

Mangalam Drugs and Organics Ltd.

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23rd May, 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 – May 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

Govardhan M Dhoot
Managing Director
DIN: 01240086





Mangalam Drugs & Organics Ltd.

**Investor Presentation
May 2016**

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Executive Summary



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 facilities 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 tetrphosphate
- **Anti Retroviral API's** – The company has recently forayed into Anti Retroviral API's and has received approval and is manufacturing Tenofovir Disoproxil 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

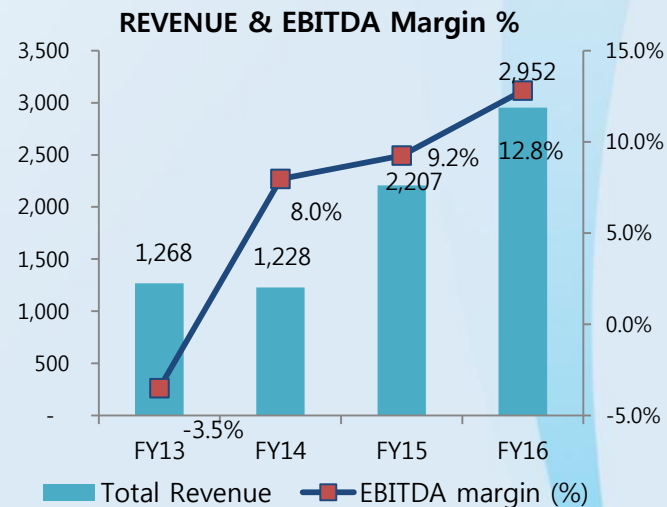


Company Overview

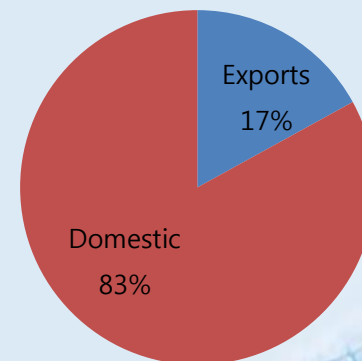


Company Overview

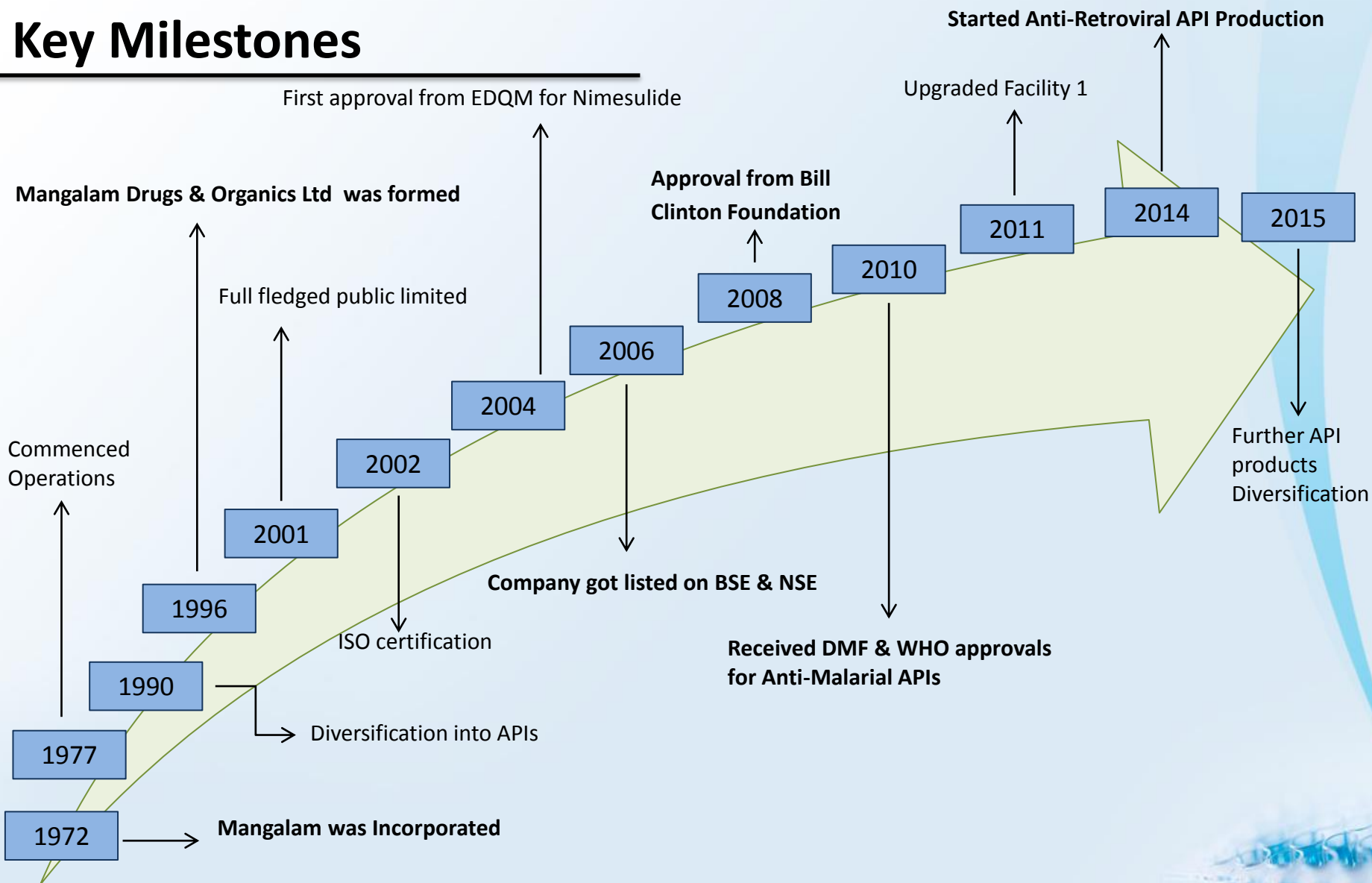
- Mangalam Drugs & Organics LTD. was incorporated in 1972, commenced operations in 1977, and was listed on BSE and NSE in 2005-06. The Company has a market capitalization of Rs. 3,648 Mn (as of 31st March 2016) .
- Well established player in an Industry with strong entry barriers .
- The company is one 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.



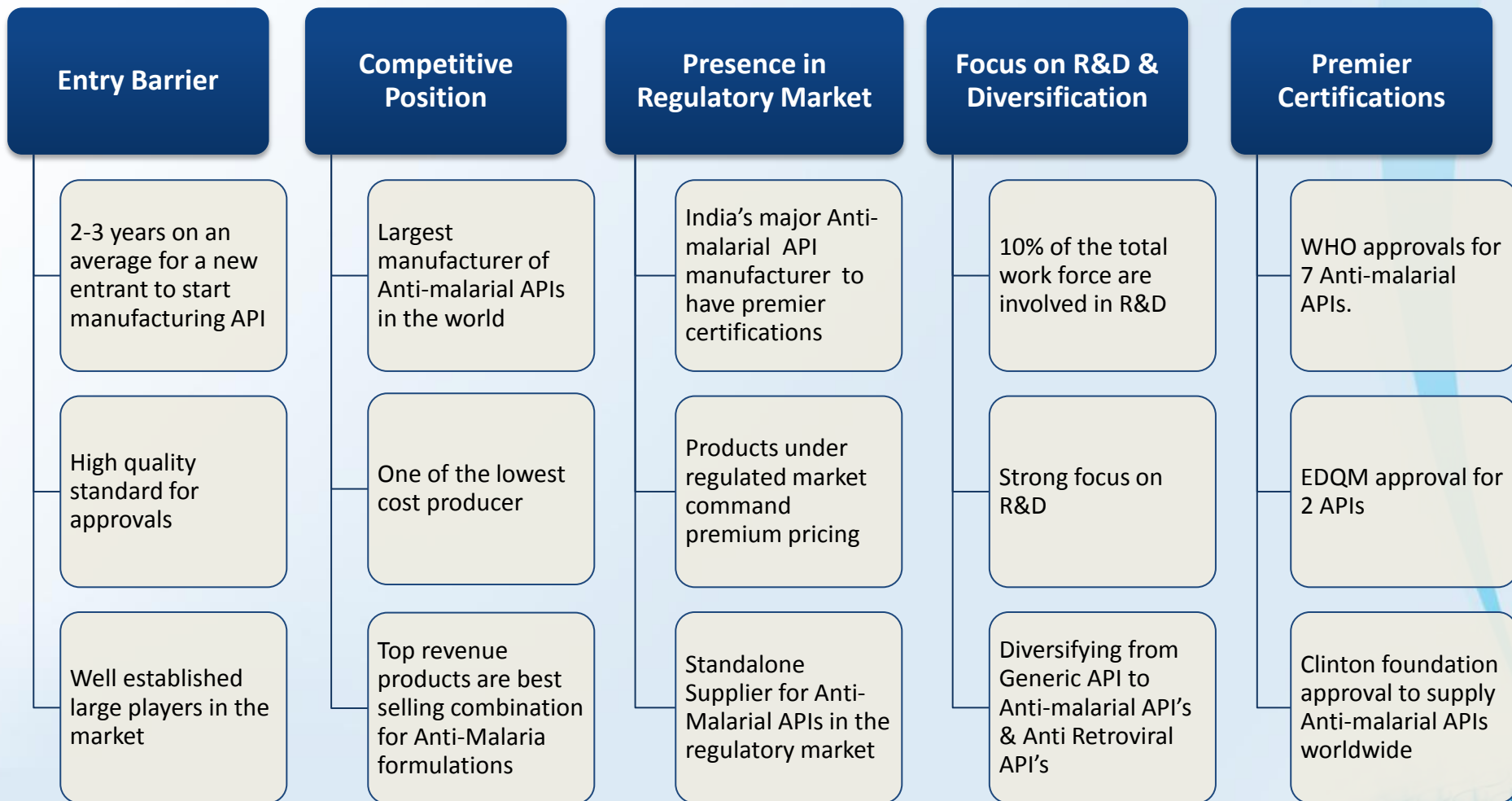
FY16 Segmental Revenue Break up



Key Milestones



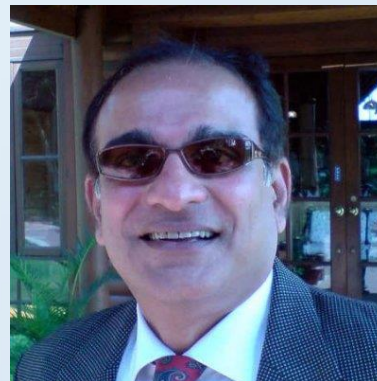
Key Strengths



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



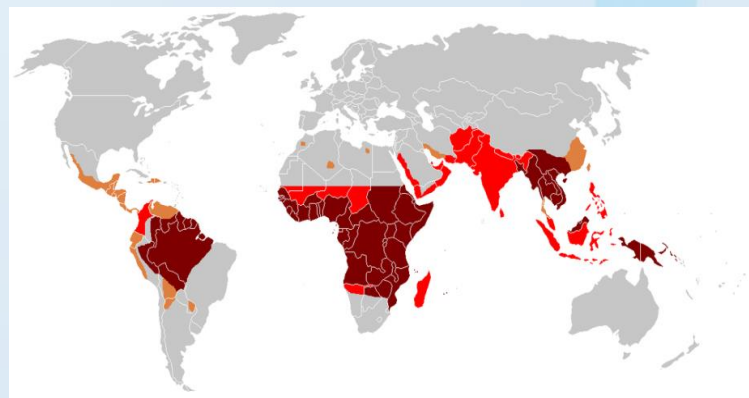
Business Overview



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



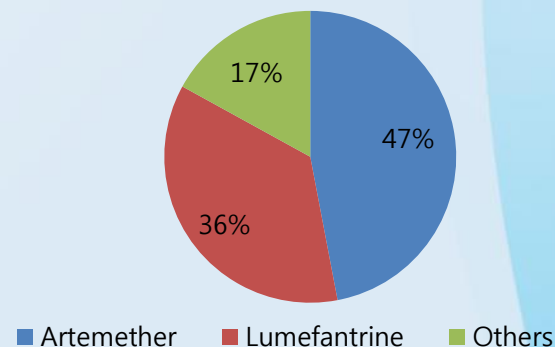
- ◆ Elevated occurrence of chloroquine- or multi-resistant malaria
- ◆ Occurrence of chloroquine-resistant malaria
- ◆ No *Plasmodium falciparum* or chloroquine-resistance
- ◆ No malaria



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:
 - **Arthemether**
 - **Lumefantrine**
 - **Artesunate**
 - **Amodiaquine Hydrochloride**
 - **Dihydroartemisinin**
 - **Piperaquine phosphate**
 - **Chloroquine Phosphate**
 - **Hydroxychloroquine Sulphate**
 - **Pyronaridine tetraphosphate**
- Artemether and Lumefantrine (A&L) is a WHO approved best combination to cure Plasmodium falciparum (Pf) Malaria.
- Artemether (**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



Global Anti-Malarial API Mix

ACT	Share of Global Market (2015)
AL	74.1%
AS-AQ	24.2%
DHA-PPQ	1.2%
AS-PY	0%

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 Disoproxil	Commercialized
Emtricitabine	Under process validation on pilot scale
Efavirenz	Under process validation on pilot scale
Lamivudine	Under development in R&D
Tenofovir Alafenamide Fumarate	Under development in R&D
Atazanavir Sulphate	Under development in R&D
Nevirapine	Under development in R&D
Sofosbuvir	Under development in R&D

Anti-retroviral: Tenofovir Disoproxil

- Tenofovir disoproxil belongs to a class of antiretroviral drugs known as nucleotide analogue reverse transcriptase inhibitors.
- It blocks reverse transcriptase, a crucial viral enzyme in HIV-1 and hepatitis B virus infections.
- Tenofovir disoproxil 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:



INTERNATIONAL:





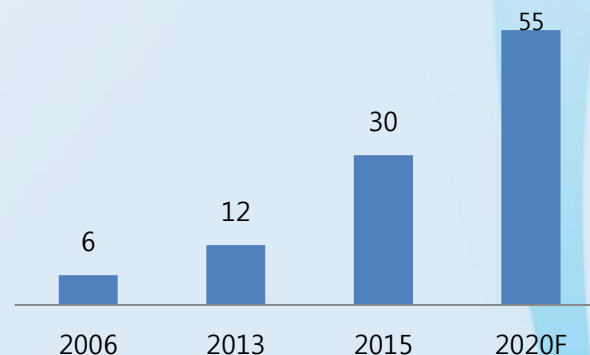
Industry Overview



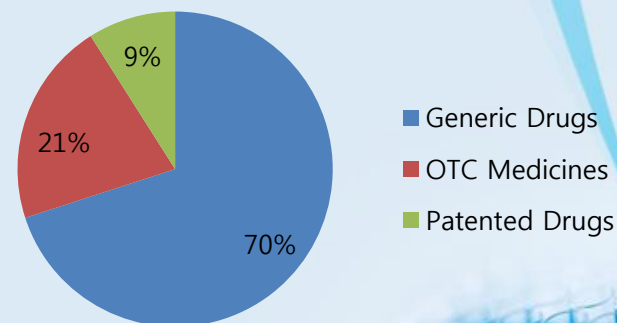
Overview: Indian Pharma Market

- **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 with 70% 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



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.

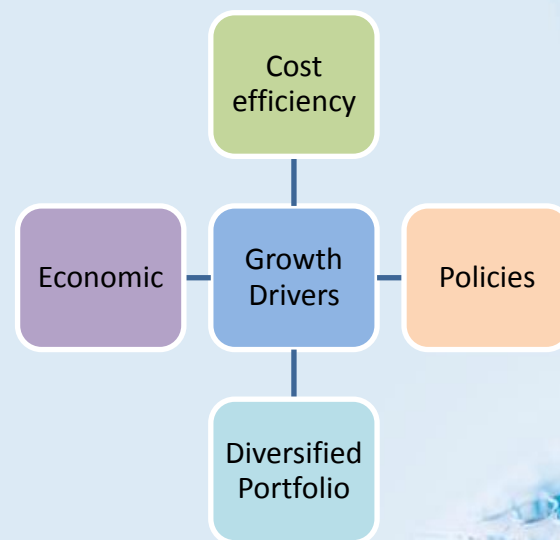
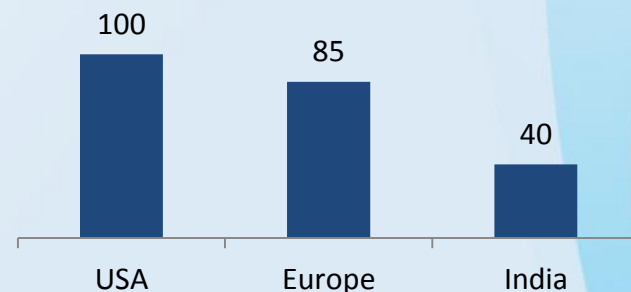
Government:

- 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 facilities 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.

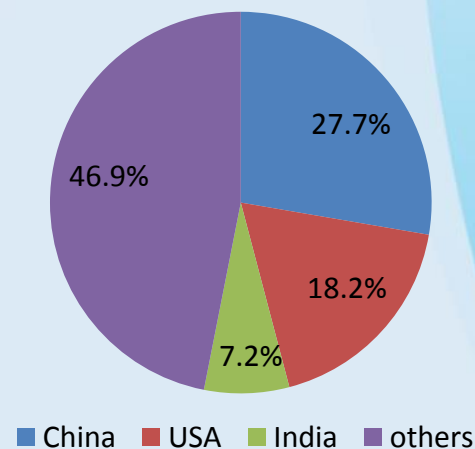
Relative Cost of Production with USA cost as base as on March 2015



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.

Market Share of API: 2016 (E)





Financial Overview



Profit and Loss Statement

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

Balance Sheet

Equity and Liabilities (INR Mn.)

Shareholders Fund

Share Capital	132	132	132	144
Reserves and Surplus	131	100	162	390
Money Received	-	-	-	84
Net worth	263	232	294	618

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	165
Total current liabilities	431	615	994	726

Grand Total 1,148 1,255 1,699 1,598

Assets (INR Mn.)

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

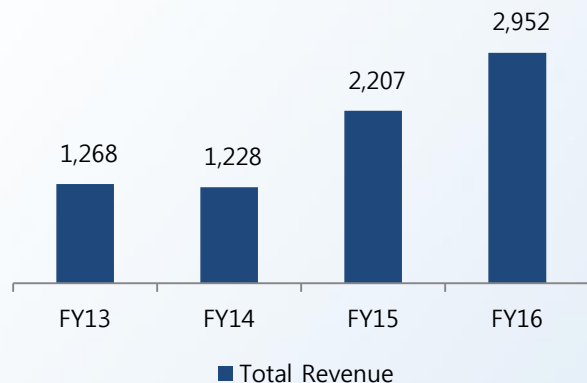
Total current Assets 575 715 1,160 997

Grand Total 1,148 1,255 1,699 1,598

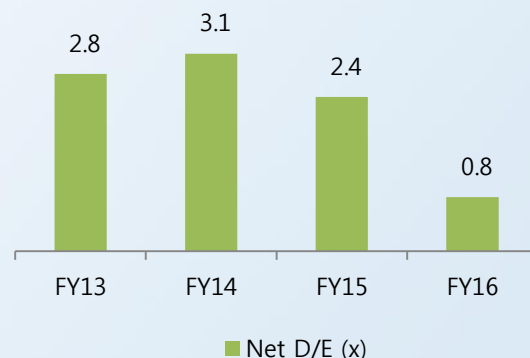


Financial Charts: A Turnaround Story

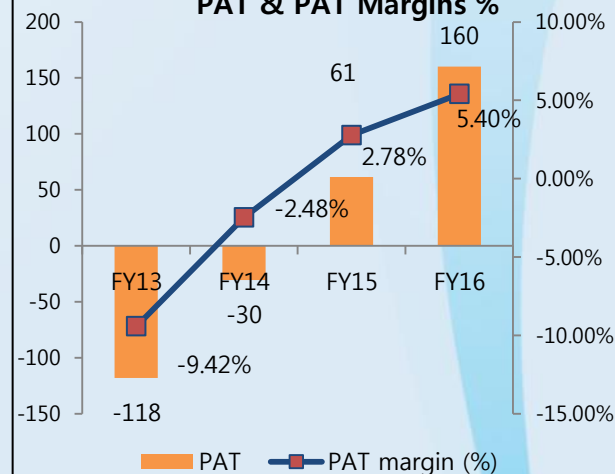
Total Revenue



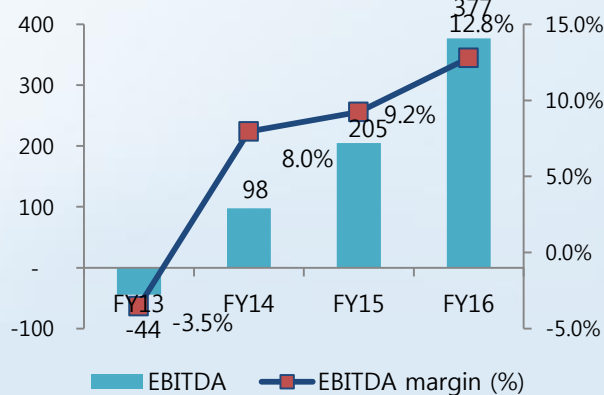
Net D/E (x)



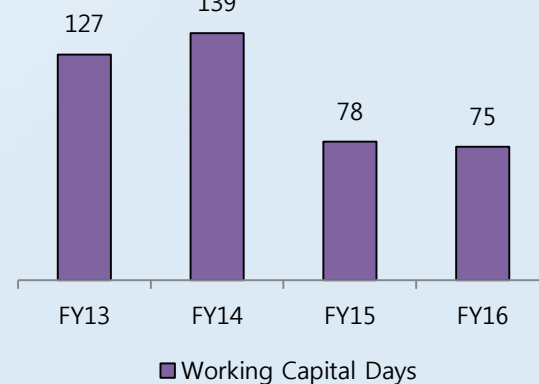
PAT & PAT Margins %



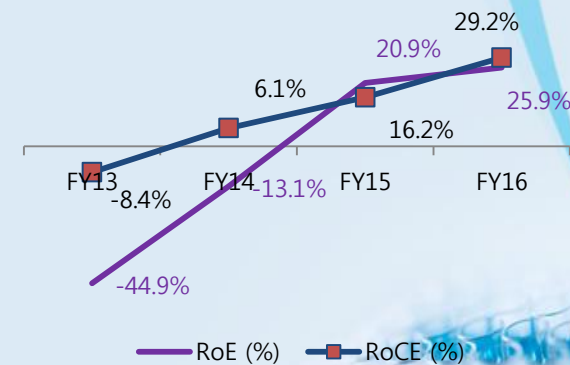
EBITDA & EBITDA Margin %



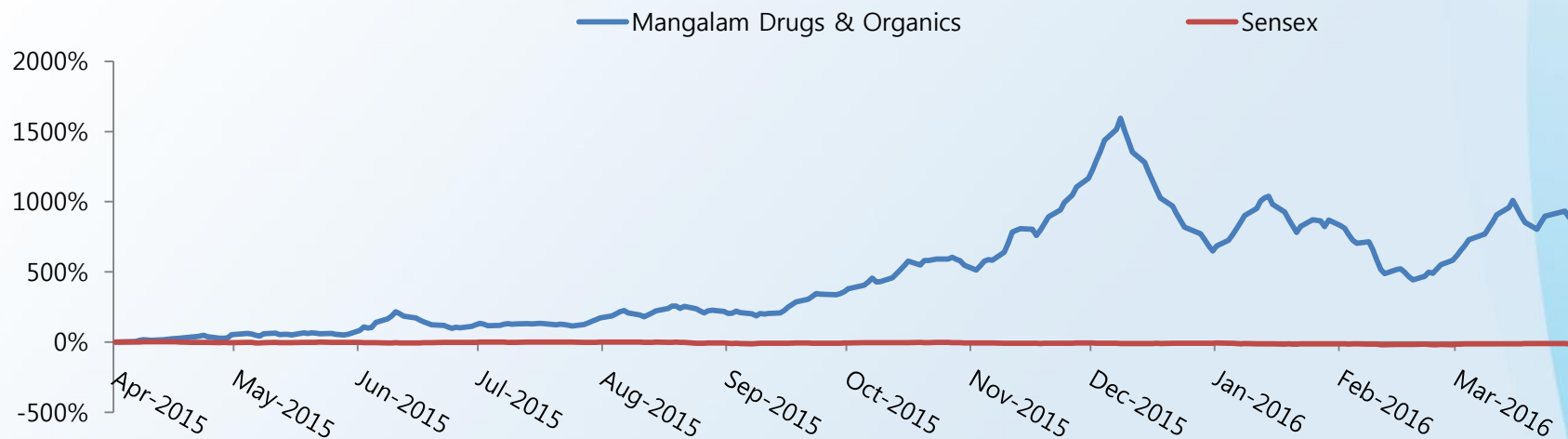
Working Capital Days



Efficiency Ratios

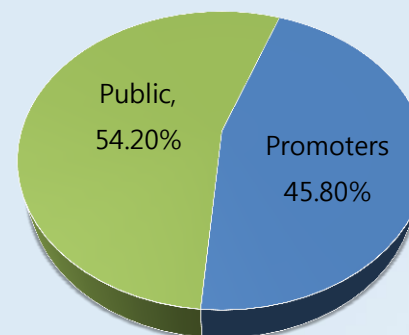


Capital Market



Price Data (As of 31 st March 2016)	INR
Face Value	10
Market Price	253.7
52 Week H/L	441.5/25.7
Market Cap (INR Mn)	3,648
Equity Shares Outstanding (Mn)	14.38
1 Year Avg. Trading Volume ('000)	299.6

Shareholding Structure (as on 31st Mar 2016)



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Mangalam Drugs and Organics Ltd

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