Par
DRUGS AND CHEMICALS LIMITED

Investor Presentation| September 2019

Executive Summary

Overview

- Incorporated in 1999, Par Drugs and Chemicals Ltd. (PDCL) is engaged in the development and manufacture of Active Pharma Ingredients ("APIs") and Fine Chemicals for the domestic market as well as for exports to international markets.
- The company currently produces the entire range of *Antacid Molecules* and the product portfolio presently comprises 16 APIs and 7 Fine Chemicals.

- The company operates a manufacturing facilities at Bhavnagar in Gujarat.
- The company supplies products to approximately 16 countries, including both direct and indirect exports.
- As on March 31, 2019, PDCL caters to more than 200 customers through dealers / agents worldwide.

Business Mix

- **API (66%):** The APIs manufactured are purchased by pharmaceutical companies which convert the APIs into various forms of formulations such as tablets and liquid form for final sale, used as an API in Antacid Formulation.
- **Fine Chemicals (34%):** The company offers Fine Chemicals used as an Antacid Raw material in a specific antacid formulations, ceramics, suspending agent, thickening agent, Pesticides & detergents, special low moisture grade, free flow salt & anticaking agent for agriculture and paints space etc.

Financials FY19

Income – INR 463 MN
EBITDA – INR 83 MN
EBITDA - 17.93%
PAT – INR 24 MN
PAT - 5.18%

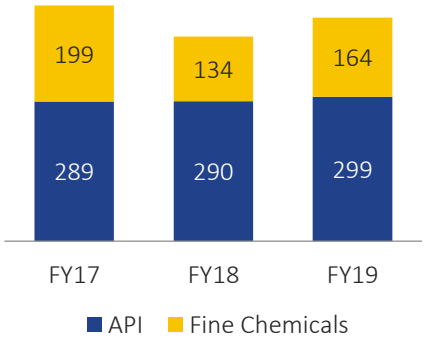
Company Overview

About the Company

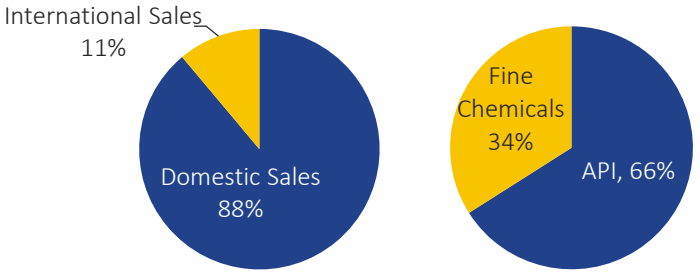
- Promoted by Mr. Falgun Savani and Mr. Jignesh Savini, Par Drugs and Chemicals Ltd. (PDCL) was founded in 1982 and is engaged in the development and manufacturing of APIs.

- The Company today manufacturers more than 23 different products and all the requisite grades as available in market. The product portfolio presently comprises of 16 APIs and 7 Fine Chemicals which are marketed domestically and exported.
- Currently, the company owns and operates a manufacturing facility at Bhavnagar in Gujarat with an annual capacity of 8,300 MT.
- The company is the largest manufacturer of Magnesium Hydroxide, Sucralfate and Magnesium Trisilate in India.
- Company's key customers include Essential Drugs Company Ltd., Pfizer Ltd., United Phosphorus Ltd., Cipla Ltd., etc.
- PDCL exports its products to approximately 16 countries, including Germany, United Kingdom, Bangladesh, Iran, and U.A.E etc.
- APIs, also known as "bulk drugs" or "bulk actives" are the principal ingredient used in making finished dosages in the form of capsules, tablets, liquid, or other forms of dosage, with the addition of other APIs or inactive ingredients.

Operational Revenues (INR Mn)



Business Mix (FY19)



Board of Directors

Falgun Vallabhbhai Savani
Managing Director

- Holds Bachelor's degree in Pharmacy from B. K. Modi Government Pharmacy Collage, Rajkot affiliated with Saurashtra University.
- Has 18 years of experience in API Industry and is playing vital role in formulating business strategies and effective implementation of the same.
- Responsible for expansion and overall management of the business of our Company and his leadership abilities have been instrumental in leading the core team.

Jignesh Vallabhbhai Savani
Executive Director & CEO

- Has completed Matriculation education from Gujarat Secondary Education Board.
- Has 17 years of experience in the API Industry and has been actively involved in the day-to-day operations of the Company and looks after the sales, administration and finance department.

Ghanshayambhai Bhagvanbhai Savani
Whole-Time Director

- Has 28 years of experience in the API Industry and his expertise and business acumen helped in sustainable growth.
- Actively engaged in the production activity of the Company.

Pravin Manjibhai Bhayani
Independent Director

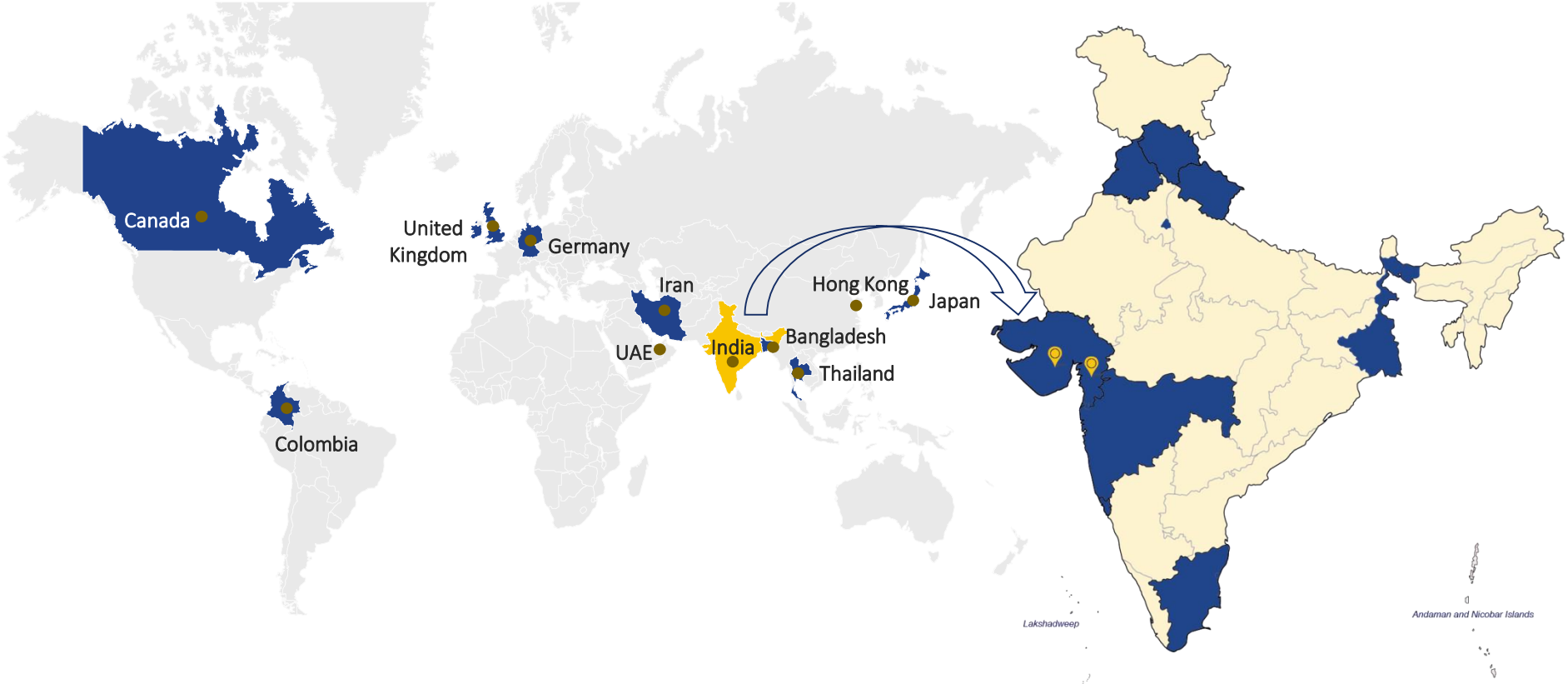
Kajal Chintanbhai Vaghani
Independent Director

Krishna Mitulbhai Shah
Independent Director

Shilpa Falgunbhai Savani
Non- Executive Director

Nayna Jignesh Savani
Non - Executive Director

Geographical Presence



40+
Agents Globally

13+
Dealers in India

Manufacturing Facility
Bhavnagar, Gujarat having a capacity of 8,300 MTPA.

Key Milestones

Mr. V. J. Savani established in the year 1982 in the name of Par Inorganics, later Par Drugs and Chemicals was incorporated in the year 1999.

2002

- Drying Technology Upgradation (spin flash dryer) in India, which was for the first time in the product segment

2005

- Established 2nd manufacturing facility in Asia's biggest chemicals corridor, GIDC Ankleshwer

2009

- Fuel Technology modification changeover from furnace oil to Coal Fired Hot Air Generator, which has improved cost effectiveness tremendously

2010

- Received GMP Certification from WHO for the Bhavnagar manufacturing facility

2012

- Established 2 new manufacturing blocks in Bhavnagar, one block is specially for fine chemicals Second block is dedicated to only one product magnesium hydroxide
- Ankleshwer plant was upgraded with spray dryer system

2015

- Had addition of one API product named - Sucralfate - the only manufacturer in India

2017

- Installed 120 kw Solar Power Generation Plant in the premises and reduced 1,54,000 kgs p.a. of carbon emission

2018

- Conversion from Private Limited to Limited on 5th November 2018

Research & Development

- Company's focus is on developing non-infringing processes and achieving process improvements and production cost efficiencies.
- The main focus will be to expand the ability to penetrate different applications of current molecules with modified physical and chemical structures.
- The laboratory at Chitra, Bhavnagar, is equipped with modern equipments including electronic balances, KF apparatus, ovens, stability chambers, computers, HPLC with IR Detector, Particle Size Analyser, Surface Area Analyser. We also have a dedicated Microbiological Laboratory to perform microbiological tests.

The primary responsibilities of the R&D team includes:-

- New products development
- Development of customized products catering to specific requirement of customers
- Scale up and Optimization of new technologies
- To render assistance to production and quality assurance for quality improvement, troubleshooting in existing process and products
- Value engineering and development of cost effective process

Manufacturing Facility

Manufacturing Facility - Chitra, Bhavnagar, Gujarat

There are three Manufacturing Blocks are for different products having a capacity of 8,300 MTPA.

Unit 1 – APIs **Unit 2 - Magnesium Hydroxide** **Unit 3 - Fine Chemicals**

Manufacturing Process

Procurement of Raw Material	Reaction	Filtration	Drying	Quality Control and Sampling	Packaging
					
Procurement of magnesium chloride, caustic soda lye, soda ash, Aluminium chloride etc. All incoming raw materials are tested as per specifications.	Chemical reaction takes place in a controlled environment between the raw materials. The quantity or raw material and addition of the same depends on the final product to be manufactured.	After the reaction, the slurry has to be washed to remove impurities. Washing process is carried out until the product comply with prescribed limit as per specification. It is a controlled process and sulphates and chlorides are washed off with treated water.	Excess water from the product is evaporated at a controlled temperature and getting the final product in powder form.	The sampling is done for the final product as per the system and norms already defined and then these samples are sent to the QC for testing as per the pharmacopoeia.	The material is sent to the packaging department where it is packed in LDPE and HDPE containers and supplied to various parties.

Key Strengths

Diversified Portfolio: The company manufactures the entire range of products in the Antacid segment. Product portfolio presently comprises 16 APIs and 7 Fine Chemicals which are marketed domestically and exported.

Global Presence: The Company is operating both in domestic and export markets. The export products are to approximately 16 countries, including Germany, United Kingdom, Bangladesh, Iran, and U.A.E, Indonesia, Japan, South Korea, etc.

Experienced Promoters: Led by qualified and experienced Promoters and key managerial personnel, who we believe have extensive knowledge and understanding of the APIs business environment and have the expertise and vision to organically scale up the business.

Robust Chemistry Capabilities: A research driven Company with R&D efforts focused on developing processes and achieving process improvements and production cost efficiencies.

Diversified Customer base: Catering to more than 200 customers through dealers / agents worldwide.

Established Sales and distribution network: Comprising of more than 40 dealers and distribution network is spread globally comprising of 13 agents.

Business Overview

Business Overview

The company is one of the largest manufacturer in Magnesium Hydroxide, Sucralfate and Magnesium Trisilate in India.

API (66%)		Fine Chemicals (34%)
Magnesium Hydroxide	Magnesium Oxide USP	Precipitated Silica
Sucralfate	Almagate BP	Allusil
Dried Aluminium Hydroxide Gel	Magnesium Carbonate	Amorphous Aluminium Hydroxide
Magaldrate	Colloidal Silicon Dioxide	Copper Sulphate
Magnesium Trisilicate	Hydrotalcite	Magnesium Silicate (Increase A, B, C, D, E and F)
Aluminium Magnesium Silicate	Amorphous Aluminium Hydroxide Dried Gel	MagSil OF
Magnesium Aluminium Silicate	Magnesium Oxide Light	FlowSil
Magnesium Oxide Heavy	Light Magnesium Carbonate	

Business Verticals

Business Verticals

- API
- Fine Chemicals

API

- PDCL currently produces the entire range of Antacid Molecules available in the market.
- Antacids are medication that neutralize stomach acid to cut down on heartburn, sour stomach, acid indigestion, and stomach upset, symptoms of Gastroesophageal Reflux Disease (GERD also called acid reflux), heartburn or indigestion (also called dyspepsia).
- They contain ingredients such as aluminium, calcium, magnesium, or sodium bicarbonate which act as bases (alkalis) to counteract stomach acid and make its pH more neutral.
- Some such products are formulated to minimize such effects through the inclusion of equal concentrations of magnesium hydroxide or magnesium carbonate, which have counterbalancing laxative effects.

FINE CHEMICALS

- The company manufactures Fine chemicals that are inorganic molecules produced in kilogram to multi-ton quantities by conventional or chemical processes.
- Applications that involve the use of fine chemicals include catalysts, adhesives, food, and specialty polymers for advanced composites etc. Similarly, fine chemicals are also employed in the agrochemical industry for manufacturing pesticides, fungicides, and herbicides through rigorously controlled contamination prevention protocols.

APIs and their Applications

Magnesium Hydroxide

- Widely used as an Antacid in many Formulations helping reduce stomach acid
- Also used as intermediate for obtaining magnesium metal, residual fuel additive, sulfite pulp, uranium processing, dentifrices, in food as alkali, drying agent, colour retention agent, frozen desserts

Sucralfate

- It is a medication primarily taken to treat active duodenal ulcers.
- Sucralfate is also used for the treatment of gastroesophageal reflux disease and stress ulcers.

Dried Aluminium Hydroxide Gel

- Mainly used as an active medicament in an Antacid Formulations
- Used in manufacturing of lake colours, Inks, catalysts carrier etc.

Magaldrate

- It is a common antacid drug that is used for the treatment of duodenal and gastric ulcers, esophagitis from gastroesophageal reflux

Magnesium Trisilicate

- Used as Antacid in Antacid Formulations.
- Useful Antioxidant, decolorizing agent
- Industrial odour absorbent

Amorphous Aluminium Hydroxide Dried

- Mainly used as an active medicament in an Antacid Formulations
- Manufacturing of lake colors, Inks, catalysts carrier etc.

Aluminium Magnesium Silicate

- Used as an Antacid Raw material in a specific antacid formulation.
- Ceramics suspending agent, thickening agent etc.

Magnesium Oxide USP

- Its uses include relief of heartburn and sore stomach, as an antacid, magnesium supplement and as a short-term laxative

Almagate BP

- Used as an Antacid Raw material in a specific antacid formulations.

Magnesium Carbonate

- Used as antacid and as an additive in table salt to keep it free flowing.

Colloidal Silicon Dioxide

- Has many uses in tablet-making: some include as an anti-caking agent, adsorbent, disintegrate or glidant to allow powder to flow freely when tablets are processed.

Hydrotalcite

- Used as an API in Antacid Formulation.

Magnesium Aluminium Silicate

- Used as an Antacid Raw material in a specific antacid Formulation.
- Ceramics, suspending agent, thickening agent etc.

Magnesium Carbonate

Light magnesium Carbonate is an inorganic compound used as common antacid.

- Used to produce magnesium metal and basic refractory bricks.
- Used in flooring, fire proofing,
- Fire extinguishing compositions,
- Cosmetics, dusting powder and toothpaste.

Magnesium Oxide Light

Magnesium Oxide is a common antacid drug that is used for Pharmaceutical aid.

- Filling and reinforcing agent for light-coloured plastic and rubber products.
- Polishing agent, binding agent,
- Accelerator and activator for fluorine and chloroprene rubber.
- For making ceramic, enamel, advanced refractory materials. Used for making magnesium chloride cement. Widely used in glass, dyes, phenolic plastic and other fields.

Magnesium Oxide Heavy

- Common Antacid drug used in pharmaceutical aid.
- Widely used as high temperature resistant materials.

Fine Chemicals and their Applications

Fine chemicals are chemical substances prepared to a very high degree of purity. They can be used in different industries. These chemicals are used for special applications by manufacturing firms that make the following products: Pharmaceuticals, paints, petrochemicals, adhesives and agricultural products.

Precipitated Silica

It is a form of silica (silicon dioxide, SiO_2); it is a white, powdery material. Precipitated silica is produced by precipitation from a solution containing silicate salts.

- Pesticides & Detergents
- Special Low Moisture Grade
- Free Flow Salt & Anticaking Agent
- For Cosmetics
- Pharmaceuticals

Allusil (Sodium All. Silicate) - Sodium Aluminium Silicate

It is a composition of Silicate & Aluminium Salt.

- Paper
- Paint
- Coating application

Amorphous Aluminium Hydroxide

- Amorphous Aluminium Hydroxide Dried Gel is used in manufacturing of construction chemicals mainly used to manufacture “Short Crete”.

Copper Sulphate

- Used in the process of manufacturing special dyes and pigments.

Magnesium Aluminium Silicate (Increase A,B,C,D,E & F)

- Used as an Antacid Raw material in a specific antacid Formulation.
- Ceramics, suspending agent, thickening agent etc.

~~MagSil OF~~

~~FlowSil~~

Future Strategy

Expand the product portfolio:
Seek to leverage the R&D capabilities to expand PDCL's Product Portfolio and thus penetrate the different segments of application and value added products. This will ultimately increase the profitability by value addition.

Exploring new geographical area:
Intend to continue to grow sales by exploring new geographical area and developing new products portfolio.

Leveraging market skills and relationship:
Aim to enhance the growth by leveraging relationship and further enhancing customer satisfaction. Plan to increase customers by meeting orders in hand on time, maintaining customer relationships and renewing relationships with existing buyers.

Augment working capital base in order to better utilize the installed capacities:
The Company needs to maintain sufficient inventory for the production process and also maintain a balance between debtors & creditors cycle. Also increase the utilization levels over the next few years and adding new capacity subsequently.

Continuing innovation, technology upgrade and cost improvements:
Technical teams try and ensure minimal wastage and extract out maximum from the resources, be it the raw materials, be it the premises we operate in, optimum utilisation will help us in innovating process improvements, thereby reducing costs.

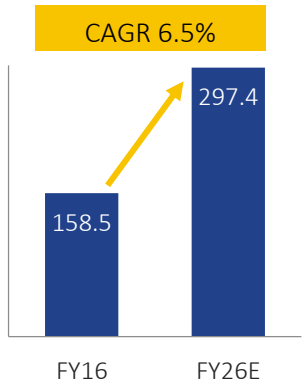
Industrial Overview

API Industry

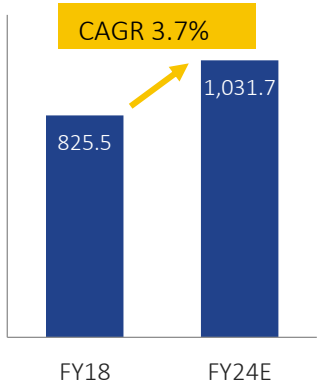
- More than 30% of the APIs manufactured in India are exported to countries such as US, UK, Japan, etc. The total production market of API in India was valued at approximately USD 11 Bn in FY16. This market is forecasted to grow at a CAGR of around 9% during the period of FY 16–FY22.
- Of the total domestic consumption, approximately 32% was imported. Of the total imports, China accounts for 57-60% of the APIs imported by India. The remaining imports are from countries such as Italy, Germany, Malaysia, and others.
- India is also one of the major exporters of bulk drugs, supplying high-quality bulk drugs to both regulated and semi-regulated markets.
- In terms of industries in India, the manufacturing of pharmaceutical products and medicines has shown the highest growth at 39.5%. And as per item groups, digestive enzymes and antacids showed an uptick of 110.7%.
- 250 Mn in India suffers from the common disease i.e. acidity. Acidity is the result of excess secretion of acids in the gastric glands of stomach by eating spicy food.
- The propelling factors for the growth of the antacids market include the growing geriatric population suffering from GERD, poor lifestyle choices leading to higher incidences of acidity, and side effects of drugs like non-steroidal, anti-inflammatory drugs.

(Sources: Grand View Research, IBEF, Global news wire, Mordor Intelligence)

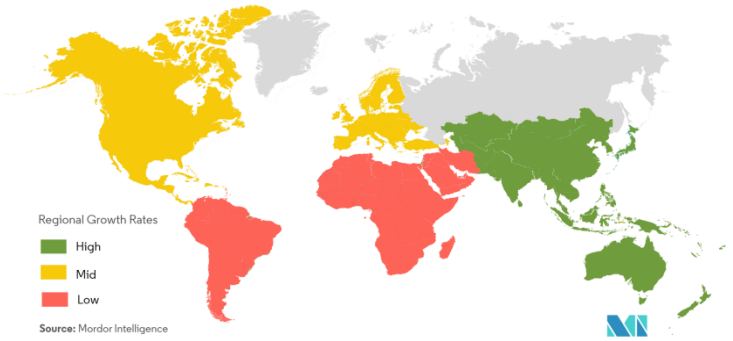
Global API Market Size (USD Bn)



Global Anatcid Market Size (USD Bn)

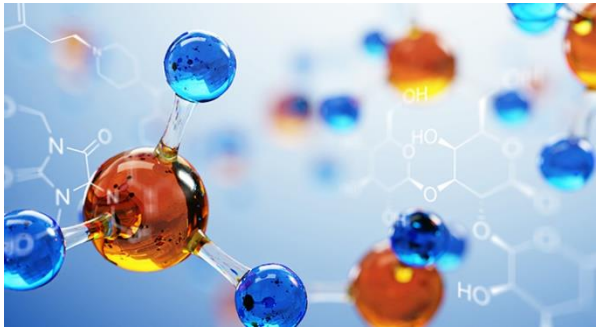


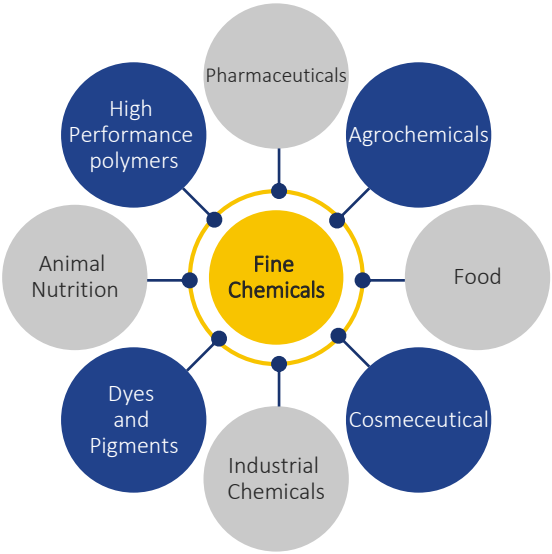
Antacids Market - Growth Rate by Region (2018)



Fine Chemical Industry

- The global Fine Chemicals market is valued at USD 1,55,550 Mn in 2018 and is expected to reach USD 2,19,490 Mn by the end of 2024, growing at a CAGR of 7.1% between 2019 and 2024.
- North America and Europe is the industry's leading region. In 2018, the revenue of Fine Chemicals is about USD 36.17 Bn in North America; its proportion of total global revenue exceeds 23.91%. In 2018, the revenue is about USD 46.31 Bn in Europe. India and China have witnessed a major chunk developing of Fine Chemicals in the Asia region.
- Fine chemicals account for about 4% of the universe of chemicals valued at USD 2,500 Bn and is dominated mainly by oil & gas and mineral-derived commodities (~40%) on one hand and a large variety of specialty chemicals on the other hand (~55%).
- The global production value of fine chemicals is estimated at USD 85 Bn, of which about 2/3 or USD 55 Bn are produced captively and USD 30 Bn represent the global revenues of the fine chemical industry. The corresponding figures for the major user, the pharmaceutical industry, are USD 32 Bn and USD 23 Bn, respectively.
- On the basis of end-users, the fine chemicals market is segmented into pharmaceuticals, agro chemicals, polymer additives, food and feed, electronics, dyes and pigments, perfumes and fragrances, and others. Fine chemicals are used in many industries like agrochemicals and perfumes & fragrances are also the major end-user segments, which are occupying prominent share among all other applications after pharmaceuticals.
- To elaborate, Agrochemical companies are the second largest users of fine chemicals. As a consequence of an intensive M&A activity over the past two decades, the industry now is more consolidated than the pharmaceutical industry.





(Source: Reuters.com, Market Watch, www.essentialchemicalindustry.org)

Financial Overview

Income Statement (IND-AS)

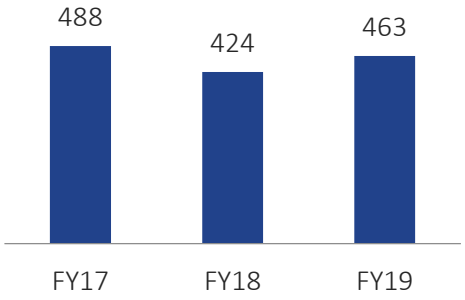
Income Statement (INR Mn)	FY17	FY18	FY19
Income from Operations	**488**	**424**	**463**
Total Expenses	403	344	380
EBITDA	**85**	**80**	**83**
EBITDA Margin	*17.42%*	*18.87%*	*17.93%*
Finance Cost	25	23	19
Depreciation	28	31	30
Other Income	-	-	1
Share in profit of joint venture and associate	-	-	-
PBT	**32**	**26**	**33**
Tax	13	11	9
Profit after tax	**19**	**15**	**24**
PAT Margin	*3.89%*	*3.54%*	*5.18%*
Other Comprehensive Income	-	-	-
Total Comprehensive Income	**19**	**15**	**24**
Diluted EPS (INR)	6.84	5.54	5.40

Balance Sheet (IND-AS)

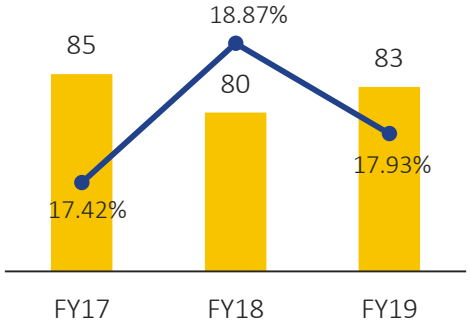
EQUITIES & LIABILITIES (INR Mn)	FY17	FY18	FY19	ASSETS (INR Mn)	FY17	FY18	FY19
Shareholder Funds	**192**	**207**	**291**	**Non Current Assets**	**424**	**398**	**372**
(A) Equity Share Capital	85	85	45	(A) Fixed Assets			
(B) Reserves & Surplus	107	122	246	(i) Tangible Assets	415	390	363
				(B) Non Current Investments	-	-	1
Non-current Liabilities	**172**	**166**	**97**	(C) Long Term Loans & Advances	9	8	8
(A) Long Term borrowings	143	131	60				
(B) Deferred Tax Liabilities (net)	27	32	34				
(C) Other Financial Liabilities	2	3	3				
Current Liabilities	**196**	**166**	**125**	**Current Assets**	**136**	**141**	**141**
(A) Short term borrowings	65	51	43	(A)Inventories	40	41	43
(B) Trade Payables	78	53	50	(B) Trade Receivables	81	87	85
(C) Other Current Liabilities	45	56	23	(C) Cash & cash equivalents	-	1	-
(D) Short term Provisions	8	6	9	(D)Short Term Loans & Advances	6	7	6
				(E) Other Current Assets	9	5	7
GRAND TOTAL - EQUITIES & LIABILITES	**560**	**539**	**513**	**GRAND TOTAL – ASSETS**	**560**	**539**	**513**

Financial Highlights

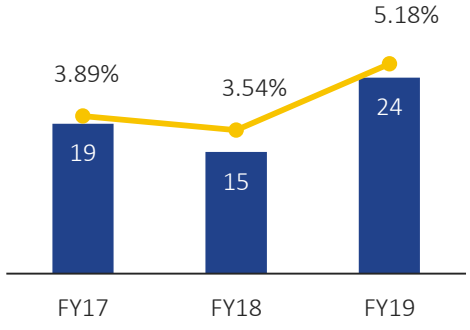
Operational Revenue (INR Mn)



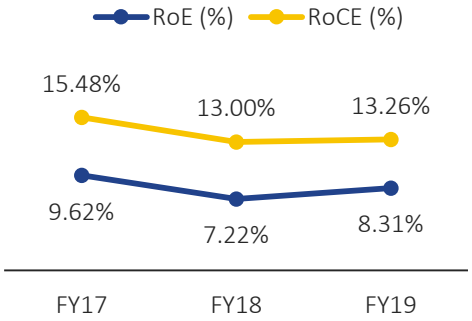
EBITDA & EBITDA Margins



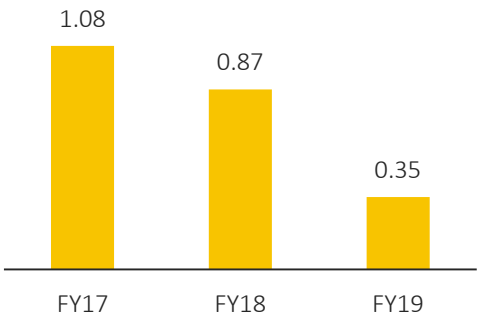
PAT & PAT Margins



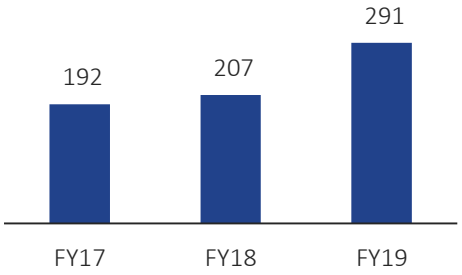
RoCE & RoE



Debt to Equity



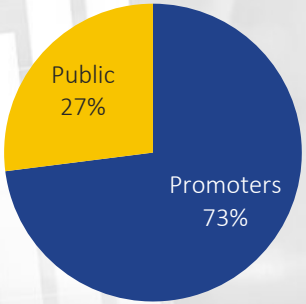
Net Worth (INR Mn)



Market Data

Price Data (30th June, 2019)	INR
Face Value	10
Market Price	66.0
High/Low	52.9/41.0
Market Cap (Mn)	48.0
Equity Shares Outstanding (Mn)	9.69
1 Year Avg Trading Volume ('000)	42.6

Shareholding Pattern as on 30th June, 2019



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