



## 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   | 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<br>PHL Consolidated | PHL Consolidated |                          |                          |              | PHL Consolidated |                          |                          |              | Market growth      |
|-----|--------------------------------------|------------------|--------------------------|--------------------------|--------------|------------------|--------------------------|--------------------------|--------------|--------------------|
|     |                                      | Quarter II Ended |                          |                          |              | Half Year Ended  |                          |                          |              | Market growth      |
|     |                                      | Saliency<br>%    | 30-Sep-09<br>Rs. million | 30-Sep-08<br>Rs. million | Gr<br>%      | Saliency<br>%    | 30-Sep-09<br>Rs. million | 30-Sep-08<br>Rs. million | Gr<br>%      | MAT August 09<br>% |
| 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

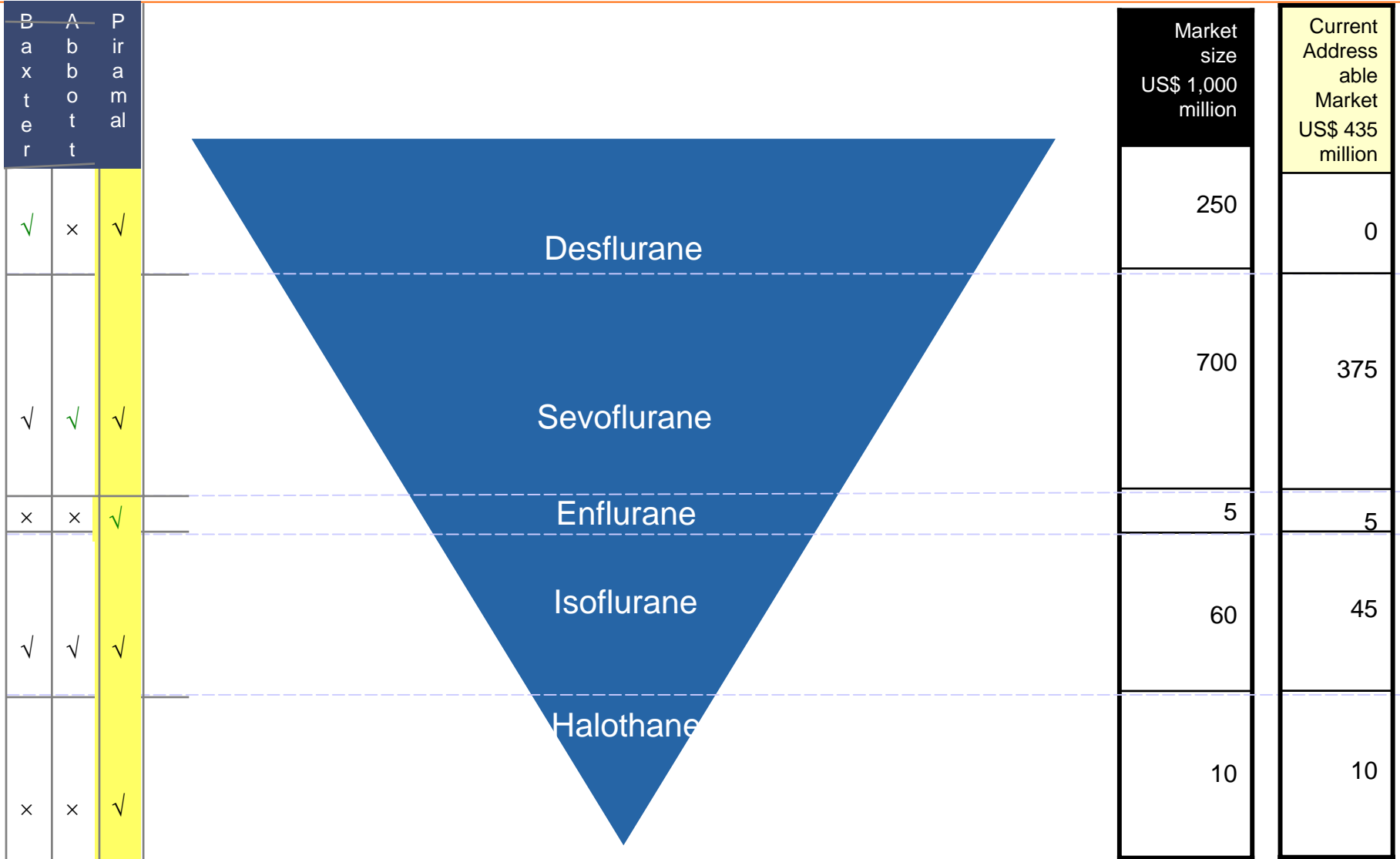
## **Michael Teague – Plant Manager - Bethlehem**

- 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



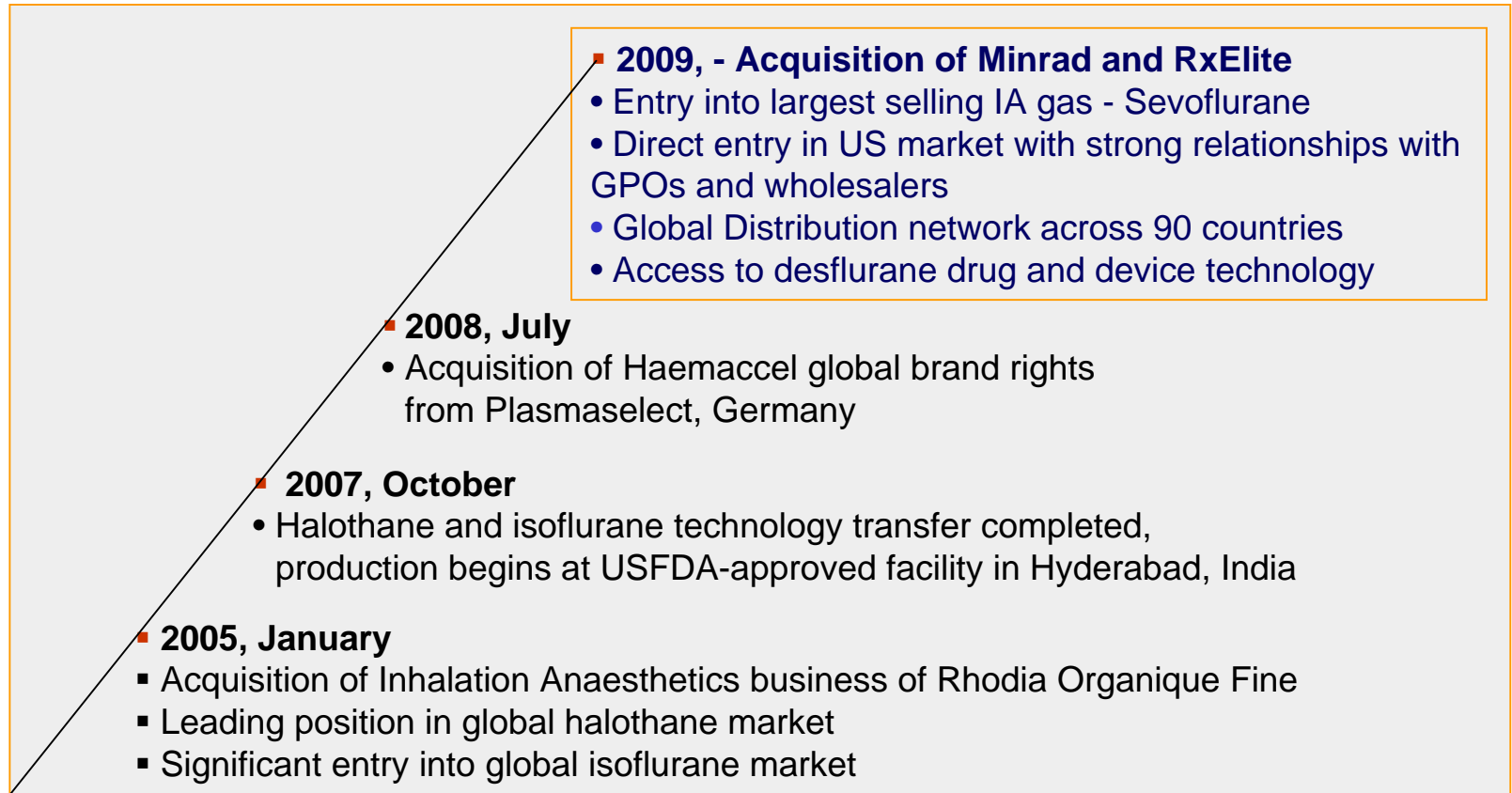
**PHL will have 15% market share in the addressable market by end FY10**

# 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



Entry

- **2002, March**
  - Acquisition of pharmaceuticals business of ICI India Limited
  - Entry in Inhalation Anaesthetics: Halothane bottling
- **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<br>(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