



Q2 FY2011 Results

Analyst Presentation
Date : 22nd October 2010

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.

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PHL – Value Creation through divestitures

Sale of Domestic formulation business and shareholding in PDSL



On 21-May-2010, Piramal sold its healthcare solution business for US \$ 3.8 billion (Rs. 17,140 crores):

| Multiples Analysis | US \$ mn |
|-------------------------------|--------------|
| Upfront Payment | 2,200 |
| Staggered Payments | 1,600 |
| Total Consideration | 3,800 |
| FY 10 Sales | 420 |
| FY 10 EBITDA | 128 |
| LTM EV/Sales multiple | 9.0x |
| LTM EV/EBITDA multiple | 29.7x |

On 14-July-2010, Piramal sold its shareholding in its subsidiary – Piramal Diagnostic Services Pvt. Ltd. for Rs. 600 crores:

| Multiples Analysis | Rs. Crs. |
|-------------------------------|--------------|
| Upfront Payment | 300 |
| Staggered Payments | 300 |
| Total Consideration | 600 |
| FY 10 Sales | 206 |
| FY 10 EBITDA | 38 |
| LTM EV/Sales multiple | 2.9x |
| LTM EV/EBITDA multiple | 15.8x |

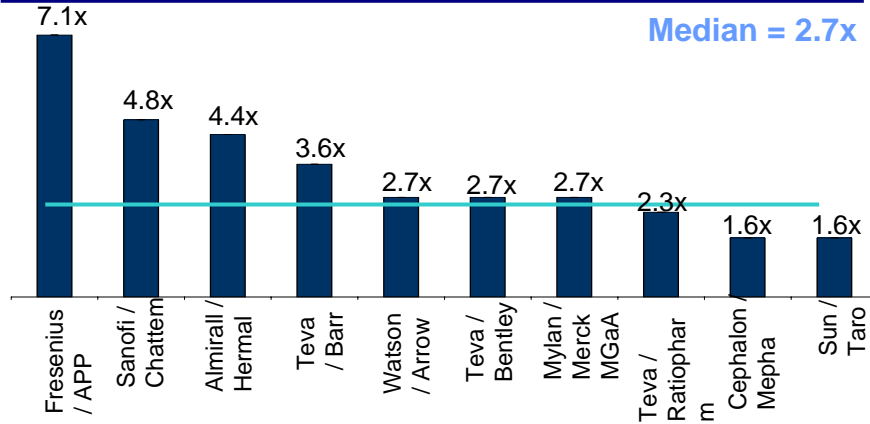
Through the two deal, PHL has unlocked value of US \$ 3.9 bn (Rs.17,800 crores)

Sale of Domestic Formulation business – record valuation

EV / Sales

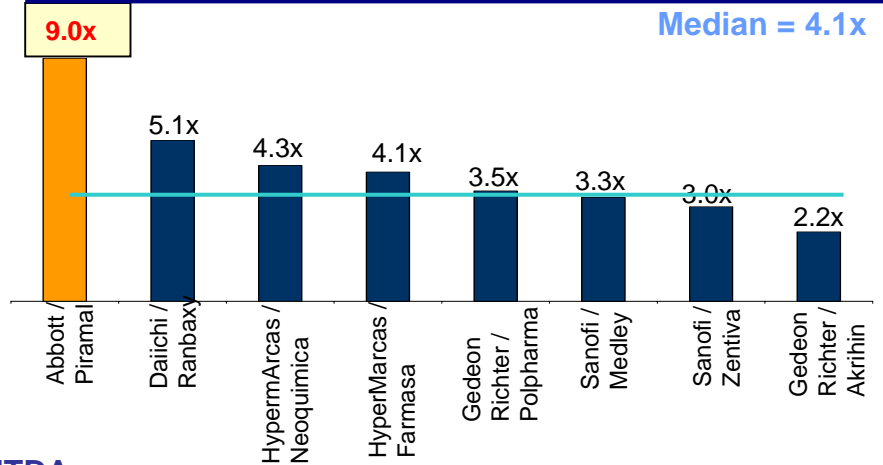
Developed Markets

Median = 2.7x



Emerging Markets

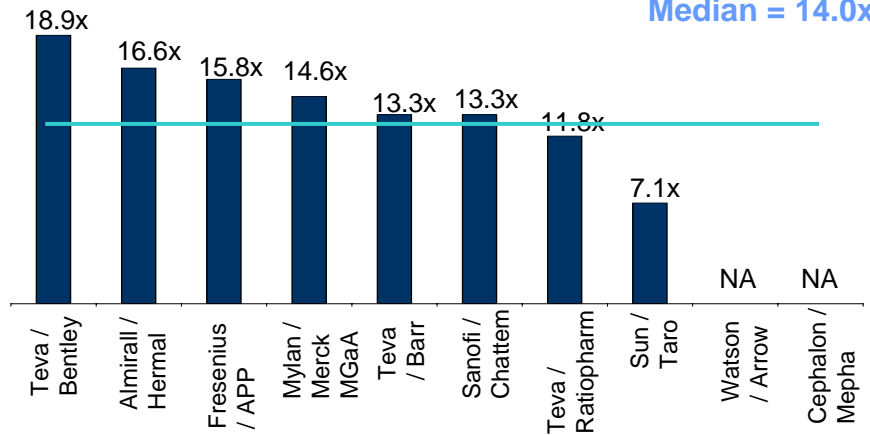
Median = 4.1x



EV / EBITDA

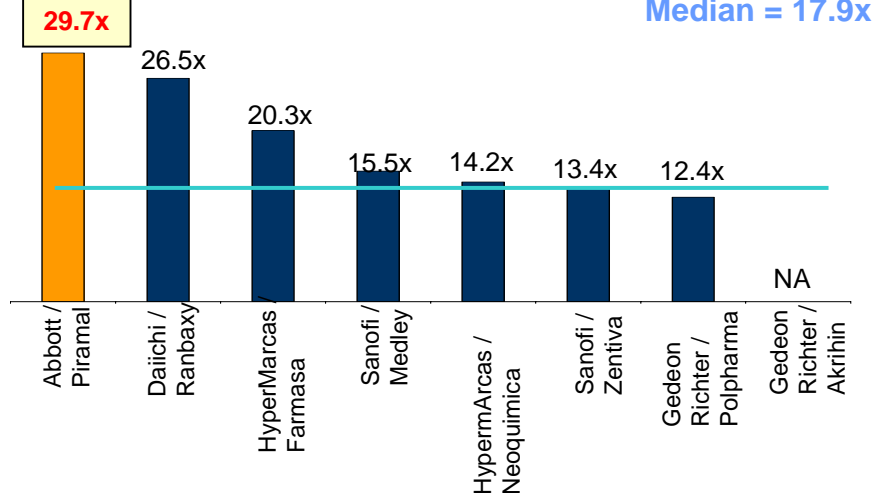
Developed Markets

Median = 14.0x



Emerging Markets

Median = 17.9x



PHL – Shareholder Reward

Shareholder Reward

The Board of Directors considered and evaluated various options to reward shareholders:

| | Special Dividend | Buyback |
|------------------|--|--|
| Taxability | Not taxable in the hands of shareholders; Company has to pay dividend distribution tax @ 16.6% | Shareholders may/may not have to pay capital gain tax; No tax Incidence on the company |
| Long term impact | None | Reduction of equity base helps company to improve ROE & future servicing to shareholders |
| Timing | Shorter timelines; receipt of cash is faster | Longer timeline, since Shareholder approval is required |

Money to Shareholders

Dividend Option:

A shareholder holding 100 shares will receive Rs.10,291 as tax free payout, if dividend declared is Rs. 102.9/- share. However total cash outflow from Company shall be Rs.12,000 (after accounting for dividend distribution tax of 16.61%)

Buy Back Option:

For the same outflow of Rs.12,000 from the company, the shareholder shall receive higher post tax cash payout as shown below:

| Assumptions | | | |
|--|------------------|-------------------|--------------------|
| No of shares | 100 | 100 | 100 |
| No of shares to be bought back | 20% | 20% | 20% |
| Buy Back Price | 600 | 600 | 600 |
| Purchase Price for short term investor | 500 | 500 | 500 |
| Purchase Price for long term investor | 350 | 350 | 350 |
| | Long Term | Short Term | FII's / MFs |
| Tax Rate | 10.30% | 30.90% | 0.00% |
| Gross Receipt | 12,000 | 12,000 | 12,000 |
| Tax | 515 | 618 | - |
| Net Receipt | 11,485 | 11,382 | 12,000 |

Considering the tax efficient nature of Buyback, the Board has decided to Buyback shares

Buy Back Offer

- PHL to buy back 4.18 crore shares representing upto 20% of the outstanding share capital of the company at the price of Rs. 600 per share
- The buyback will entail a cash outflow of Rs. 2,508 crores
- Buyback price of Rs. 600 represents a premium of 16% to 2-week average price (Rs. 519) & 19% premium to average share price of last 3 months (Rs. 505.9)
- Buyback process to be completed by February 2011
- Promoters to tender shares proportionate to those tendered by other shareholders

Financial highlights Q2 FY2011

Profit & Loss Account – Consolidated Q2 FY2011

Rs. million

| Period ended - Consolidated | Q2 Ended | | | Period Ended | | |
|--|------------|-----------|----------|--------------|-----------|----------|
| | 30-Sep-10 | 30-Sep-09 | % Growth | 30-Sep-10 | 30-Sep-09 | % Growth |
| Net Sales | 7,314.1 | 9,927.4 | -26.3% | 15,707.2 | 18,096.1 | -13.2% |
| Other operating income | 206.0 | 72.5 | 184.1% | 237.0 | 119.2 | 98.7% |
| Total operating income | 7,520.1 | 9,999.9 | -24.8% | 15,944.2 | 18,215.3 | -12.5% |
| OPBIDTA | -254.0 | 1,789.0 | -114.2% | 1,124.7 | 3,390.8 | -66.8% |
| OPM % | -3.4% | 17.9% | - | 7.1% | 18.6% | - |
| Non-operating other income | 203.0 | 0.0 | - | 203.1 | 0.4 | - |
| EBIDTA | -51.0 | 1,789.0 | -102.9% | 1,327.8 | 3,391.2 | -60.8% |
| Interest (Net) | 28.8 | 253.7 | -88.6% | 174.2 | 507.7 | -65.7% |
| Depreciation | 318.2 | 375.3 | -15.2% | 698.7 | 760.2 | -8.1% |
| Operating Profit before tax | -601.0 | 1,160.0 | -151.8% | 251.8 | 2,122.9 | -88.1% |
| Profit before tax (before exceptional) | -398.0 | 1,160.0 | -134.3% | 454.9 | 2,123.3 | -78.6% |
| Exceptional items | -162,240.0 | 3.6 | - | -162,220.7 | 3.6 | - |
| Income tax | 36,438.5 | 93.9 | - | 36,465.1 | 206.5 | - |
| Profit after tax | 125,404.4 | 1,062.7 | - | 126,211.8 | 1,913.7 | - |
| Minority interest | -0.9 | -0.2 | - | -1.3 | -0.5 | - |
| EPS (Rs.) | 600.0 | 5.1 | - | 603.9 | 9.2 | - |
| EPS before exceptional items | -1.5 | 5.1 | - | 1.7 | 9.2 | - |

*detailed break up of Exceptional item is given in subsequent page

Q2FY11 - Exceptional Items – Break-up

| Exceptional Items | Rs. (Mn) |
|---|----------------|
| Profit From Sale of Formulations Business | 160,066 |
| Sale of Investment in Subsidiary Company PDSPL | 2,858 |
| Investment write off in Biosyntech Inc., Canada | (223) |
| Plant Closure Cost - VFCD | (407) |
| VRS NLDL & Morpeth | (74) |
| Total Exceptional Income | 162,221 |

Profit on Sale of domestic formulation business

| Profit Working - Healthcare Solutions Business | Rs. (Mn) |
|---|-----------------|
| Total of Sales Consideration | 171,402 |
| | - |
| Less: Expenses on Transaction | - |
| Fixed Assets of the business | 3,918 |
| Working Capital of the business | 2,067 |
| PEL Payment | 3,500 |
| Employee related payments | 1,315 |
| Other Expenses | 535 |
| Total Expenditure | 11,336 |
| Profit on Transaction | 160,066 |

Balance Sheet – Consolidated

Q2 FY2011

Rs. million

| Period ended- Consolidated | As on | As on |
|------------------------------|------------------|-----------------|
| | 30-Sep-10 | 31-Mar-10 |
| Equity capital | 418.0 | 418.0 |
| Reserves & Surplus | 142,524.5 | 16,430.9 |
| Networth | 142,942.5 | 16,848.9 |
| Minority interest | 0.0 | 0.0 |
| Deferred tax liability (Net) | 337.3 | 567.8 |
| Loan funds | 6,450.3 | 12,949.6 |
| Total | 149,730.1 | 30,366.3 |
| Net fixed assets | 14,911.7 | 21,130.1 |
| Investments | 51,560.0 | 325.5 |
| Net current assets | 83,258.4 | 8,910.7 |
| Inventories | 3,494.2 | 4,694.5 |
| Sundry debtors | 2,975.1 | 4,529.5 |
| Other current assets | 107,444.9 | 6,997.1 |
| Current liabilities | 30,655.8 | 7,310.4 |
| Total | 149,730.1 | 30,366.3 |

Business Mix – Consolidated Q2 FY2011



Rs. million

| No. | Net Sales break-up | % Sales | Quarter II ended | | | Half Year Ended | | |
|--------------|---------------------------|---------------|------------------|----------------|---------------|-----------------|-----------------|---------------|
| | | | 30-Sep-10 | 30-Sep-09 | % Growth | 30-Sep-10 | 30-Sep-09 | % Growth |
| 1 | Healthcare Solutions | 54.2% | 4,077.8 | 5,218.2 | -21.9% | 8,691.0 | 9,615.2 | -9.6% |
| 2 | Pharma Solutions | 28.4% | 2,136.1 | 2,950.9 | -27.6% | 3,883.9 | 5,055.0 | -23.2% |
| | From Assets in India | 11.4% | 857.5 | 1,443.3 | -40.6% | 1,517.4 | 2,250.7 | -32.6% |
| | From Assets Outside India | 17.0% | 1,278.6 | 1,507.7 | -15.2% | 2,366.5 | 2,804.3 | -15.6% |
| 3 | Piramal Critical Care | 8.5% | 640.2 | 885.4 | -27.7% | 1,722.3 | 1,614.1 | 6.7% |
| 4 | Diagnostics | 4.4% | 334.5 | 547.7 | -38.9% | 870.5 | 1,032.3 | -15.7% |
| 5 | Others | 4.4% | 331.4 | 397.7 | -16.7% | 776.5 | 898.7 | -13.6% |
| Total | | 100.0% | 7,520.1 | 9,999.9 | -24.8% | 15,944.2 | 18,215.3 | -12.5% |

Note: 1. API's CMO is regrouped to Pharma Solutions from Others

Thank you