

DISCOVER. DEVELOP. DELIVER.



66th Annual Report, 2017-18

DISCLAIMER

IN THIS ANNUAL REPORT, WE HAVE DISCLOSED FORWARD-LOOKING INFORMATION TO ENABLE INVESTORS TO COMPREHEND OUR PROSPECTS AND TAKE INFORMED INVESTMENT DECISIONS. THIS REPORT AND OTHER STATEMENTS – WRITTEN AND ORAL – THAT WE PERIODICALLY MAKE, CONTAIN FORWARD-LOOKING STATEMENTS THAT SET OUT ANTICIPATED RESULTS BASED ON THE MANAGEMENT'S PLANS AND ASSUMPTIONS. WE HAVE TRIED, WHEREVER POSSIBLE, TO IDENTIFY SUCH STATEMENTS BY USING WORDS SUCH AS 'ANTICIPATES', 'ESTIMATES', 'EXPECTS', 'PROJECTS', 'INTENDS', 'PLANS', 'BELIEVES' AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE. WE CANNOT GUARANTEE THAT THESE FORWARD-LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE WE HAVE BEEN PRUDENT IN MAKING OUR ASSUMPTIONS. THE ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES AND EVEN INACCURATE ASSUMPTIONS. SHOULD KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE, OR SHOULD UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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This is the annual report of DIL Limited ('DIL'/the 'Company') for the financial year 2017-18 (FY2017-18). A dominant portion of the Company's revenues and profits are derived from its subsidiary Fermenta Biotech Ltd. (Fermenta). Even though the annual report is that of the holding company DIL, it has focused on the performance and prospects of Fermenta for enhanced transparency and better understanding.



This is what you need to know about DIL Limited, the holding company



Subsequent to the transfer of equity shares, DIL's holding in Fermenta has increased to 91.20%.

DIL Ltd. (earlier known as Duphar-Interfran Ltd.) is a respected publicly-listed company. It has built a distinctive reputation in the business of pharmaceuticals, biotechnology, environment solutions and other segments.

Presence

The Company is head-quartered in Thane with its registered office address at A-1601, Thane

One, DIL Complex, Majiwade, Thane (West), 400 610, Maharashtra, India.

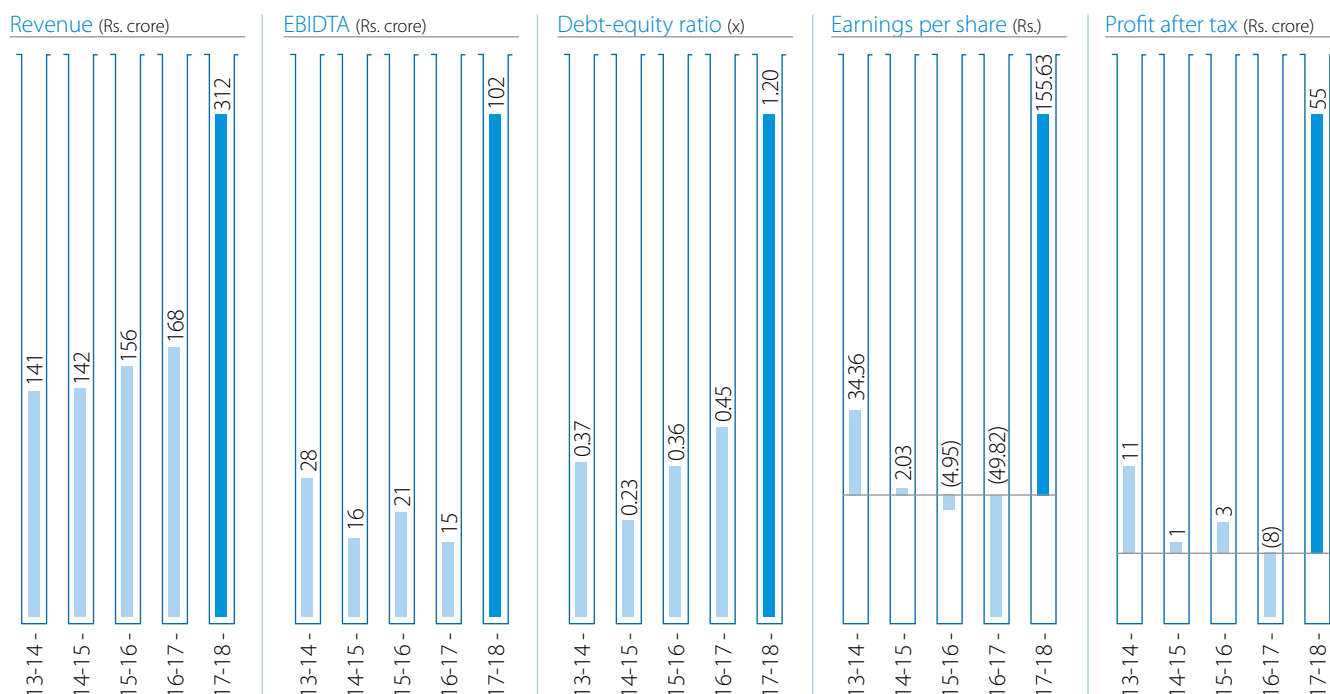
About DIL

DIL Ltd. (earlier known as Duphar-Interfran Ltd.) is a respected public listed company. It has built a stellar reputation for itself in the arenas of pharmaceuticals, biotechnology, environment solutions and other segments. DIL purchased 38,30,072 equity

shares from Evolve India Life Science Fund LLC, representing 21.05% of the total paid-up equity share capital of Fermenta. Subsequent to the transfer of equity shares, DIL's holding in Fermenta has increased to 91.20%. DIL completed the construction of a corporate Information technology (IT) park in one of Thane's prime locations, a Mumbai suburb and one of the fastest-growing cities in India.



Financial credentials of DIL (consolidated)



Note: Financials of FY2016-17 and FY2017-18 are as per IND AS

Why is this measured?

It highlights the service acceptance and reach of a company in the market.

What does it reveal?

Aggregate sales increased by 86% to reach Rs. 312 crore in FY2017-18 following increasing demand for existing products at higher prices and improved footprint.

Why is this measured?

It is an index that showcases the Company's ability to optimise business operating costs despite inflation and can be easily compared with the retrospective averages of sectoral peers.

What does it reveal?

The Company reported a 591% increase in its EBITDA in FY2017-18, primarily due to higher revenues.

Why is this measured?

A measure of a company's financial health, indicating the ability of a company to remunerate shareholders over debt providers.

What does it reveal?

The Company's gearing increased from 0.45 times in FY2016-17 to 1.20 times in FY2017-18. The primary reason for the increase was due to the debt taken for buying the additional stake in Fermenta.

Why is this measured?

EPS serves as an indicator of the financial health of a company. Increasing EPS indicates better profitability.

What does it reveal?

The EPS of the Company improved from a (-) of Rs. 49.82 in 2016-17 to (+) of Rs. 155.63 in 2017-18.

Why is this measured?

It highlights the strength in the business model in generating value for its shareholders.

What does it reveal?

The Company reported a (+) PAT of Rs. 54.84 crore in FY2017-18 over a loss of Rs. 8.23 crore in FY2016-17- reflecting the robustness of the business model in capitalising on trends and growing shareholder value.

Six things you need to know about Fermenta

Fermenta Biotech Ltd – An inclusive perspective

- Fermenta – a futuristic company, specialising in the knowledge-intensive niche of nutritive healthcare, bio-pharmaceuticals and environment solutions
- Fermenta – a progressive company, engaged in consistent stakeholder value creation through focused offerings in the healthcare sphere.

Fermenta was recognised as a 'Strategic Business Partner' by Abbott India in 2017 for supplying quality Active Pharmaceutical Ingredient(s) (API).

01 Fermenta – a pioneering player

Fermenta is a well-respected company that has established a distinctive reputation in the areas of nutraceuticals, pharmaceuticals, biotechnology and environment solutions. With decades of rich history, Fermenta 'thinks young' and 'moves with the times'.

02 Fermenta – innovation-oriented

Head-quartered in Thane (Maharashtra) with manufacturing facilities in Kullu (Himachal Pradesh) and Dahej (Gujarat), Fermenta is engaged in cutting-edge research that has enhanced process and product effectiveness. Fermenta has invested in a state-of-the-art R&D facility in Thane.

03 Fermenta – globally present

Fermenta continues to enjoy a global presence. Fermenta's quality and service capability is validated by its sales footprint in >50 countries in addition to being a dependable supplier to >200 companies in India.

04 Fermenta – a distinct front-runner

Fermenta is a leading manufacturer and global supplier of Vitamin D3. It adheres to the best global norms and quality control standards, certified by various international bodies for its products and manufacturing facilities. Fermenta produces a range of variants – crystalline, oil, resin in oil, cold water dispersible (CWD), and feed grade powder, that can be used in applications like injectables, soft gel capsules, premixes, as well as food and beverage fortification. It caters to requirements of major pharmaceutical, nutraceutical, food and animal feed manufacturers across the globe. Fermenta is a formidable producer of Penicillin G Amidase, CAL B Lipase and other enzyme technologies for manufacturing beta lactam antibiotics. Fermenta also provides customised sustainable environmental solutions, designed to tackle growing environment concerns.

05 Fermenta – Various business verticals

Biotechnology

Fermenta is a pioneer in developing immobilised enzyme catalysts. Some flagship enzyme products range from the classical 'white enzyme', Penicillin G Amidase (PA 850) to advanced enzyme variants like Novel Penicillin G Amidase (PS 250) and CAL B Lipase (CAL B 10000). The Company also offers enzyme immobilisation optimisation and supply services that cover multi-tonne quantities. Fermenta is a leader in providing immobilised enzymes, enzyme technologies and proprietary immobilisation platforms.

Pharmaceuticals

Fermenta is the only manufacturer and supplier of Vitamin D3 in India and among the largest global manufacturers.

Its fully-integrated Vitamin D3 API manufacturing facilities provide product superior quality and cost-effectiveness.

Fermenta has been manufacturing Vitamin D3 for



>50 years with a base of over 300+ customers, which can be used for various applications in human and animal nutrition. Fermenta's manufacturing facilities are benchmarked with the best global standards, backed by dedicated professionals and accreditation from various regulatory

agencies.

- The Company's strength lies in harnessing cutting-edge technology to manufacture world-class quality APIs.
- For over 25 years, Fermenta has been dedicated to manufacturing specialty APIs and bio-catalysts.

Fermenta is a trusted and reliable global source of specialty pharmaceutical products worldwide.

Environmental solutions

Fermenta possesses expertise in enzyme-based technologies, offering integrated environmental solutions. Fermenta's tailor-made solutions

and platform technologies provide unique waste water management and treatment advantages. Fermenta's products span a range of applications: encompassing integrated solutions for sewage treatment plants and effluent treatment plants; from waste water to solid waste management; among others.

06 Fermenta – Globally accredited

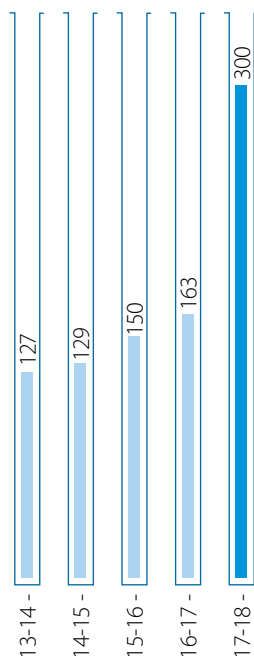
			
			
			

* For dietary supplements

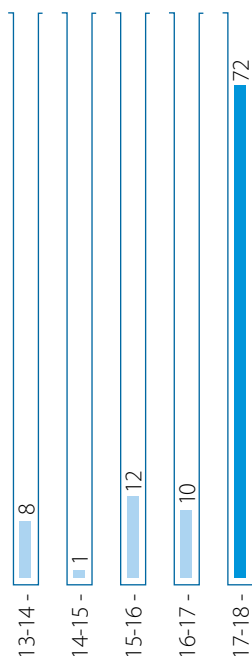


This is how Fermenta has grown its business

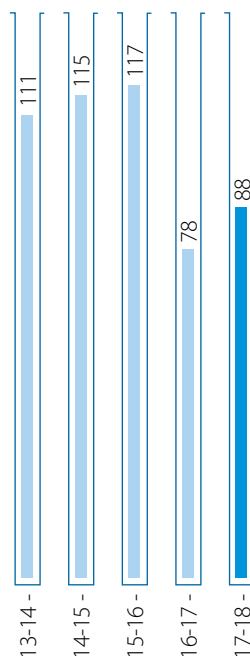
Turnover (Rs. crore)



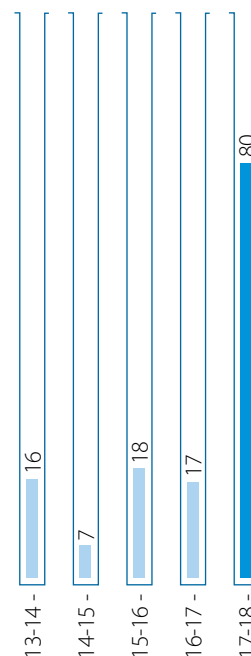
Profit after tax (Rs. crore)



Gross block (Rs. crore)



Cash profit (Rs. crore)



Note: Financials of FY2016-17 and FY2017-18 are as per IND AS

Why is this measured?

This assesses the effectiveness of our strategic presence in niche segments, the efficacy of our research-driven product portfolio, how strategic our potential market selection has been, how strong our brand equity is and how efficiently we have been able to widen our market share.

What does it reveal?

An 84% increase in turnover was the result of our enhanced capacity catalysed by a seamless access to raw materials.

Why is this measured?

This index depicts the ultimate measure of the success of the business while also measuring the effectiveness of managing business expenses.

What does it reveal?

A 620% increase in Fermenta's profitability was the result of our enhanced utilisation of capacity and resources, addition of customers and efficient cost management.

Why is this measured?

The gross block pertains to the sum total of all assets of Fermenta valued at their respective costs of acquisition.

What does it reveal?

A 13% increase in the gross block has been the result of the expansion in capacity of our Vitamin D3 business.

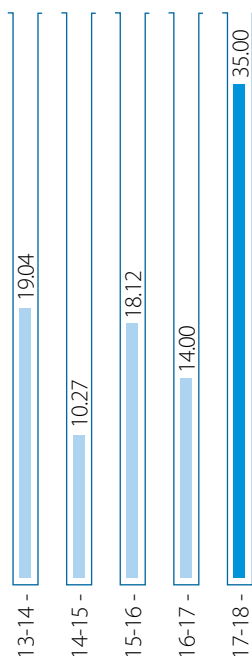
Why is this measured?

Cash profit is an index of our financial comfort to grow the business without risking the robustness of our Balance Sheet.

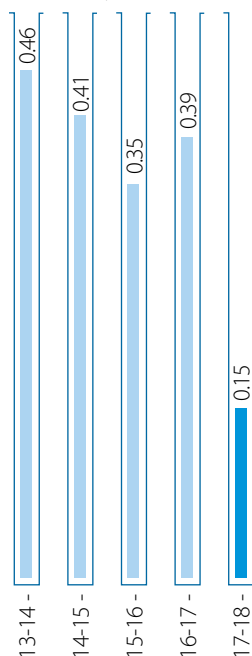
What does it reveal?

Fermenta's focus on margins expansion and enhanced working capital management are expected to drive additional cash generation.

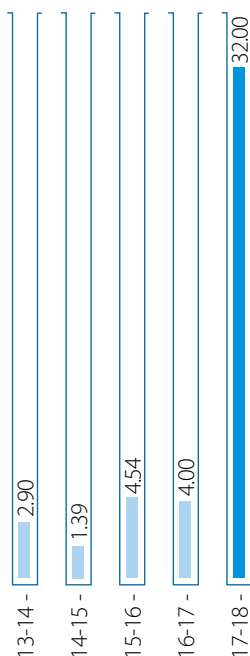
EBITDA margin (%)



Debt-equity ratio (x)



Interest cover



Note: Financials of FY2016-17 and FY2017-18 are as per IND AS

Why is this measured?

This index measures business efficiency in terms of an improvement in margins, thereby indicating our ability to deploy adequate surpluses for reinvestment.

What does it reveal?

This indicates the growing strength of Fermenta's business model.

Why is this measured?

This is a measure of Fermenta's financial health and indicates its ability to operate at a higher scale without relying overtly on borrowed funds.

What does it reveal?

The gradual decline in gearing is a validation of Fermenta's ability to sustain profitable growth.

Why is this measured?

This is used to determine Fermenta's ability to make interest payments in a timely manner.

What does it reveal?

The improvement in Fermenta's interest cover was a result of conversion of rupee loans to low-cost foreign currency loans on the one hand and business growth on the other.



Fermenta's journey

Fermenta pioneered the launch of immobilised penicillin G acylase catalyst (Fermase PAR 250) for beta lactam intermediates

1986

Established as Fermenta Pharma Biodil Limited, now known as Fermenta Biotech Limited

1987

Pioneered the launch of immobilised penicillin G acylase catalyst (Fermase PAR 250) for beta lactam intermediates

1988

Launched improved enzyme catalyst PGA white (Fermase PAR 250) for beta lactam intermediates

2004

Commenced manufacture of Cholecalciferol (Vitamin D3), Isoxsuprine Hydrochloride and Phenyramidol Hydrochloride

2005

Launched improved enzyme catalyst PGA white (Fermase PA R 750) for beta lactam intermediates
Introduced R-Oxynitrilase (Fermase OXR) for chiral synthesis

2006

Introduced Dilbeads, oxirane polymer beads for enzyme immobilisation
Launched PGA catalyst blend (Fermase PAR 450) for cephalosporin intermediates

2007

Enhanced Vitamin D3 capacities to enter export markets
Launched dimethicone powder
Received Kosher certification for Vitamin D3

2008

Received Halal certification for Vitamin D3

2009

Launched novel penicillin G acylase (NPGA) for beta lactam antibiotic synthesis (e.g. Amoxicillin)
Obtained CEP certification for Vitamin D3 from EDQM
Started exporting Vitamin D3

