Mangalam Drugs and Organics Ltd.

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MANGALAM

03rd August, 2016

To
DCS-CRD
The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.

To,
National Stock Exchange of India Limited
"Exchange Plaza",
Bandra - Kurla Complex,
Bandra(E), Mumbai – 400 051

Scrip Code: 532637
Symbol: MANGALAM

Sub: Investor Presentation. Regulation 30, Schedule III, Part A (15) of SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015.

Dear Sir/Madam,

With reference to the above captioned subject, we hereby enclose Investor Presentation-August 2016, requesting you to kindly take it in your record.

Kindly acknowledge the receipt of the same.

Thanking You,

Your's Faithfully,
For **Mangalam Drugs & Organics Ltd**

MANGALAM DRUGS & ORGANICS LTD. MUMBAI

Govardhan M Dhoot
Managing Director
DIN: 01240086

Mangalam Drugs & Organics Ltd.

Investor Presentation
August 2016

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Executive Summary

Overview

- Mangalam Drugs & Organics Ltd. (Mangalam) was incorporated in 1972 and is one of the largest suppliers and manufacturers of Anti-Malarial Active Pharmaceuticals Ingredients **(API)** in the world.
- The company's headquarter is in Mumbai, with two manufacturing facilites at Vapi, Gujarat.
- Mangalam was incorporated by Mr. G. M. Dhoot, who has been the visionary behind the success and diversification of the company from a chemical company to become a global API supplier.

Business Mix

- **Anti Malarial API's** like Arthemether, Lumefrantine, Artesunate , Amodiaquine Hydrochloride, Dihydroartemisinin, Piperaquine phosphate, Chloroquine Phosphate, Hydroxychloroquine Sulphate, Pyronaridine tetraphosphate
- **Anti Retroviral API's –** The company has recently forayed into Anti Retroviral API's and has received approval and is manufacturing Tenofovir Disoproxyl Fumarate, 2 other products are at validation stage and 5 more in R&D phase.
- **Others** - Uricosuric Agent : Allopurinol, Analgesic: Nimesulide and Anti Hypertensive: Bisoprolol Fumerate

Clients

- **Domestic Clients:** Ajanta Pharma, CIPLA, IPCA, Sun Pharma, Dr. Reddy's.
- **International Clients:** Sanofi, Guilin, Mylan, MERCK

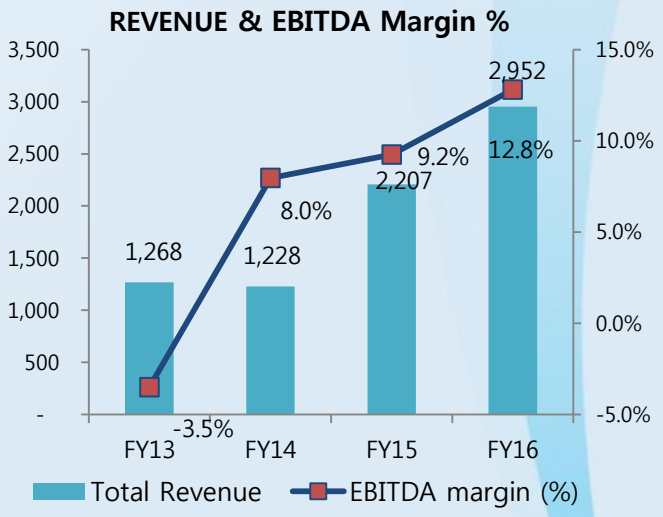
FY2016 Financials

- **Revenue** at INR 2,952 mn
- **EBITDA** at INR 377 mn
- **Net Profit** at INR 160 mn

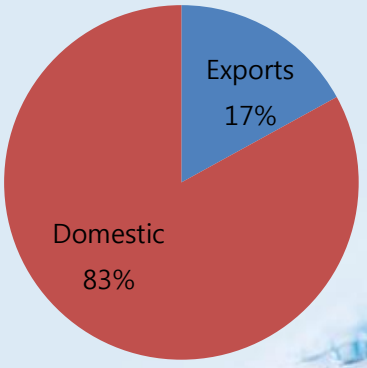
Company Overview

Company Overview

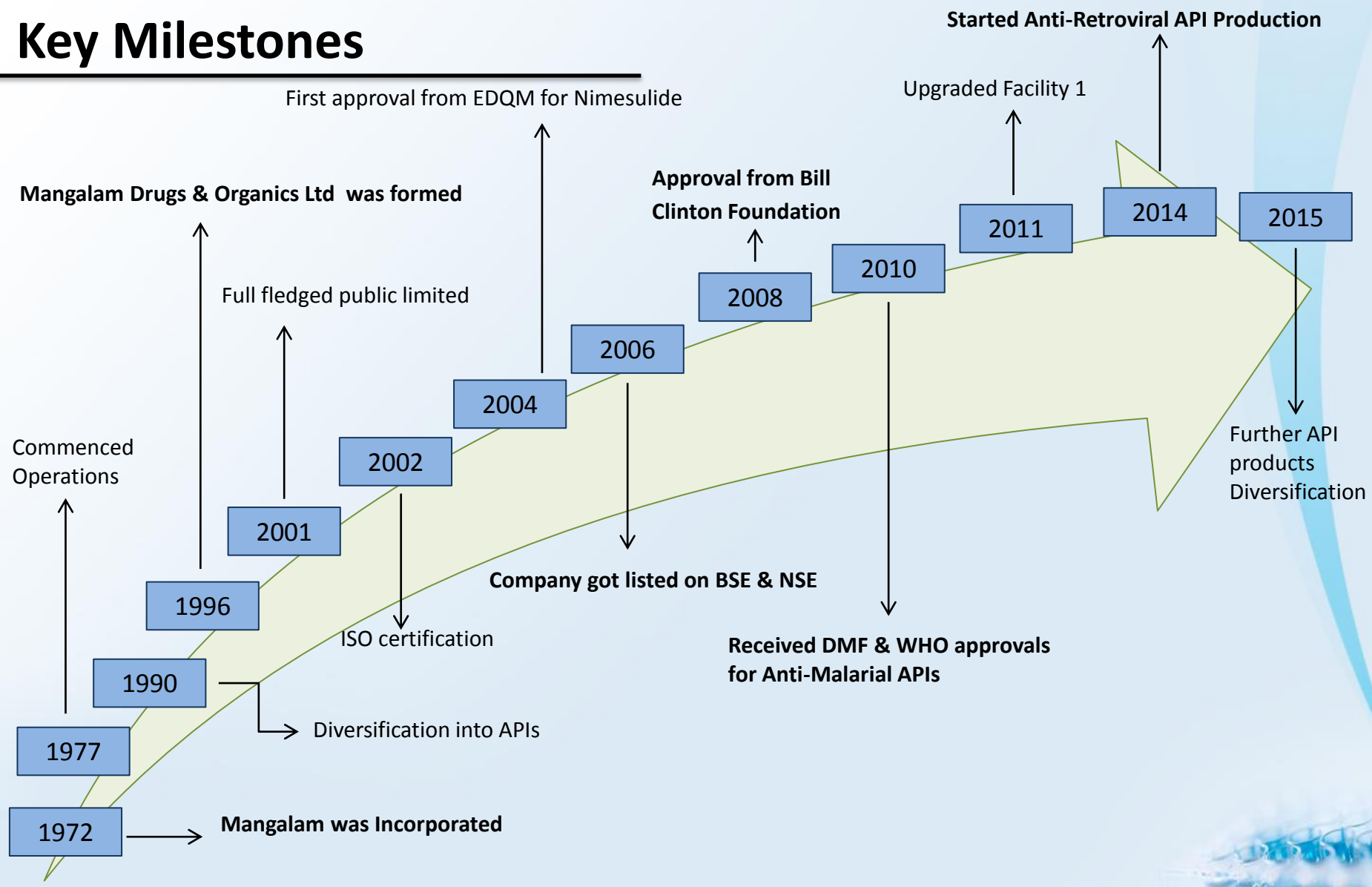
- Mangalam Drugs & Organics LTD. was incorporated in 1972, commenced operations in 1977, and was listed on BSE and NSE in 2005-06. The Company has a market capitalization of Rs. 3,648 Mn (as of 31st March 2016) .
- Well established player in an Industry with strong entry barriers .
- The company is one of the largest and most preferred API supplier for Anti-Malaria drug manufacturing companies in the regulatory market across the world.
- The company's APIs have received certifications from World Health Organization**(WHO)**, European Directorate for Quality of Medicines **(EDQM)** and European Medicines Agency**(EMA)**.
- Mangalam is one of the 5 companies globally to qualify under the Bill Clinton Foundation for supply of Anti-Malarial drugs worldwide.
- The company has diversified its product range over the last few years from Intermediates and Specialty Chemicals to API's like Anti Malarial, Anti Retroviral, Uricosuric Agent, Analgesic and Anti Hypertensive.



FY16 Segmental Revenue Break up



Key Milestones



Key Strengths

Entry Barrier

- 2-3 years on an average for a new entrant to start manufacturing API
- High quality standard for approvals
- Well established large players in the market

Competitive Position

- Largest manufacturer of Anti-malarial APIs in the world
- One of the lowest cost producer
- Top revenue products are best selling combination for Anti-Malaria formulations

Presence in Regulatory Market

- India's major Anti-malarial API manufacturer to have premier certifications
- Products under regulated market command premium pricing
- Standalone Supplier for Anti-Malarial APIs in the regulatory market

Focus on R&D & Diversification

- 10% of the total work force are involved in R&D
- Strong focus on R&D
- Diversifying from Generic API to Anti-malarial API's & Anti Retroviral API's

Premier Certifications

- WHO approvals for 7 Anti-malarial APIs.
- EDQM approval for 2 APIs
- Clinton foundation approval to supply Anti-malarial APIs worldwide

Executive Director

Mr. Govardhan M. Dhoot
(*Chairman & Whole Time Director)*

- Mr. Govardhan Murlidhar Dhoot has been with the company since inception.
- He has been an instrumental in increasing the exports of the Company and expanding and diversifying the company from chemical manufacturer to a large API manufacturer.
- Under his leadership the company has received approvals from international regulatory bodies like WHO, EDQM and EMA.
- Mr. Dhoot lead the way to the company's diversification. He was responsible for the company to being amongst the first 5 companies manufacturing Anti Malaria API's to be approved by the Bill Clinton Foundation

Manufacturing Facilities at Vapi, Gujarat

Facility 1 (WHO approved)

- Total Production area: 3272 Sq. m
- 2 API manufacturing and 1 solvent recovery block
- APIs Manufacturing Capacity: 720 TPA

Unit 1 Vapi, Gujarat

Facility 2

- Total Production area: 3059 Sq. m
- Total 1 API manufacturing, 1 intermediate manufacturing, 1 pilot plant & 1 recovery blocks
- Manufacturing capacity: APIs 360 TPA
- Intermediates : 1,000 TPA

Lab, Unit 2 Vapi, Gujarat

Research & Development

- The company has a strong focus on R&D on new products and therapeutic segments.
- There is a highly qualified team of 20+ research scientists
- World class laboratory with state of the art technology.
- Non-infringing process > Patentable process
- The laboratory has been approved by the Department of Scientific and Industrial Research, Government of India
- R&D team currently focused on developing and approval qualification process of Anti-Retroviral APIs
  - 1 successfully launched API - Tenofovir Disoproxyl Fumarate
  - 2 APIs under validation phase
  - 5 under development

SYNTHESIS LAB. - I

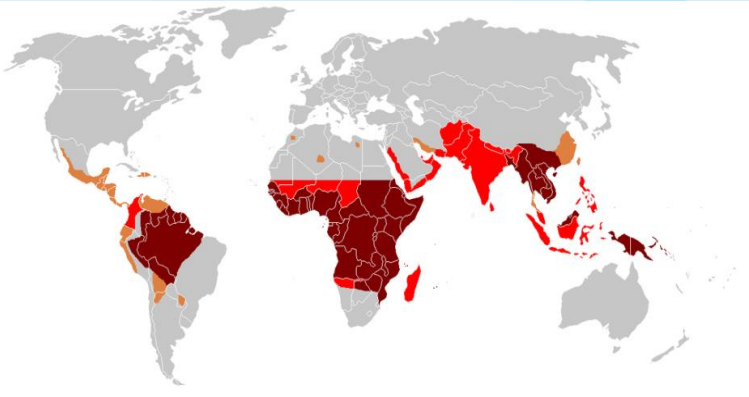
SYNTHESIS LAB. - 2

Business Overview

Malaria: Global Phenomenon

- In 2014, 97 countries and territories had on-going malaria transmission
  - Malaria is presently endemic in a broad band around the equator, in areas of the Americas, many parts of Asia, and much of Africa
  - The World Health Organization (WHO) estimates that there were approximately 214 million cases of malaria and 438,000 deaths, mostly among children under the age of five, in 2015.
- An estimated 3.3 billion people are at risk of malaria, of whom 1.2 billion are at high risk
  - In 2014, 90% of the world's malaria deaths occurred in Africa
- The two most common strains of malaria are P. falciparum (Pf) and P. Vivax (Pv)
- Plasmodium falciparum (Pf) is the worst strain of malaria
  - PF causes the most acute and severe form of malaria; most of the cases registered under WHO are PF malarial cases .
- Plasmodium Vivax (Pv) is a protozoal parasite and a human pathogen. P.v malaria is the most frequent and widely distributed cause of recurring malaria. It is less virulent than P.Falciparum malaria.

Malaria Prevalence



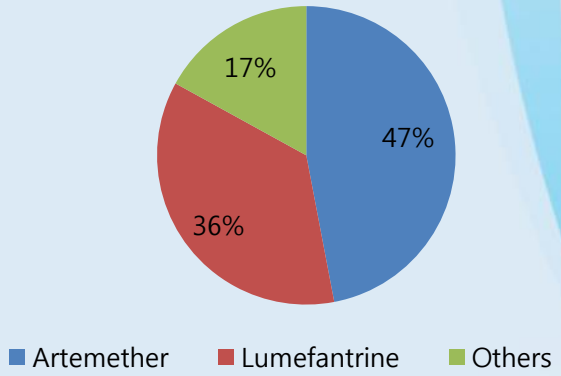
- ♦ Elevated occurrence of chloroquine- or multi-resistant malaria
- ♦ Occurrence of chloroquine-resistant malaria
- ♦ No *Plasmodium falciparum* or chloroquine-resistance
- ♦ No malaria

Source: WHO

Addressing Malaria With Multiple Products

- There are no permanent preventions or vaccines against malaria as of today.
- Following Anti-Malarial APIs are produced by the company:
  - **A**rthemether
  - **L**umefantrine
  - **A**rte**s**unate
  - **A**modia**q**uine Hydrochloride
  - **Dih**ydro**a**rtemisinin
  - **Pip**era**q**uine phosphate
  - Chloroquine Phosphate
  - Hydroxychloroquine Sulphate
  - **Py**ronaridine tetraphosphate
- Arthemether and Lumefantrine (A&L) is a WHO approved best combination to cure Plasmodium falciparum (Pf) Malaria.
- Arthemether (**A**) is an Anti-Malarial for the treatment of multiple drug resistant strains of Pf malaria.
- Lumefantrine (**L**) is an Anti-Malarial drug. It can only be used in combination with arthemether, it is also known as co-Arthemether.
- AL combination is the preferred combination to cure PF malaria., with a global market share of 74% vs. other combinations.

Revenue Split (%) of Mangalam for FY15-16



Source: (PDF Artemether Market)

Going beyond Malaria: Anti-Retroviral

Strong Market Requirement

- Current production of ARV drugs meets only 50% of total demand
- Strong focus on increasing available of medication to infected population

Strong Skill sets and established facilities

- R&D team working on ARV APIs since 3years; 1 API under production
- 2 product in validation stage and 5 under R&D
- Approval in place from the Clinton foundation and WHO for production of ARV drugs
- Targeting only the regulatory market

ARV Market

- Life time long treatment
- Higher demand, volume and funding for ARV drugs higher
- Experienced and efficient R&D team.
- Cost advantage over competitors

ARV APIs

API Name	Status
Tenofovir Disoproxyl	Commercialized
Emtricitabine	Under Assessment
Efavirenz	Under process validation on pilot scale
Lamevudine	Under development in R&D
Tenofovir Alafenamide Fu marate	Under development in R&D
Atazanavire Sulphate	Under development in R&D
Nevirapine	Under development in R&D
Sobusofovir	Under development in R&D

Anti-retroviral: Tenofovir Disoproxyl

- Tenofovir disoperoxil belongs to a class of antiretroviral drugs known as nucleotide analogue reverse transcriptase inhinitiors.
- It blocks reverse transcriptase, a crucial viral enzyme in HIV-1 and hepatitis B virus infections.
- Tenofovir disoperoxil is on the WHO list of drugs recommended for HIV_1 treatment.

Other Products

Uricosuric Agent :Allopurinol

- Used in treatment of gout or kidney stone
- Reduces the production of uric acid in the body, primary cause for gout or kidney stones
- WHO essential medicines for basic health system
- Used in medication for ischemic reperfusion injury, poor kidney function and protozoal infections

Analgesic: Nimesulide

- Used in treatment of acute pain, the symptomatic treatment of osteoarthritis
- Available in a variety of forms: tablets, powder for dissolution in water, gel etc.
- It is marketed by the name Nise Gel by Dr. Reddy's in India

Anti Hypertensive: Bisoprolol Fumerate

- Used in Treatment for Cardiovascular Diseases.
- Mainly for High Blood Pressure, reduced blood flow to the heart congestive heart failure.
- WHO essential medicines for basic health system
- Mylan manufactures formulations of Bisoprolol Fumerate

Global Customer Base

DOMESTIC:

ipca
A dose of life

ajanta pharma limited

DR.REDDY'S

LUPIN
PHARMACEUTICALS, INC.

Cipla
WE'LL MAKE IT BETTER

MICRO LABS
MICRO LABS LIMITED

Bliss Gvs
Bliss Gvs Pharma Limited

SUN
PHARMACEUTICAL INDUSTRIES LTD.

indoco
INDOCO REMEDIES LTD.

INTERNATIONAL:

MYLAN®

GUILIN PHARMA

MACLEODS

QCi
Quality Chemical Industries Ltd
Under Licence from Cipla

SANOFI

MERCK

sigma-tau
PHARMACEUTICALS, INC.
Rare dedication

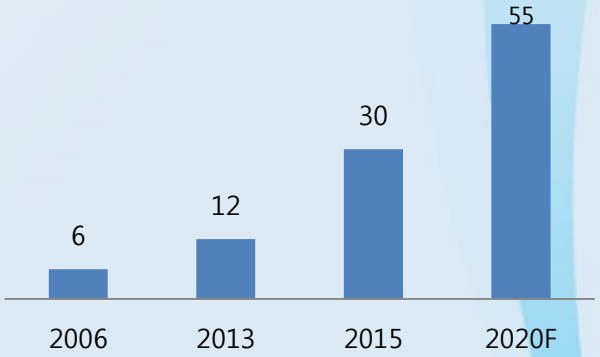
KPC

Industry Overview

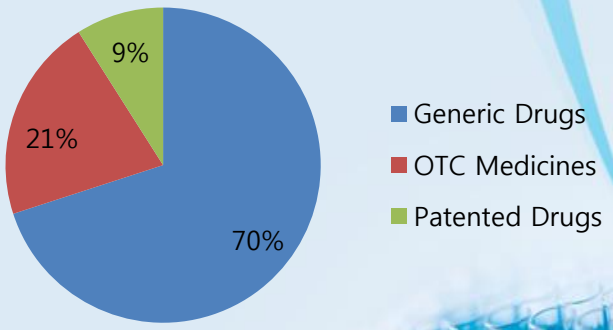
Overview: Indian Pharma Market

- **3rd largest** in the world in terms of volume in the Global API Market.
- **Fastest growing** pharma market in the world
- Generics drugs is the largest segment of the Indian Pharma market with70% market share in terms of revenue
- Expected to grow at a **CAGR of 15.5%** to $55 billion by 2020
- Focused on R&D.
  - On an average companies spend 8-11% of their total turnover on R&D
- The domestic Indian Pharmaceutical market grew at **10-12%** in FY15.

Indian Pharmaceutical Sector Revenue (USD Mn)



Revenue Share of Indian Pharmaceutical Companies sub-segment, 2015



Source (PDF-Pharmaceutical-March-2015-ibef.org)

Key Growth Drivers: Indian Pharma Market

Cost efficiency:

- The Indian Pharma cost is almost 60% less compared to USA and half of the cost in Europe

Economic Growth:

- Drug affordability, penetration in healthcare sector and Chemists penetration in the rural areas of the country are the major reasons for the economic growth of the sector.

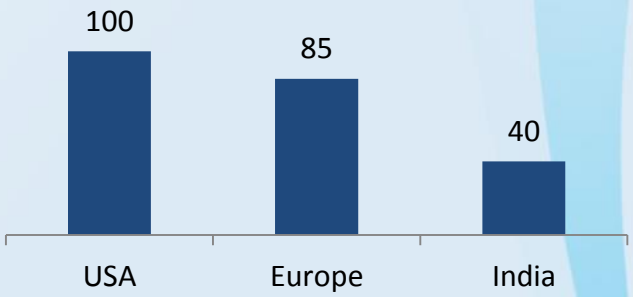
Government:

- The government aims at making the Indian pharma market a world leader by 2020.
- The government has reduced the time required for approvals for new facilites to attract more investments.
- The government also allows 100% FDI inflows under automatic route

Diversified Portfolio:

- The Indian Pharma industry contributes to 10% of the global volume of pharmaceuticals.
- The sector manufactures over 500 different APIs. Over 60,000 generic brands are present in the Indian pharma market.
- 49% of the Indian pharma master filling are registered in the USA.

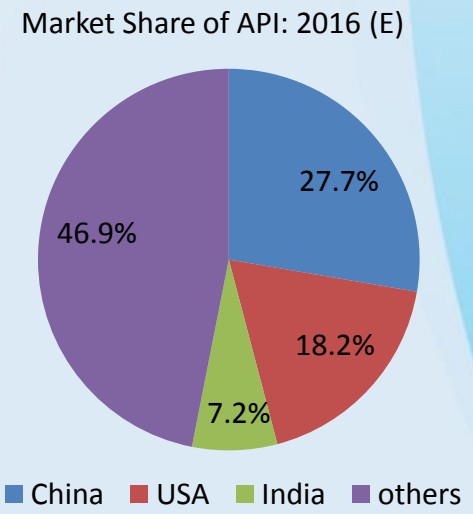
Relative Cost of Production with USA cost as base as on March 2015



Source(PDF-Pharmaceutical-March-2015-ibef.org)

Overview: Indian API Market

- Expected to be the 3rd largest API merchant market by the end of 2016 with a market share of 7.2% in the world.
- The Indian API industry has the second most largest number of Abbreviated New Drug Applications (ANDAs)
- API Industry of India is a world leader in Drug Master files(DMFs) application with the USA
- API manufacturers in India are trying to strengthen their marketing in regulated markets by different means viz., by focusing on the improvement of production yields; especially of critical products, through process modification, by increasing the productivity of high volume products through capacity re-balancing, by increasing sales in international market
- China and India are driving the market growth through their cost advantages and have emerged as manufacturing hubs for the APIs
- With government support, improving IP systems and manufacturing standards in India, the generic as well as innovator APIs market in India is expected to grow steadily in the coming years.



Source: Pharmabiz.com &(PDF-Pharmaceutical-March-2015-ibef.org)

Financial Overview

Profit and Loss Statement

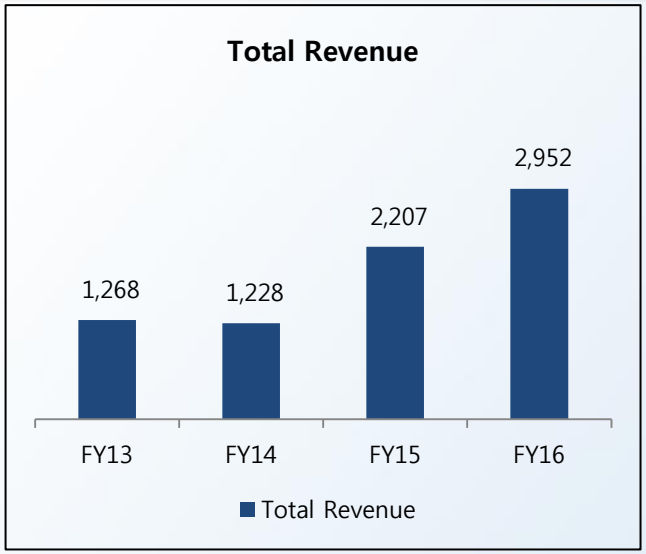
Income Statement (INR Mn)	FY12	FY13	FY14	FY15	FY16	Q1-FY17
Total Income	**1,538**	**1,253**	**1,227**	**2,207**	**2,952**	**670**
Expenses	1,391	1,297	1,129	2,002	2,575	566
EBITDA	**147**	**(44)**	**98**	**205**	**377**	**104**
EBITDA Margin	9.6%	(3.5%)	8.0%	9.2%	12.8%	15.5%
Depreciation	37	39	40	42	44	10
Finance Cost	102	100	97	103	93	23
Other Income	3	16	1	-	-	0
PBT	**11**	**(168)**	**(39)**	**60**	**240**	**71**
Tax	5	(50)	(9)	(1)	80	20
PAT	**6**	**(118)**	**(30)**	**61**	**160**	**51**
PAT%	0.4%	(9.4%)	(2.5%)	2.8%	5.4%	7.6%
EPS	**0.48**	**(8.95)**	**(2.31)**	**4.66**	**10.13**	**3.22**

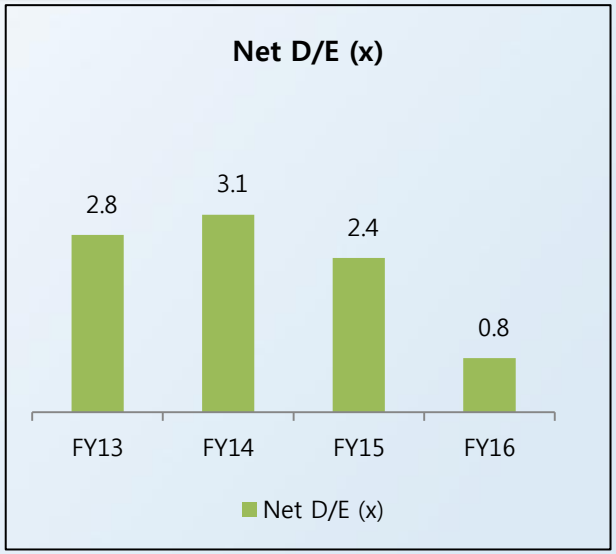
Balance Sheet

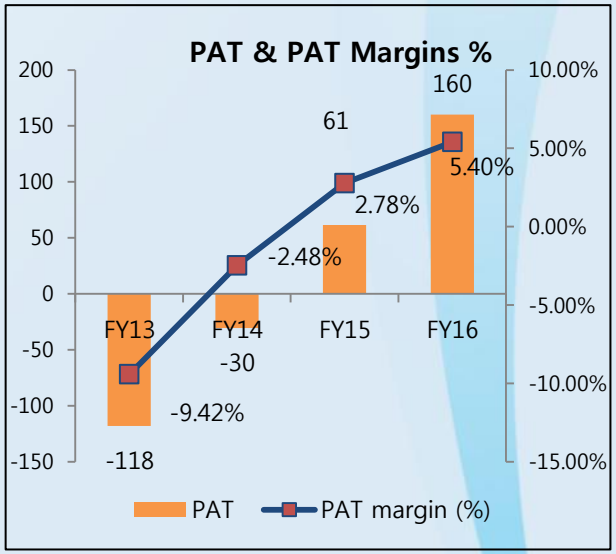
Equity and Liabilities (INR Mn.)	FY13	FY14	FY15	FY16
Shareholders Fund				
Share Capital	132	132	132	144
Reserves and Surplus	131	100	162	387
Money Received	-	-	-	84
Net worth	**263**	**232**	**294**	**615**
Non Current Liabilities				
Long Term borrowings	439	402	394	169
Deferred tax liabilities	15	6	17	85
Total non current liabilities	**454**	**408**	**411**	**254**
Current Liabilities				
Short Term Borrowings	287	314	318	354
Trades payables	107	209	548	207
Other Current Liabilities	37	92	128	168
Total current liabilities	**431**	**615**	**994**	**729**
Grand Total	**1,148**	**1,255**	**1,699**	**1,598**

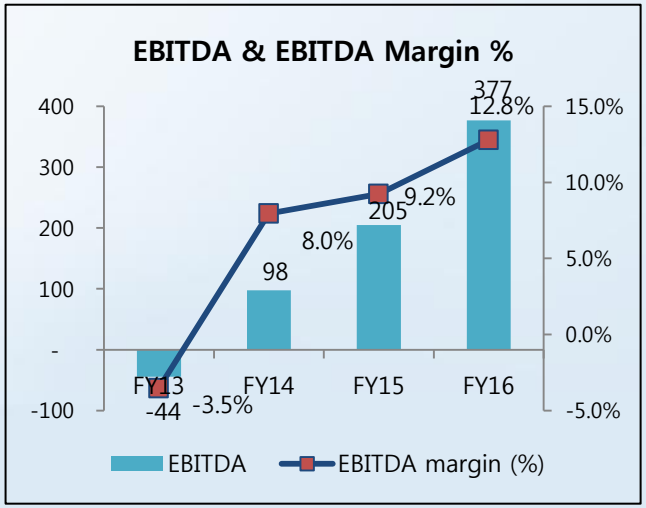
Assets (INR Mn.)	FY13	FY14	FY15	FY16
Fixed assets				
Total Fixed Assets	551	534	530	591
Non Current Assets				
Long Term Loan & Advances	22	6	9	10
Current Assets				
Inventories	311	365	573	473
Investments	2	2	2	3
Trades Receivables	239	297	443	302
Short term Loan & Advances	22	50	135	214
Cash and Cash Equivalents	1	1	7	5
Total current Assets	**575**	**715**	**1,160**	**997**
Grand Total	**1,148**	**1,255**	**1,699**	**1,598**

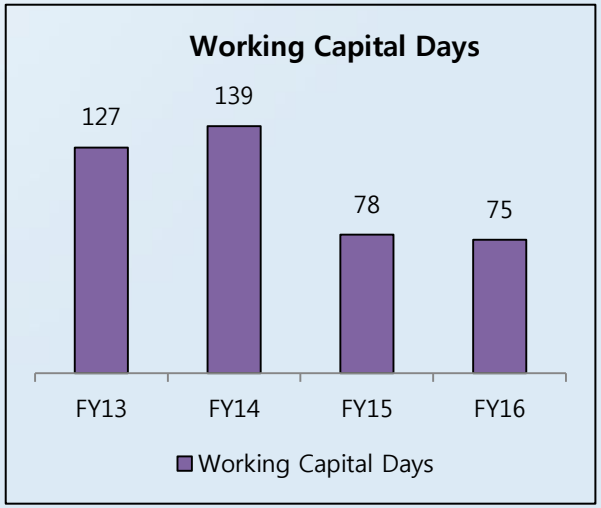
Financial Charts: A Turnaround Story

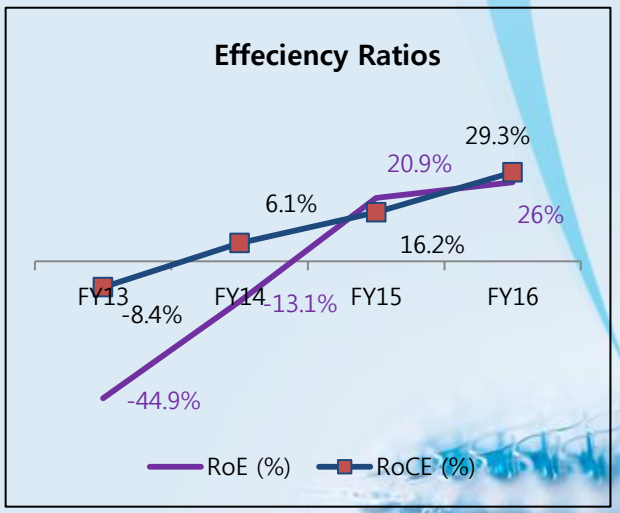




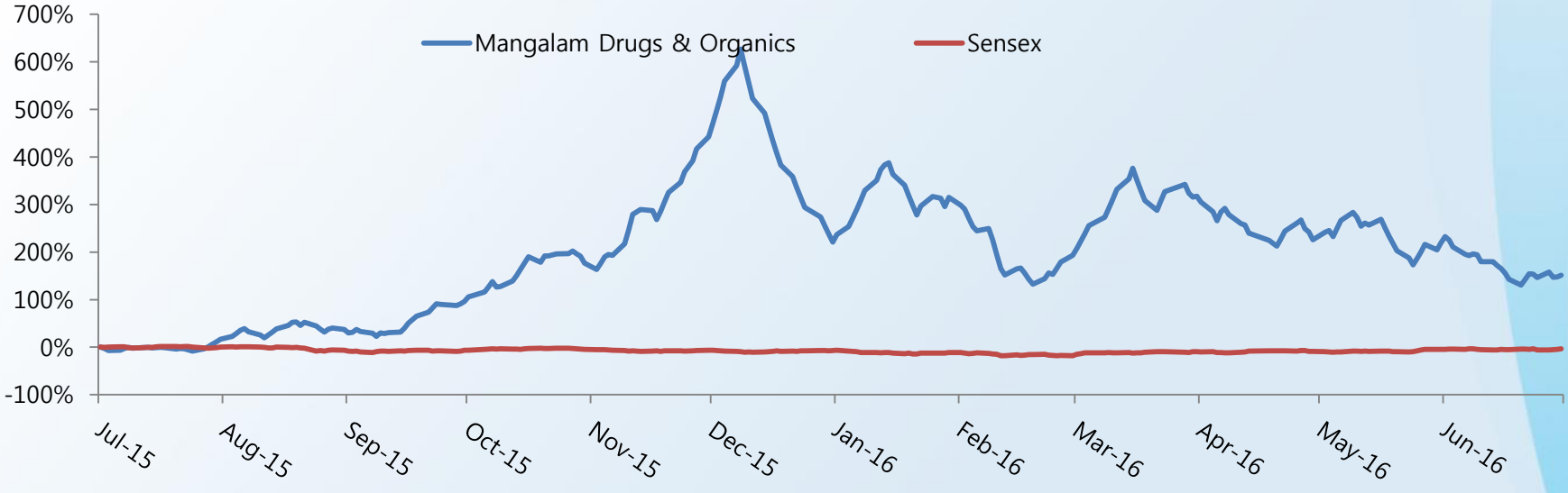






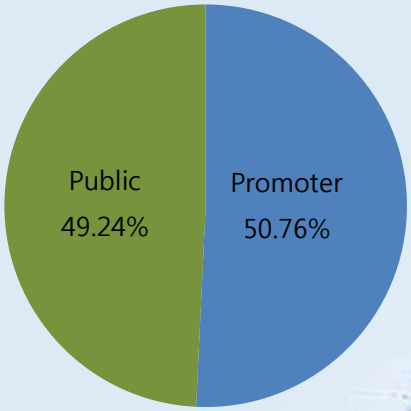


Capital Market



Price Data (As of 30th June 2016)	INR
Face Value	10
Market Price	152.7
52 Week H/L	441.5/53.7
Market Cap (INR Mn)	2,417
Equity Shares Outstanding (Mn)	15.82
1 Year Avg. Trading Volume ('000)	219.02

Shareholding Structure (as on 30th June 2016)



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Mangalam Drugs and Organics Ltd

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