregaba Group	<b>23</b>	44.1	5.7	2.7
Serta	<b>21</b>	8.5	28.3	2.4
Metride Group	<b>19</b>	-7.0	0.9	2.2

## AWACS Data – MAT Sept, 2015

Therapy Market Segment	Representative Market		Unichem Laboratories		
	Size (Rs. Crs)	% Growth	Sales (Rs. Crs)	% Share	% Growth
Cardiac Care	7,373	14.4	361	4.9	2.4
Anti-Infectives	10,602	6.3	152	1.4	6.2
Gastroenterologicals	5784	14.6	114	2.0	15.4
Neuro-Psychiatry	3189	14.0	112	3.5	14.7
Musculoskeletal	3782	9.9	32	0.9	12.6
Anti – Diabetic	3307	15.9	27	0.8	-6.7
Others	11190	12.6	65	0.6	13.2
<b>TOTAL</b>	<b>45228</b>	<b>11.7</b>	<b>864</b>	<b>1.9</b>	<b>7.0</b>

# AWACS Data Quarterly Sales & MAT

Indicators	Market Size (Crs)	Value Growth (%)	Unichem (Crs)	Value Growth (%)
Q2 FY 16	25,218	15	221	4.6
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 (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
  - 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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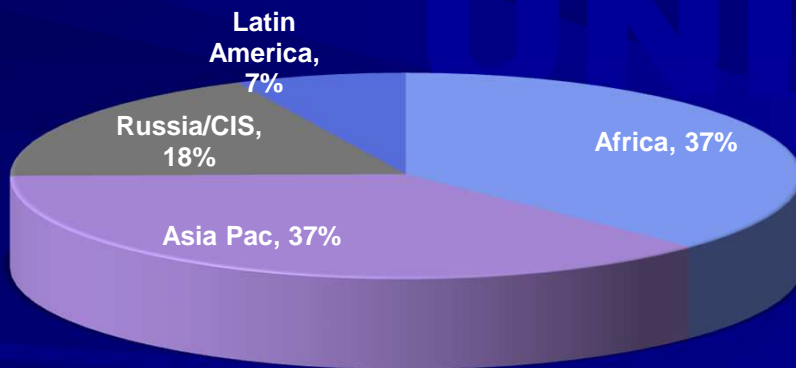
# International Formulation Business

- 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 (Re-Certified recently), MHRA, ANVISA, TGA
  - Ghaziabad Plant - USFDA (Re-Certified recently), MHRA, ANVISA, TGA
- More than # 800 product registrations across the world
  
- # 35 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

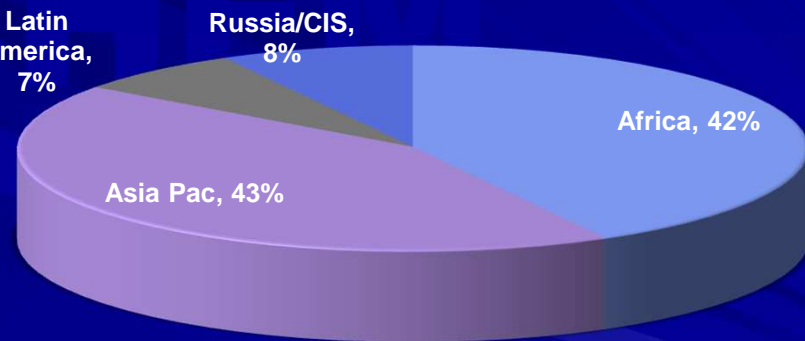
# International Business – Formulations

## Zone 1 : Emerging Global Markets

Geographic Mix – FY 2015



Geographic Mix – H1 FY 2016



# International Business – Formulations

## *Regulated Markets*

Geographic Mix – FY 2015



Geographic Mix – H1 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 # 35 and development in progress for further filings
    - Total ANDAs approved so far # 18 (Including #3 tentative approvals)
- 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
- 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

## ■ 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 (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)
- Total R & D spending is in excess of ~5 % of sales
  - More than # 275 Scientists (including # 28 PhDs) in R & D activities

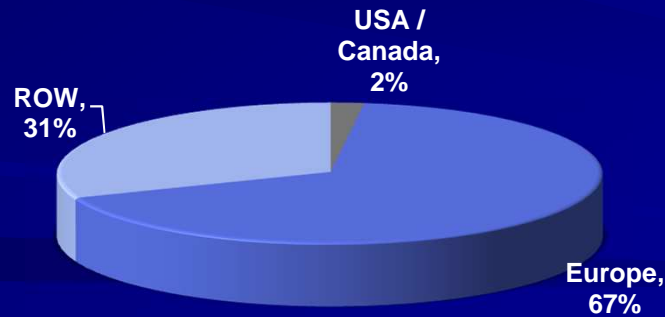
# API - Total Revenue

F Y 2015

Revenue Break-up by Segment



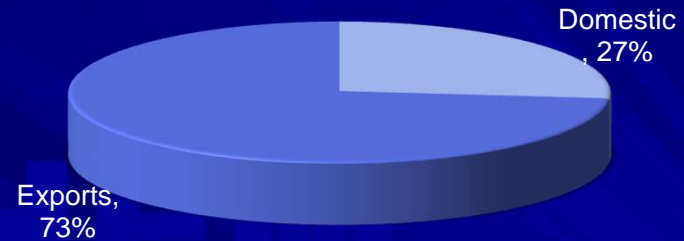
Export Revenue Break-up by Region



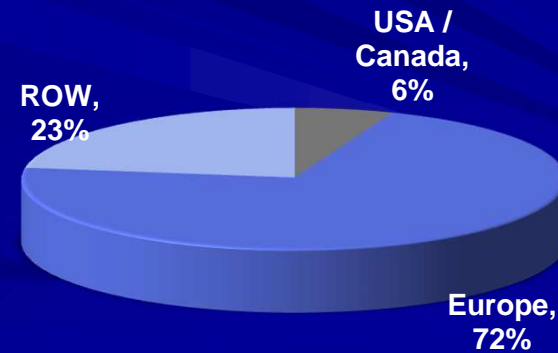
Total API Revenue : Rs.113 Crores

H1 F Y 2016

Revenue Break-up by Segment



Export Revenue Break-up by Region



Total API Revenue : Rs. 52 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
    - Captive supplies to meet growing formulations demand in regulated market
  - 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

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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 Sept 30, 2015	Three months ended Sept 30, 2014	% Growth	Six months ended Sept 30, 2015	Six months ended Sept 30, 2014	% Growth
<b>Sales Income from Operations:</b>						
<i>Domestic Operations</i>						
Formulations	18,847	16,658	13%	38,274	34,661	10%
API	793	588	35%	1,386	1,314	6%
<i>International Operations</i>						
Formulations	9,025	7,889	14%	17,353	15,354	13%
API	1,688	2,360	-28%	3,815	5,016	-24%
Other Operating Income	203	320	-37%	635	569	12%
<b>Total Income</b>	<b>30,555</b>	<b>27,815</b>	<b>10%</b>	<b>61,463</b>	<b>56,914</b>	<b>8%</b>
<b>Expenditure:</b>						
Material Consumption	12,115	11,032	10%	23,584	22,498	5%
<b>% Sales Income</b>	<b>39.6%</b>	<b>39.7%</b>		<b>38.4%</b>	<b>39.5%</b>	
Staff Cost	5,553	4,614	20%	11,057	9,606	15%
Other Expenditure	9,445	8,831	7%	19,112	17,104	12%
<b>EBITDA</b>	<b>3,443</b>	<b>3,339</b>		<b>7,710</b>	<b>7,706</b>	
<b>% Total Income</b>	<b>11.3%</b>	<b>12.0%</b>		<b>12.5%</b>	<b>13.5%</b>	
Interest	52	56	-7%	106	130	-19%
Depreciation	866	1,074	-19%	1,746	1,921	-9%
<b>Total Expenditure</b>	<b>28,031</b>	<b>25,607</b>	<b>9%</b>	<b>55,605</b>	<b>51,259</b>	<b>8%</b>
<b>% Total Income</b>	<b>91.7%</b>	<b>92.1%</b>		<b>90.5%</b>	<b>90.1%</b>	
<b>Operating Income</b>	<b>2,524</b>	<b>2,208</b>		<b>5,858</b>	<b>5,656</b>	
<b>% Total Income</b>	<b>8.3%</b>	<b>7.9%</b>		<b>9.5%</b>	<b>9.9%</b>	
Other Income	607	557	9%	1,223	1,074	14%
Exceptional Items (Gain/-Loss)						
<b>Profit before Tax</b>	<b>3,131</b>	<b>2,765</b>	<b>13%</b>	<b>7,082</b>	<b>6,730</b>	<b>5%</b>
<b>% Total Income</b>	<b>10.2%</b>	<b>9.9%</b>		<b>11.5%</b>	<b>11.8%</b>	
Income Tax	822	533	54%	1,894	1,478	28%
<b>Net Profit</b>	<b>2,309</b>	<b>2,232</b>	<b>3%</b>	<b>5,188</b>	<b>5,252</b>	<b>-1%</b>
<b>% Total Income</b>	<b>7.6%</b>	<b>8.0%</b>		<b>8.4%</b>	<b>9.2%</b>	
<b>Earning Per Share- Basic</b>	2.54	2.46	3%	5.71	5.79	-1%
<b>Earning Per Share- Diluted</b>	2.54	2.45	4%	5.70	5.77	-1%

Notes: The previous period figures have been regrouped wherever necessary.

Thank You