



Q2 FY2011 Results

Analyst Presentation
Date : 22nd October 2010

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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

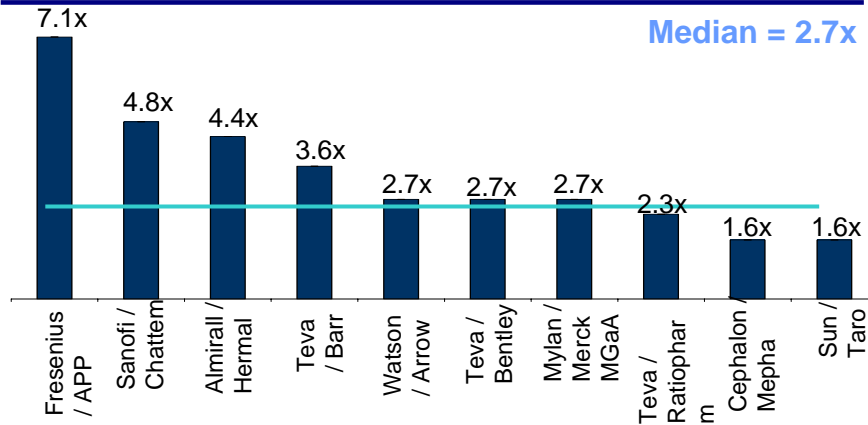
Through the two deal, PHL has unlocked value of US \$ 3.9 bn (Rs.17,800 crores)

Sale of Domestic Formulation business – record valuation

EV / Sales

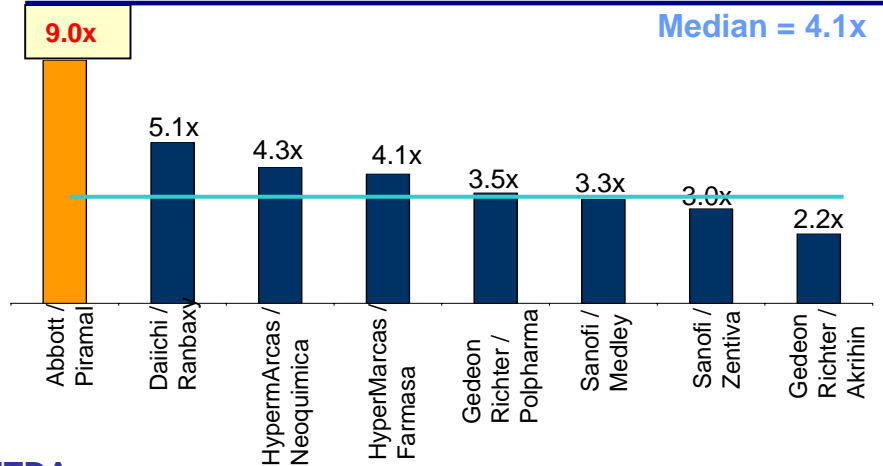
Developed Markets

Median = 2.7x



Emerging Markets

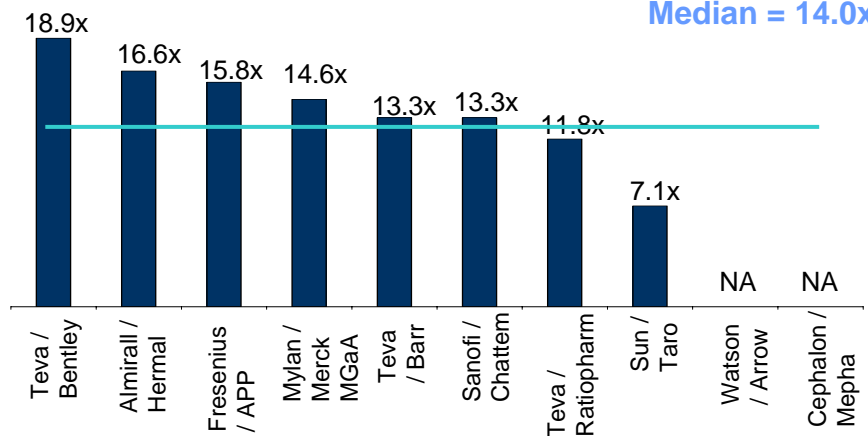
Median = 4.1x



EV / EBITDA

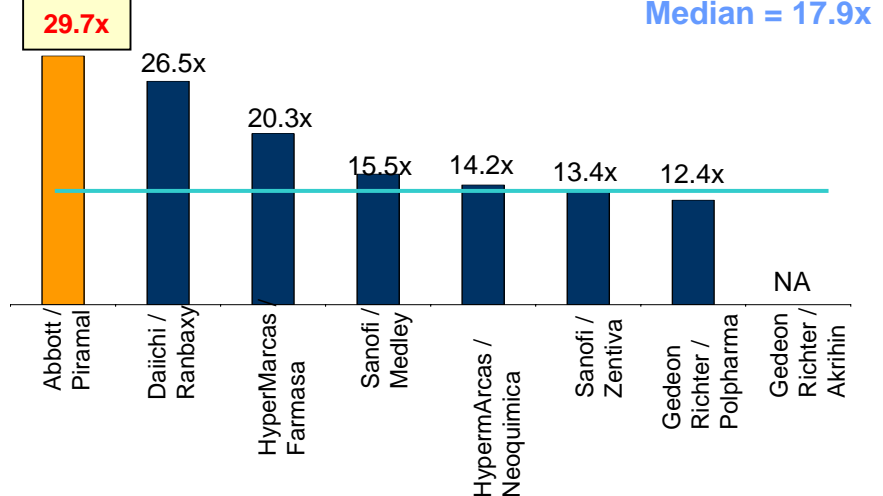
Developed Markets

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