Vivimed Labs Limited

Q4 and Full Year FY2014 Earnings Conference Call

Management:

Mr. Santosh Varalwar, Managing Director and CEO

Mr. Saurabh SG, Director, Corporate Strategy

Mr. Phaninder Nath, General Manager, Corporate Accounts

Mr. Raghu Iyer, Vice President, Corporate Strategy

Moderator Ladies and gentlemen good day and welcome to the Vivimed Labs Limited's Q4 FY2014 Earnings Conference call.

Joining us today on this call are Mr. Santosh Varalwar (MD & CEO), Mr. Saurabh SG (Director, Corporate Strategy), Mr. Phaninder Nath (GM, Corporate Accounts) and Mr. Raghu Iyer (VP, Corporate Strategy). As a reminder for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing '*'and then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we begin I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations please refer to the earnings presentation.

I now hand over the conference to Mr. Varalwar. Thank you and over to you, sir.

Santosh Varalwar Good afternoon everyone for joining us on this call today. I hope you had a chance to go through the earnings presentation which is also available on the Company website. I will start the call with providing the overview of our financial performance and some of initiatives that we have undertaken during the year. Then I will pass on the call to my colleague Saurabh to provide you detailed operational overview.

FY2014 has been an eventful year for us with significant business developments in the Company. As you are aware, in July 2013, we acquired a USFDA approved finished formation facility from Actavis Holdings, Netherlands. During the last quarter, we shipped the first consignment of finished formulation products to regulated markets in the US from this facility. This facility is expected to provide us significant growth opportunities in the regulated generic markets as we begin to monetize the R&D investments. These products should be available to us as we file more ANDAs in the next 12 to 18 months' time.

Integration and consolidation of businesses across all verticals has been one of our highest priorities during the year and we are seeing encouraging results. Vivimed continues to make investments in strengthening our R&D base in India across Healthcare and Specialty Chemical segments. In FY2014 our R&D expense was 4% of our sales as compared to 3% in FY2013.

Recently, in May 2014, we received the long awaited GMP PICS approval for the supply of finished dosage formulations for our Jeedimetla facility in Hyderabad which will allow us to market the formulation in the CIS region. I guess this was long awaited for more than 1.5 to 2 years and we also suffered some revenue loss on account of that but I think we should make good in the coming days.

This will also give an opportunity to get more products registered in the CIS and ASEAN countries. We are confident that it will help in enhancing the formulation export business in the near future.

During FY2014 we also saw significant improvement in operational performance across all business verticals. Our full year FY2014 revenue was Rs. 13,590 million; representing a growth of 21.3%.This growth was driven by both our business segments healthcare and specialty chemicals. Healthcare business increased by 26.8% to Rs. 9,365 million during the year and Specialty Chemical recorded 12% growth and achieved annual sales of Rs. 4,143 million. Our full year EBITDA was Rs. 2,133 million representing 8% growth. Net profit was Rs. 664 million.

Q4 FY2014 revenue was Rs. 3,721 million with 25.6% year-on-year growth. Sales growth in the healthcare segment which is 68% of our Q4 revenues was 28% y-o-y largely driven by the momentum in the API business which has seen ramp up in a key custom manufacturing engagement and increased market share in the key generic products. Specialty Chemical segment, 32% of Q4 revenues, increased 15.1% y-o-y as key customer accounts in the personal care segments have scaled up.

EBITDA for the quarter was Rs. 584 million representing a 29% growth. EBITDA margin improved by 44 bps on a y-o-y basis to 15.7% as a result of better profitability. The Company has undertaken certain strategic initiatives during the last year including portfolio rationalization and cost optimization which has resulted in stable margins in the Specialty Chemical segment. Healthcare segment profitability improved due to increased revenue productivity, better product mix and cost optimization.

Finance cost increased on y-o-y basis due to higher borrowings on account of the acquisition of APMPL, which is a USFDA approved formulation facility and adverse foreign currency fluctuations. Effective tax rate increased to 53.3% for the quarter due to deferred tax impact in the standalone financials. A combination of both these items had an adverse impact on our net profit.

In the healthcare segment our focus continues to be on strengthening our generic API portfolio and we expect to file 5 to 6 new Drug Master Files (DMFs) in FY2015. Also our high value CMO engagements in the API business ramps up as per expectations.

In the Specialty Chemical segment we have strategically expanded our distributor network to provide access to the under penetrated markets. Growth in this segment will be driven by a combination of new product launches, deeper client mining and tapping newer geographies.

These are exciting times as we embark upon the next phase of growth for the Company. We have made investments in the past to build a differential products and manufacturing platform which we believe will enable us to deliver long term sustainable value to our shareholders.

With this I will now handover the call to Saurabh. Thank you.

Saurabh SG Thank you Mr. Santosh. Good afternoon to everybody on the call today. I will start by providing an overview of the healthcare segment which is 68% of our Q4 revenues. For this segment the EBIT margins have increased to around 7.1% from 6.4% in the third quarter of FY2014 as our efforts on more efficient procurement, higher revenue productivity and cost optimization have started to yield some initial results. In the API segment, manufacturing volume has shown some consistent improvement over the last year based on the current pipeline as our key CMO account continues to scale up in line with our expectations. We are focused on maximizing the sales potential for the ongoing engagement which is with a leading US innovator company and we believe that we will have incremental opportunities also coming up with the same customer as we move forward in the next 12 to 15 months. On our generic product portfolio in the API business, we continue to focus on product repairs and we believe that we are seeing some good results which have helped us in terms of profitability which has increased for the healthcare segment from a 4.3% EBIT margin in Q4 of the last year to 7% plus now. We believe that with the continuing repairs of key products and also better revenue productivity from our CMO business, we will see better margins from the healthcare business in the next 12 to 15 months.

In the Formulation segment of the healthcare business, we have received the PICS GMP approval for the CIS region in May 2014. This is likely to make significant contribution to FY2015 revenues. We would like to state that Vivimed is one of the few companies in India to have the PICS GMP approval for the supply of finished dosage formulations to the CIS region. We believe that this approval gives us significant opportunity to penetrate the CIS markets and other PICS member countries for the formulation business. Currently there are 44 participating authorities in PICS and we believe that we could see significant traction from the ASEAN and as well as the CIS markets.

From our Alathur facility, which is USFDA approved, we shipped the first consignment of Losartan tablets to the US generic market. So now on the US generic market we have a bouquet of 5 ANDAs; Losartan, Donepezil, Zolpidem, Amlodipine Besylate and Metronidazole. As mentioned in the previous earnings call we are also actively working to increase our portfolio of ANDAs through some distributor arrangements as well as doing our own filings which would happen in the next 12 months or so.

Our branded FDF business is expected to gain traction in the coming year as we have seen new launches and enhanced portfolio and better MR productivity. Right now the branded FDF business which is being India formulations business is around 5% of our sales but we believe that going forward with certain new brand additions and MR training which we have carried out, we should see significant growth from this small segment of the business.

As far as the new products are concerned we are in a position to file for new products both on the API as well as formulation side and we will be focused on the regulated markets. As mentioned earlier we are looking to file at least five to six new DMFs in this current financial year on the API side and on the formulation side regulated markets we will be adding to the current five products which we have in the next 12 months.

In the Specialty Chemical business which is the Home & Personal care focused segment of the group, our key segments such as hair care and sun care have shown good performance in line with the expectations across geographies and customers.

We have seen a good pick up as far as sun care is concerned given our customer relationships and also customer penetration which has shown some increasing traction. Hair dye segment continues to do well with ramps up in the key customer accounts like L'Oreal and Proctor & Gamble. During the last quarter we have seen a good demand from global consumer companies for our products and we believe that the target market is pretty immense for this part of the business and as we launch new products which will be in the early phase of the product lifecycle we believe that there is incremental scope for profitability also in the Specialty Chemical business.

To help with enhancing our addressable market for current products and also for building the pipeline for to be launched products we have made more distributor appointments in the last quarter which have led to some upfront costs but we believe it will result in increasing revenues from under penetrated markets such as LATAM in the next

12 months. Looking forward from this segment hair care, sun care and skin care are expected to lead segment growth through a mix of better market share and new customer additions and we remain optimistic on this part of the business. We believe that we should grow in line with the industry and possibly do better given our new product launches.

Looking forward for the next year we have identified certain firm-wide initiatives. We are looking at in terms of financial objectives to realign our capital efficiency ratios which we believe have lot of scope to improve and we are trying to do this by focusing on operating cash flow generations. We have already incurred significant CAPEX in the last couple of years and we do not need too much of capital investment going forward as far as fixed assets are concerned.

So with the tighter working capital, we expect better profitability across both businesses and minimal need for physical investments in terms of manufacturing infrastructure. We believe that our return ratios should align to what the industry has been doing and we should see a gradual uptick in these return ratios in the next couple of years.

With this I would like to open up the floor for Q&A session. We will be happy to take all your questions.

Moderator Thank you very much, sir. We will now begin the question and answer session. We have our first question from the line of Kunal Sabnis from VEC Investments. Please go ahead.

Kunal Sabnis With respect to the growth that you have achieved in the Healthcare as well as the Specialty Chemicals business how has that fared with respect to your expectations for FY2014 and if you could give more color on what you expect in the APIs and the custom manufacturing segment going forward?

Santosh Varalwar I think the projections for the FY2014 in terms of top-line revenue what you have seen is in line with management's guidance and you have seen that healthcare as well as Specialty Chemical had grown and in particular API segment had a higher growth when compared to the SpecChem business**.** Going forward, with the key engagements that we have in CMO already on course and we are just ramping up additional volumes for one innovator company and that is already in process. So the CMO business ramp up is happening in this year and we will see may be 30% to 40% increase in volume from one particular product and then also further more engagements with the same customer which probably would see coming up in terms of production and off take somewhere in the Q2. So as we mentioned, the strategy of Vivimed is to see that the European manufacturing facility that we have in Spain, we would like to use the majority of the capacity for the CMO business for which we have engagements with more than half a dozen large companies and we have a dedicated team sitting in the east coast and west coast of America. So very clearly the focus of Vivimed is on leveraging the capabilities and capacities of the European facilities. We will focus more on CMO business and we are on course. The revenue contribution from this line of business as what we have seen last year reflects only one product and one customer so far, and I am sure this year we will probably see couple of more products and couple of years to come, we will see more products coming from different customers. So that is a clear cut roadmap.

Kunal Sabnis And with respect to this specific customer you mentioned that for about 12 to 15 months' time frame you will still have revenues increasing from this particular customer. Is that correct?

Santosh Varalwar The existing customer was approved last year and we started production of their product last year and this year we are seeing a ramp up of volumes in FY2015. So to be precise in terms of tonnage I think we have done about close to 20 to 25 tons last year and this year we expected to cross more than 40 tons, may be more towards 50 tons. So in terms of revenue it was about $20 million last year which will double up this year. So that is how we see the ramp up in that. And we are talking about one product and besides that I think one more product is going to be introduced this year in Q2 and we do not have an indication of volumes but I am sure as we go forward we will also give an indication on that. But there are two products that will go this year and more to come in the near future.

Saurabh SG Kunal, just to add to what Mr. Santosh said this year revenues of our SpecChem business is up 12% and healthcare is up 27% on a full year basis. As we have been mentioning, the healthcare business API we continue to see pretty decent traction and this is on account of two factors. One is the CMO business as has been described to you just now is seeing good traction and also the generic products are gaining market share because the India advantage in terms of procurement and R&D is helping the sales teams to get a better wallet share from customers. So it is a mixture of both generic products as well as CMO. On the formulations side also we are seeing some pickup as we have got the PICS approval now and we will see offtake from that segment. We also believe that our US generics contribution should also be higher compared to what we have done this year. So based on these factors I think healthcare business should continue to grow at the current rates. We expect that the Spec-chem business probably will see an uptick because for the last two years, if you have noticed, we have done rationalization in terms of which products we have been trying to push based on working capital considerations and other profitability considerations. So now that the phase is behind us and we have pretty much defined product slates which we want to push and want new products come in the pipeline that will give us some more delta. So we are confident that we should be able to match the overall growth what we have done this year for next year too.

Kunal Sabnis With respect to the CIS approval, any ballpark number would you like to share about what revenues do you expect in the CIS region and which countries do you plan to launch product in apart from Ukraine?

Santosh Varalwar See I think the primary market which we aimed at was Ukraine and Russia. So in Ukraine we already have about six products registered and we have a pipeline of almost about eight to ten more products for Ukraine. In Russia, right now we have two products registered and we have about four products to be registered. So this year what I would see traction is purely the Ukraine market and I think the political conditions also improved there so I feel that that should really help us. As Saurabh said number of companies approved by Ukraine health authorities are very few in India, so the share of the pie can be much larger to each company which is approved. So we feel that on a full year basis compared to last year which we have hardly done anything. We should have something in the range of about Rs. 70 crores, Rs. 75 crores coming from just Ukraine sales.

Kunal Sabnis And out of the five ANDAs you mentioned for the US market any apart from Losartan tablets have you launched any of the other products?

Santosh Varalwar When we acquired Actavis, we had two working ANDAs. One was Losartan and the other was Donepezil. But for Donepezil, the source of supply was expensive which was not allowing us to be competitive in the US generic market, so we have gone for a change of source which probably will get an approval by end of September or beginning October. So that will allow us to launch that product around the same time. In the meanwhile Losartan is the only product which has gone in to the market and as Saurabh also mentioned there are three ANDAs which we acquired mainly Amlodipine, Zolpidem and Metronidazole. We are doing the CB30 with small modifications. So we are expecting these approvals to also come by end of calendar year. So I would really see that these five ANDAs will start contributing revenues. Other than Losartan I think all the other four ANDAs will start contributing revenues may be Q3 or Q4 onwards.

Kunal Sabnis And if you could give some color on the tax charge, I mean the deferred tax charge, what year was this pertaining to and if this would be one off and if you could give some ballpark effective tax rate for FY2015?

Saurabh SG What has happened is that in the Q4 we have had exceptionally high tax rate because earlier we used to have MAT but now we are out of that and this has lead to some tax outgo for us. I think what you can probably expect in terms of the stable tax rate will be anywhere between 20% to 24% for the next year. I think that should be a number which we should assume will be the effective tax rate.

Kunal Sabnis And just final question on the other expenditure line item in the P&L. That has been pretty volatile across the four quarters. Any more granularities if you could share?

Santosh Varalwar See other expenditure also included foreign exchange fluctuations and the R&D regrouping. I think there has been a little bit of regrouping adjustment particularly done this time that is why you could see the fluctuation but otherwise if you see it remained the same.

Kunal Sabnis Average for the year should stay similar in the following year or more so in that range?

Saurabh SG Yes, I think what we have done this quarter is probably what you can take that as a base line and because we have done a regrouping exercise based on certain advice, etc. So now whatever this looks like with the cost components probably they will be more predictable going forward from where we are today. And it should be in the same range as you mentioned.

Kunal Sabnis And 22% to 24% tax liability is kind of a normal, right I mean you do not really expect something to hit again last quarter?

Saurabh SG No, I think from all accounts that should be what we should end up paying.

Kunal Sabnis Just a bookkeeping question if you could give the total debt number?

Saurabh SG So debt we are having on the consolidated side Rs. 436 crores as the long term and around Rs. 375 crores on short term and I think the net debt number is Rs. 777 crores.

Moderator Thank you. The next question is from the line of Veena Patel from i-Wealth Management. Please go ahead.

Veena Patel What was the CAPEX that was made in FY2014?

Saurabh SG CAPEX, we have spent close to Rs. 85 crores, and out of this Rs. 85 crores nearly Rs. 60 crores is in the API business and the balance we have spent in the India business on the SpecChem side.

Veena Patel So what would be the number for FY2015 and FY2016?

Santosh Varalwar FY2015 it is projected to be about Rs. 60 crores to Rs. 65 crores and similar number plus or minus Rs. 10 crores in FY2016. Most of the CAPEX which we have to do in API particularly in Mexico and Spain we have done it and then we have also initiated some expansion in Actavis, the USFDA facility in Chennai. So that should also be completed. And in the SpecChem, we have created enough capacity for the projection that we have made for this year and also going forward and there has been some kind of a process optimization which have also released some more capacities. So I do not see any major CAPEX for the time being envisaged in the SpecChem for the next two years. Even on the API front I think for the projections made during this year they were well under control and in formulations actually we are planning much ahead because right now we have a capacity of about 1.2 billion solid-oral dosage tablets and capsules together and the capacity utilization at this point is little less than 50% but going forward as I mentioned four more ANDAs will come in to play in terms of revenue by end of this calendar year. In such case obviously the capacity utilization we have done and what we intent likely to do addition of other ANDAs or filing of new ANDAs just coming to next year and some focus on contract manufacturing for some clients outside India and one or two clients in India will also occupy some volume. So based on this we have decided to spend some money on creating additional billion solid-oral facility in Chennai Actavis. So end of second quarter, we will have a capacity of close to 2.2 billion solid-oral dosage in Chennai. So beyond that I am not really foreseeing any major capital expenditure.

Veena Patel Out of the budgeted Rs. 65 crores for FY2015 and for FY2016 also how much will be the routine CAPEX the maintenance CAPEX?

Santosh Varalwar See maintenance CAPEX normally is not part of this CAPEX because normally that is a regular thing which is about 2% to 3% of our revenue.

Veena Patel And sir, coming to the EBIT margins I have been going through the presentation and we have been seeing the growing importance of the healthcare API business. It is almost like 59% of our revenue has been contributed by that. But somehow the EBIT margins have not made an improvement, rather there has been de-growth. So for FY2013 we had 9.6% as the EBIT margins which have declined to 6.9%. So what was the reason behind that?

Saurabh SG If you see the first half FY2014, the margins in the healthcare segment were impacted by certain one-offs which came in plus there was also some issue relating to the raw material pricing. Those corrected themselves as our integration activities have begun to ramp up. And if you see the last couple of quarters the segment EBIT margin as far as the healthcare is concerned, has been pretty much stable. Going forward we would see this number going up in the next couple of years based on the initiatives which we have spoken about as we become more competitive on procurement and as our product repairs start to kick in. That will probably lead to the segment margins going up. I think you will also have to remember that the healthcare margins also include APMPL acquisition which came in. So there were certain upfront costs which also got loaded of this year and going forward as we start increasing our capacity utilization that will also be a significant lever because there was a quite a bit of cost element which came in the first half.

Veena Patel And what was the nature of the one off items that you have just mentioned initially?

Saurabh SG We have had some separation costs and there were also certain approval costs, which were required, which came in as a one-time thing and happens in a three year cycle. So those were the things and they happened in Q2 and that has been pretty stable as far as margin is concerned.

Veena Patel Okay sir, from the current level of 9% what kind of EBIT margins you are looking for FY2015 or FY2016?

Saurabh SG I think on an overall basis if you see we have closed at around 15.7% or close to 16% on EBITDA margin. We believe that from whatever we are seeing in different parts of the business, our margins should grow at least 1% to 1.5% every year for the next two years.

Santosh Varalwar If you go back and reflect on the API business, we have done about 10.7% to 11% EBITDA this year. API business constitutes to almost more than 50% of the revenues so that should see a ramp up of EBITDA from 11% to close to 15%. So that impact will come on the overall business level, as Saurabh said it would be in the range of about 1% to 1.5% over the existing EBITDA for the next year.

Veena Patel So that is perfect but I am talking very specifically with regard to the healthcare business. So from 6.9% what kind of EBIT margins you can look for FY2016?

Saurabh SG Close to 8% range.

Veena Patel Now sir, coming to the question about the working capital cycle there has been a kind of an improvement. The major issue that we had was with regard to our Specialty Chemical division wherein the debtors were on the higher side. So how is the scenario with regard to the healthcare what is the working capital cycle over there?

Saurabh SG The working capital cycle in the healthcare business is around four months cash conversion that is the sort of number we are running at.

Veena Patel But going ahead what kind of working capital cycle can we expect there is a kind of measure that you have been taking?

Saurabh SG As we are expecting if our CMO business continues to grow well I think it will only improve from here because we get paid for faster than what we do in the generic business and on the formulation side also typically trade terms were used in generic market or anywhere between three months to three-and-half months. So if these two segments of healthcare business grew I think the working capital requirement in the system will reduce from what it is at current levels.

Veena Patel So what kind of number of days have been targeting for going ahead?

Saurabh SG On an operational basis, we continue to drive the fact that we should get closer to four months compared to the five months we are. But we believe that it will happen in a gradual manner and probably in two years' time we will be at four months in terms of the cycle.

Santosh Varalwar But as Saurabh said in the CMO business in Europe takes a substantial chunk of our revenues then in the working capital cycle drastically fall on but there the payment terns are 30 days as against the generic supply where we have paid in 90 days to 100 days by companies like Pfizer and Teva and all of them. So with CMO business that is an advantage. As we said now only CMO business compared to about 20% of revenues from Spain which could be about 15% of the revenue of the whole API business. So that if it goes up and overall you will see definite drag down in terms of the number of days of working capital.

Veena Patel So with regard to Specialty Chemicals what has generally been our working capital cycle?

Santosh Varalwar Specialty Chemicals in the days to come companies like Unilever, P&G very little harsher because they were happy with about 90 days trade terms and now I think we are given to understand that we need to extent them 120 days terms and it does not seem to be that we have choice when you are dealing with these large companies. And as often explained the criticality of the Specialty Chemical business is that you need to have a very global delivery model which means you need to supply to your customers across the world. If Unilever has a factory in Chile, Argentina and Brazil I need to still supply them that means I need to stock my material in Brazil. So that is it challenge because we opted for this business we do have warehouses in West Coast and the East Coast of America, we have warehouse in Brazil and then we have two warehouse in Europe. So sometimes we do keep stock there and sell it to them because we should be Just in Time. That is the challenge and we try our best. We keep this as the trader's topic in discussion whenever we meet our major customers. But having seen this significant benefit to us and we will continue the same way I guess for some more time.

Veena Patel And sir, what about the creditors days are not there we are having a long term supply agreements with our raw material supplier so at least we can have a benefit on that ground?

Santosh Varalwar Most of the creditors for raw materials are all chemicals. Now out of that 50% is commodity chemicals. Now in 50% commodity chemicals who will give you credit for like sulfuric acid, sodium dioxide, and solvent. So these are all like very low margin commodity chemicals we do not have much of choice. Wherever there is of course some key intermediates which are in nature then there we do negotiate we try to get at least 60 days to 90 days credit. But typically from the date of dispatch and most of these key intermediaries come from China so the transit time is 30 days and by the time it comes to the warehouse about 35 to 40 days. So net credit availability is only about 45 days.

Veena Patel Sir, I am really focusing more on the working capital cycle because the working capital days are far ahead of the industry standards?

Santosh Varalwar If you see the Specialty Chemicals, particularly the personal care segment, and in the segments that we are operating in, I have not seen this as a very abnormal case. If you are probably in a commodity chemical manufacturing you do not give credit. But I think this is a business we are in. I am not saying that nothing can be improved but yes, I think we always hope that what we really get advantage is that if today I think about 60% of our business is on large customers like P&G, Unilever and all of them and may be around 30%, 40% with the Tier-2 and Tier-3 customers. If our share of wallet increases amongst Tier-2 and Tier-3, there we have little more negotiating power. So let us say two years' down the line like 40% is our in major companies and 60% is from tier 2, tier 3, then I am sure there will be definitely improvement in terms of working capital cycle. And so you have seen I think we are still showing our improvement from 171 days two quarters back we are come to 155 days and I feel that we will drive towards 120 days eventually.

Veena Patel Sir, one last question with regard to the top-line growth you just mentioned about even position to maintain the current rate that is around 20% to 22%. So what would be the major growth drivers for us if we are looking at FY2016 it is just mentioned in the initial commentary with regard to your the initiatives taken on the healthcare segment. But what would be the major growth drivers?

Santosh Varalwar I will split the answer in to three verticals that is what we are operating. One is Specialty Chemicals other is your finished dosage formulation and then API.

In API, as Saurabh mentioned, it is clear that we have more engagement on CMO business. We see ramp up in terms of volume and couple of additional products coming in and we also talked about additional generics coming in so that is clearly going to take off and the second part which is probably dependant on the ANDA filings. We did mention that we are going to leverage our own APIs for filing ANDAs which means there will be more generics coming from us. You are seeing our own APIs that is going to be second driver. But in formulation as we do not see as a great driver in this current year but it will come from 12 months to 18 months prospect.

And the third one is formulations FDF. The CIS approval will be a major thing as I mentioned earlier also that revenues will add up in this year and branded formulations we have introduced lot of new products last year. Particularly in the ophthalmic segment we have done a lot of new launches and couple of products that have performed extremely well as we get the results of initial few months. Ramp up of revenues will come from these segments.

In the SpecChem segment, in the hair care, company bagged a big order from Unilever last year but the approval process in certain countries is still going on. Once that completes I am sure that will really show up in terms of revenues. And recently there was also been an approval of one antimicrobial from a large US company. So that should also show up. The key revenue growth that will come for the specialty business segment is the sun care where we have got a market leading position in UV absorber called Avis which we see about 30% growth coming from that particular product where I think most of these contracts 60% to 70% already tied up.

Moderator Thank you. As there are no further questions I now hand the floor back to Mr. Varalwar for closing comments. Over to you, sir.

Santosh Varalwar Thank you very much for joining us on this call. Again in Q4 FY2014 as I said, we made businesses gain traction whether it is API business or FDF or Specialty Chemicals. There is a lot of hard work that has gone particularly last one year in terms of system development, in terms of integration, in terms of planning and in terms of product launches. I think it is time for us to like drive those businesses and take in to next level. I think my team is well prepared and they are all geared up. As I said earlier, there are exciting times for Vivimed going ahead. Thank you very much for joining us.

Moderator Thank you, On behalf of Vivimed Labs Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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Note: This document has been edited to improve readability

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