



## Analyst Presentation

22<sup>nd</sup> October 2009

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# Disclaimer

Except for the historical information contained herein, statements in this presentation and any subsequent discussions, which include words or phrases such as “will”, “aim”, “will likely result”, “would”, “believe”, “may”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “likely”, “project”, “on-course”, “should”, “potential”, “pipeline”, “guidance”, “will pursue” “trend line” and similar expressions or variations of such expressions may constitute "forward-looking statements".

These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements.

These risks and uncertainties include, but are not limited to Piramal Healthcare Limited’s ability to successfully implement its strategy, the Company’s growth and expansion plans, obtain regulatory approvals, provisioning policies, technological changes, investment and business income, cash flow projections, exposure to market risks as well as other risks.

Piramal Healthcare Limited does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

# **Financial highlights**

## **Q2 FY2010**

# Profit & Loss Account – Consolidated Q2 FY2010

Rs. million

Period ended - Consolidated	Q2 Ended			H1 Ended			Year Ended
	30-Sep-09	30-Sep-08	Gr %	30-Sep-09	30-Sep-08	Gr %	31-Mar-09
Net Sales	9,927.4	8,842.5	12.3%	18,096.1	15,885.6	13.9%	32,448.1
Other operating income	72.5	50.3	44.1%	119.2	90.4	31.9%	362.9
Total operating income	9,999.9	8,892.8	12.4%	18,215.3	15,976.0	14.0%	32,811.0
OPBIDTA	1,789.0	1,418.5	26.1%	3,390.8	2,613.8	29.7%	5,813.5
OPM %	17.9%	16.0%	-	18.6%	16.4%	-	17.7%
EBIDTA	1,789.0	1,419.0	26.1%	3,391.2	2,615.4	29.7%	5,887.3
Interest (Net)	253.7	170.3	49.0%	507.7	290.6	74.7%	838.0
Depreciation	375.3	288.3	30.2%	760.2	557.9	36.3%	1,195.7
Profit before tax (before exceptional items)	1,160.0	960.4	20.8%	2,123.3	1,766.9	20.2%	3,853.6
Exceptional items	3.6	95.5	-	3.6	136.1	-	446.1
Income tax	93.9	114.0	-	206.5	200.6	-	219.4
Profit after tax	1,062.7	733.9	44.8%	1,913.7	1,414.8	35.3%	3,162.5
Minority interest	(0.2)	17.0	-	(0.5)	15.4	-	25.6
EPS (Rs.)	5.1	3.5	44.7%	9.2	6.8	35.3%	15.1
EPS before exceptional items	5.1	3.9	30.4%	9.2	7.4	24.8%	17.3

# Profit & Loss Account – Consolidated Q2 FY2010

## Ratios

No.	Particulars	Q2 Ended		H1 Ended		Year Ended
		Q2- Sep09	Q2- Sep08	H1- Sep09	H1- Sep08	31-Mar-09
1	Net Operating Income	100	100	100	100	100
2	Total Expenditure	82.1	84.0	81.4	83.6	82.3
	Material cost	39.3	37.6	38.7	36.7	37.6
	Staff cost	17.3	16.0	16.9	16.5	15.3
	Marketing & Selling expenses	12.2	13.8	12.7	12.6	12.8
	Process Development and Research	2.0	2.6	2.0	2.8	2.6
	Net Forex Expenditure	(0.2)	4.6	(0.3)	4.0	2.5
	Other expenditure (Net)	11.5	9.5	11.4	11.1	11.5
			-			
3	OPBIDT	17.9	16.0	18.6	16.4	17.7
			-			
4	Interest (Net)	2.5	1.9	2.8	1.8	2.6
5	Depreciation	3.8	3.2	4.2	3.5	3.6
			-			
6	Operating Profit before Tax & Exceptional	11.6	10.8	11.7	11.0	11.5
7	Profit before Tax and after Exceptional It	11.6	9.7	11.6	10.2	10.4
8	PAT	10.6	8.3	10.5	8.9	9.6

Note: Material cost includes cost of all material. Staff cost includes cost of all staff including factory and marketing staff. Marketing & selling expenses include promotional expenses, but exclude marketing/selling staff cost.

# Balance Sheet – Consolidated Q2 FY 2010

Rs. million

Period ended- Consolidated	As on	As on
	30-Sep-09	31-Mar-09
Equity capital	418.0	418.0
Reserves & Surplus	14,668.7	12,752.7
Networth	15,086.7	13,170.7
Minority interest	74.0	74.5
Deferred tax liability (Net)	748.4	725.5
Loan funds	14,248.0	13,390.8
<b>Total</b>	<b>30,157.1</b>	<b>27,361.5</b>
Net fixed assets	20,278.3	20,390.9
Investments	325.5	278.3
Net current assets	9,553.3	6,692.3
Inventories	5,070.8	4,833.6
Sundry debtors	5,476.0	4,866.3
Other current assets	5,875.4	5,207.7
Current liabilities	6,868.9	8,215.3
<b>Total</b>	<b>30,157.1</b>	<b>27,361.5</b>

## Ratios

Period ended- Consolidated	Year ended	Year ended
	30-Sep-09	31-Mar-09
Debt/equity ratio:	0.9	1.0
Networth	15,086.7	13,170.7
Total debt	14,248.0	13,390.8
Book value (Rs./share)	72.2	63.0
Net Sales/Net fixed assets ratio	1.8	1.6
Current assets ratios: +		
Net current assets	95	73
Inventories	50	53
Receivables	54	53
ROCE %	19.0%	19.0%
RONW %	25.4%	24.0%

Note: +Current asset ratios are Days of Gross Sales which now includes other operating income also. Previous year numbers accordingly have been restated

# **Operational highlights**

## **Q2 FY2010**



Rs. million

No.	Net Sales break-up	%	Quarter II ended			Half Year ended			Year ended
			30-Sep-09	30-Sep-08	% Growth	30-Sep-09	30-Sep-08	% Growth	31-Mar-09
1	Healthcare Solutions	52.2%	5,218.2	4,491.0	16.2%	9,615.2	7,990.8	20.3%	16,048.9
2	Pharma Solutions (1)	27.0%	2,701.4	2,752.6	-1.9%	4,599.5	5,023.7	-8.4%	10,606.5
	From Assets in India	11.9%	1,193.7	912.3	30.8%	1,795.2	1,501.2	19.6%	3,925.1
	From Assets O/s India	15.1%	1,507.7	1,840.3	-18.1%	2,804.3	3,522.5	-20.4%	6,681.3
3	Global Critical Care	8.9%	885.4	295.9	-	1,614.1	456.9	-	1,315.9
4	Diagnostics	5.5%	547.7	453.6	20.7%	1,032.3	858.5	20.2%	1,689.6
5	Others (2)	6.5%	647.3	899.7	-28.0%	1,354.2	1,646.0	-17.7%	3,150.1
	<b>Total</b>	<b>100.0%</b>	<b>9,999.9</b>	<b>8,892.8</b>	<b>12.4%</b>	<b>18,215.3</b>	<b>15,976.0</b>	<b>14.0%</b>	<b>32,811.0</b>

**Total Pharma Solution sales (excluding Huddersfield) for H1FY10 is up 8.2%**

Note: 1. Pharma Solutions excludes MMBB

2. Others include MMBB (Vitamin A, and APIs), Diagnostic Devices and Other Operating Income.

# Healthcare Solutions – growth across TAs

■ TA-wise sales break-up:

Rs. million

No.	Therapeutic area PHL Consolidated	PHL Consolidated				PHL Consolidated				Market growth
		Quarter II Ended				Half Year Ended				Market growth
		Saliency %	30-Sep-09 Rs. million	30-Sep-08 Rs. million	Gr %	Saliency %	30-Sep-09 Rs. million	30-Sep-08 Rs. million	Gr %	MAT August 09 %
1	Respiratory	16.4%	856.1	718.5	19.2%	15.1%	1,451.2	1,156.0	25.5%	10.6%
2	Anti-Infective	16.9%	882.8	677.5	30.3%	16.8%	1,619.9	1,168.1	38.7%	9.4%
3	CVS	11.5%	602.3	530.2	13.6%	12.7%	1,224.0	1,053.3	16.2%	15.1%
4	CNS	9.2%	479.4	414.4	15.7%	10.2%	979.7	860.9	13.8%	15.3%
5	Nutritionals	6.6%	346.0	303.5	14.0%	6.6%	637.9	548.2	16.4%	11.2%
6	Biotek	1.5%	80.1	67.1	19.4%	1.6%	149.8	137.7	8.7%	-
7	Anti-Diabetic	5.8%	301.5	241.3	24.9%	6.3%	606.7	487.0	24.6%	15.8%
8	Gastro-intestinal	5.8%	301.2	268.2	12.3%	5.5%	526.7	441.6	19.3%	13.0%
9	Dermatology	3.7%	194.9	158.8	22.7%	3.8%	368.0	298.2	23.4%	17.1%
10	NSAIDs	4.6%	238.5	202.2	17.9%	4.9%	470.6	419.3	12.2%	11.7%
11	OTC	5.2%	273.6	198.6	37.7%	5.6%	535.1	380.9	40.5%	-
12	Others	10.1%	527.2	595.7	-11.5%	8.0%	767.9	784.3	-2.1%	-
13	Ophthalmology	2.6%	134.8	114.9	17.3%	2.9%	277.8	255.4	8.8%	7.0%
	<b>Healthcare Solutions</b>	<b>100%</b>	<b>5,218.2</b>	<b>4,491.0</b>	<b>16.2%</b>	<b>100%</b>	<b>9,615.2</b>	<b>7,990.8</b>	<b>20.3%</b>	<b>12.4%</b>

■ Formulations portfolio details (on a consolidated basis):

- Top-10 Brands : 27.6% of H1FY10 Sales
- Lifestyle products : 30.8% of H1FY10 Sales
- New products (launched during last 24 months) : 7.4% of H1FY10 Sales
- New products launched during the half-year : 18

# **FY2010 Guidance Review**

## ■ Guidance:

- Continuing business growth 16 – 17%
- Healthcare Solutions growth 14 – 16%
- Pharma Solutions to be Rs. 10.0 billion
- GCC to contribute Rs. 4.5 billion
- EBITDA Margin to be 21 – 22%
- EPS to be Rs. 23.5 – 24.0
- Capex: Rs. 1.8 billion

## ■ Performance: H1 FY2010

- Continuing business grew by 14.0%
- Healthcare Solutions Sales grew by 20.3%
- Pharma Solutions sales was Rs. 4.6 billion
- GCC contributed Rs. 1.6 billion
- EBITDA Margin was 18.6%
- EPS was Rs. 9.2
- Capex was Rs. 647.6 million



## **Update on Global Critical Care Business**

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# Global Critical Care – Profile of few Key members

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## **Bill Burns – President ROW sales and R&D**

- Founder of Minrad Inc., where he was associated for the last 15 years
- Earlier was CEO of Matrx Medical Inc. from 1988 to 1994, has spent 13 years before that with British Oxygen Corporation in various positions
- Two time recipient of Industry/University Technology Discovery Award

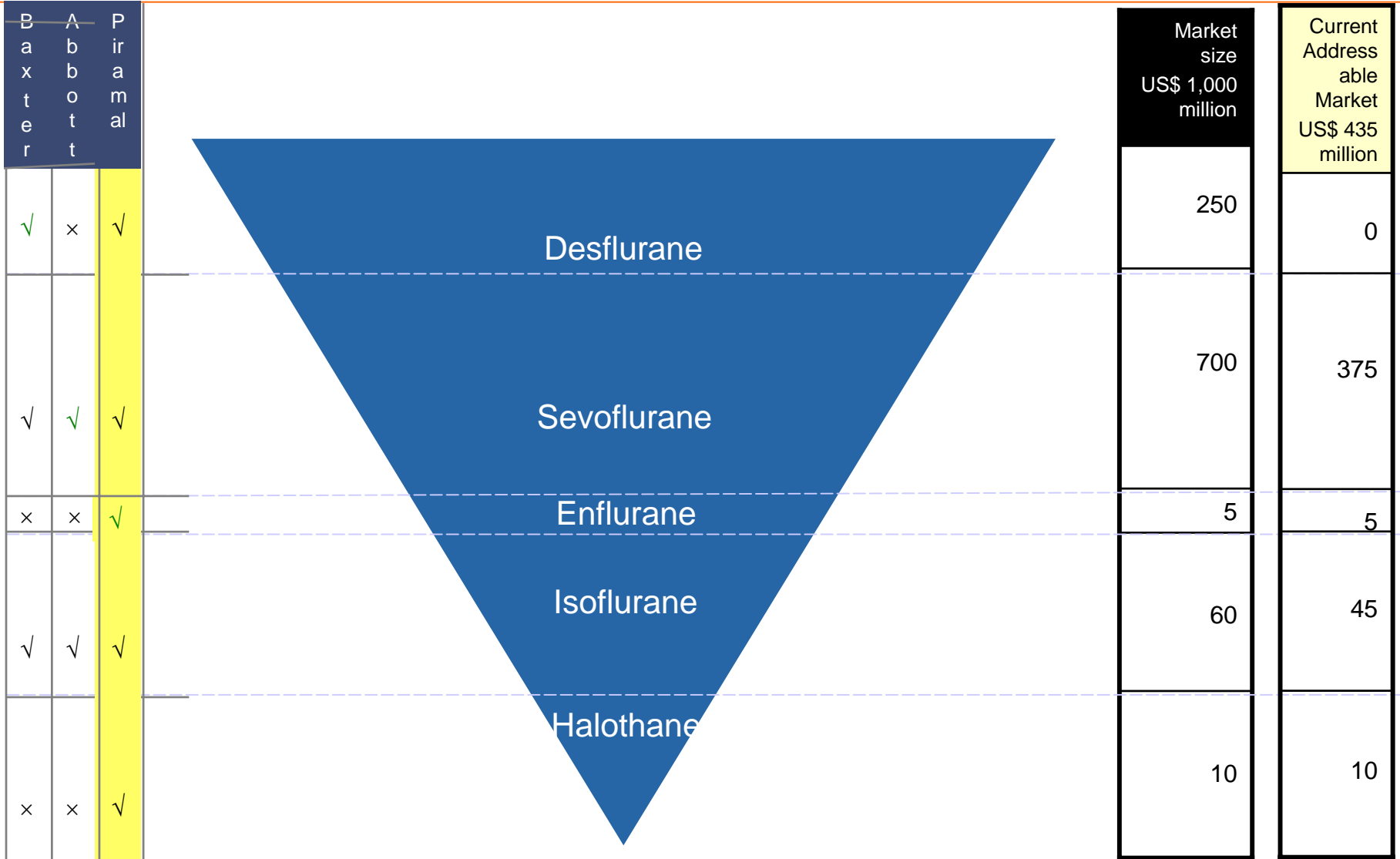
## **Michael Teague – Plant Manager - Bethlehem**

- Has worked with IPT for over a year before he joined Minrad in 2008
- Was a consultant earlier for three years and has advised many notable companies such as Novartis, Pfizer, Fujisawa and Pepsi
- Has worked with Pfizer before that for 20 years in various positions

## **Jonathan Houssian – President U.S. Business**

- Founder of RxElite, where he was associated for the last 9 years
  - Was a co-founder and CEO of Sisbro LLC, a family investment office for high net worth family based in Idaho, from 1998 to 2000
  - Has a strong background in entrepreneurial growth, sales and finance
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# Inhalation Anesthetics Market – global structure



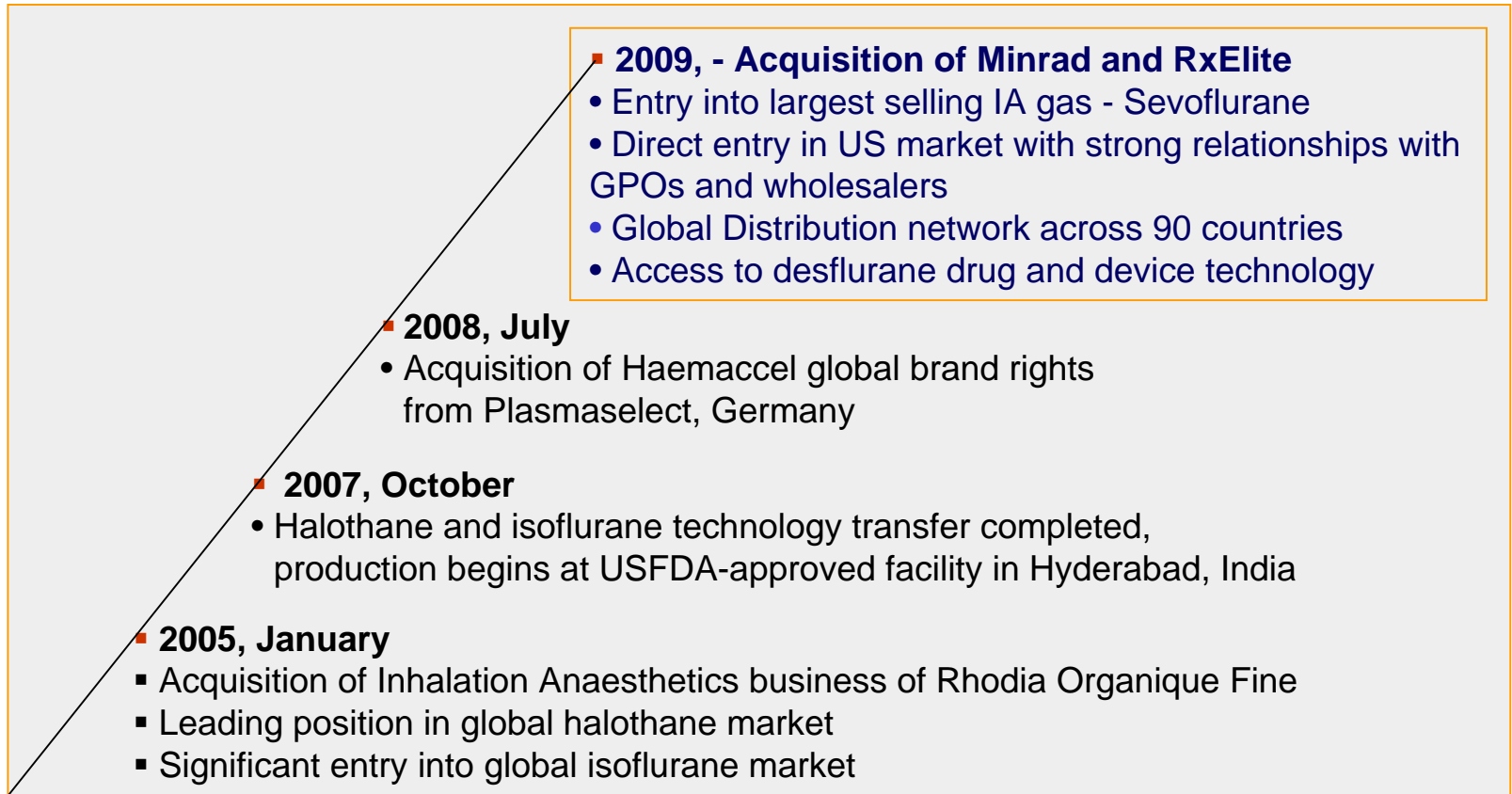
**PHL will have 15% market share in the addressable market by end FY10**

# Inhalation Anesthetics Market – high barriers to entry

- **Patented Process Chemistry with only 3 key players**
- **Complex drug and device registrations critical to enter regulated markets**
- **Installed Vaporizer base**
  - Vaporizer contract generally has customer commitment for 2-3 years
- **Handling of highly controlled CFCs including low boiling point of desflurane**
- **Complex sales process:**
  - Requires dedicated sales force for institutional pull-through and vaporizer installation  
(not generic drug sale)
  - Bid cycles are key to entering into the market – bid cycles open every 2-3 years



## Piramal GCC business – Introduction



- **2002, March**

- Acquisition of pharmaceuticals business of ICI India Limited
- Entry in Inhalation Anaesthetics: Halothane bottling

Entry

- **1998, June**

- Acquisition of Haemaccel in India from Sanofi-Aventis

## Piramal (Minrad/RxElite) – Accomplishments since acquisition

# Accomplishments since acquisition—ROW & R&D

## Integration of Distributors

- Integrated two distribution channels across 90 Countries (penalized in first half, rewarding in second half)

## Sales & Marketing

- Integration of GCC/Minrad teams completed facilitating the reduction of field-force by 30%
- Preparing Sevoflurane launch In Europe

## Margin enhancement

- Sevoflurane price realization improved by 7% as compared to Minrad pricing

## R&D

- Desflurane ANDA accepted for FDA review
- Filed significant number of new process and design patents

## Accomplishments since acquisition – Manufacturing

**Increased  
production**

- **Production increased by 100 percent**

**Supply chain  
efficiency**

- **Reduced manufacturing cost significantly by leveraging Piramal's worldwide presence**

**Regulatory**

- **Passed major European quality audit enabling us to enter European market for Sevoflurane**

**Process  
development  
efforts**

- **Process development efforts strengthened which could result in significant reduction in manufacturing cost**

## Accomplishments post acquisition – US Market

### Sales & distribution

- **Integrated sales and distribution team of Minrad and RxElite**
- **Fully built marketing and distribution platform for US market**

### GPOs

- **Large contract signed to be implemented in the Q4FY10 for Sevoflurane & Isoflurane**
- **Increased penetration into dual award GPOs**

### Increased veterinary presence

- **Large contract signed with key veterinary distributor for Isoflurane**

# Minrad/RxElite – Current Financials

US \$ Mn

Period	H1FY2008	H1FY2009 (Actual)
Sales	11.3	23.4

## Outlook/Initiatives for H2FY2010

- **Successfully implement major GPO and veterinary contracts**
- **Launch Sevoflurane in European market**
- **Continue meaningful yield improvement at Bethlehem facility**
- **Consolidate Isoflurane production globally**

Thank you