Cipla

Investor Presentation

Q2 FY 16 Earnings Release

5 November 2015

Disclaimer

Except for the historical information contained herein, statements in this presentation and the subsequent discussions 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 our ability to successfully implement our strategy, our growth and expansion plans, our ability to obtain regulatory approvals, technological changes, cash flow projections, our exposure to market risks as well as other risks. Cipla Limited does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof."

Business Update

In Q2, Cipla achieved revenue of Rs 3,452 crores; 24.8% growth vs. last year

- Excluding the one-offs, all business units had strong growth
- Domestic Rx business growth in line with the Industry growth *(as per IMS);* decline in domestic Gx business
- Export business growth of 52.3%; including Esomeprazole
- H1 FY 2015-16 revenue of Rs. 7,305 Cr; 33.1% growth over last year

Q2 FY 2015-16 EBITDA margin of 22.9%, as compared to 20.2% in Q2 FY 2014-15

- Employee cost increase of 23.7% yoy
- Other expenses increase of 19.6% yoy
- R&D project expenses up 40% yoy
- H1 FY 2015-16 EBITDA margin of 25%, as compared to 20.1% in H1 FY 2014-15

Outlook for FY 2015-16 remains positive

- Growth in H2 likely to be lower than H1 growth
- Accelerated investment options in R&D, Consumer Healthcare and Biologics

Financial Performance Summary – Q2 FY 16

	Q2 FY 2015-16		
	Consolidated		
	Actuals *(Rs Cr.)*	vs Q2 FY 15	vs Q1 FY16
Income from Operations	3,452	24.8%	-10.4%
Domestic Revenue	1,262	0.9%	-9.6%
Exports Revenue	2,100	52.3%	-11.8%
EBITDA	789	41.4%	-24%
EBITDA %	22.9%	2.7%	-4.1%
PAT	431	44.4%	-33.7%
PAT %	12.5%	1.7%	-4.4%

Financial Performance Summary – H1 FY 16

	H1 FY 2015-16	
	Consolidated	
	Actuals *(Rs Cr.)*	vs H1 FY 15
Income from Operations	7,305	33.1%
Domestic Revenue	2,659	4.7%
Export Revenue	4,480	63.7%
EBITDA	1,828	66.2%
EBITDA %	25%	4.9%
PAT	1,082	82.4%
PAT %	14.8%	4.0%

Performance Summary (1/3)

Cipla

Area	Highlights
Financial Performance	• Consolidated H1 FY 2015-16 Revenue: Rs. 7,305 Cr, 33.1% above H1 FY 2014-15 • Consolidated H1 FY 2015-16 EBITDA: Rs. 1,828 Cr, 66.2% above H1 FY 2014-15 • Consolidated H1 FY 2015-16 EBITDA margin: 25%, as compared to 20.1% in H1 FY 2014-15 • Consolidated H1 FY 2015-16 PAT: Rs. 1,082 Cr, 82.4 % above H1 FY 2014-15 • Increase in working capital cycle from 120 days sales in March 2015 to 134 days sales in Sep 2015 • Higher tax expenses due to increased profit and higher effective tax rate
Business / Strategy	• **India** ➢ Domestic Rx business growth in line with industry growth *(as per IMS)* ➢ Growth in Gx business has declined due to portfolio rationalization and a seasonal impact • **South Africa** ➢ Private market growth in line with market growth ➢ Strong tender business growth ➢ Teva in-licensing sales continue to be strong ➢ Cipla Medpro entered into an exclusive agreement with the Serum Institute of India (SII). SII will develop and manufacture Measles, DT, TT, MMR, Hep B and BCG vaccines and Cipla Medpro will market it in the tender and private markets in South Africa • **North America** ➢ Strong performance on our B2B sales with our key partners

Performance Summary (2/3)

Area	Highlights
Business / Strategy	➢ Entered into a definitive agreement to acquire 100% stake in two US based companies, InvaGen Pharmaceutical Inc. and Exelan Pharmaceuticals Inc; transaction is expected to be completed by end of December 2015 ➢ Combined revenue of these companies was over $200 million for the year ended December 2014 and over $225 million in LTM June 2015. InvaGen has an EBITDA margin of over 25% and recorded a sales growth of 20% CAGR over the last 3 years ➢ Transaction is valued at an enterprise value of US $550 mn; EV/EBITDA multiple of 8.4x of LTM June 2015 ➢ 40 approved ANDAs, 32 marketed products, and 30 pipeline products are expected to be approved over the next 4 years ➢ InvaGen has filed 5 first-to-file products which represent a market size of ~$8 billion in revenue by 2018 • **International** ➢ Strong momentum in front end markets; stable growth in partner markets ➢ Joint venture company established in Algeria with Biopharm SPA; Cipla will hold 40% stake in the company ➢ Slower than expected offtake in Cipla Global Access business ➢ Closely monitoring situation in Yemen • **Europe** ➢ Strong top line growth across B2B markets ➢ Closely monitoring our respiratory performance

Performance Summary (3/3)

Area	Highlights
Operational Performance	• Capacity enhancement initiatives on track • New capacity build underway for ARV products – expected completion in H1 FY 2016-17
R&D Pipeline	• >200 formulation development projects underway • Formulation filings: North America (4), Europe (19), International (792)
Organisation	• Umang Vohra appointed as the Global Chief Financial and Strategy officer • Prabir Jha appointed as the Global Chief People Officer
Quality, Risk & Compliance	• Continue to maintain Cipla's high standards of quality and safety