



Tomorrow!

Vivimed Labs Limited

Q3 FY2016 Earnings Presentation

February 13, 2016



Vivimed

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Vivimed Group Overview

A leading international brand in the Specialty Chemicals and Pharmaceuticals with global presence

Team Size

+2,300 People

R&D Centres:

5

R&D Team:

170+ personnel

Manufacturing facilities

12 (4 USFDA)

Healthcare

- API
- Contract FDF
- Branded FDF

72.3%



27.7%

Specialty Chemicals

- Personal Care
- Home Care
- Industrials

9M FY2016 Net Sales of Rs. 10,064 million

EBITDA of Rs. 1,917 million (up 11.4% y-o-y) at margin of 19.0% (up 236 bps)



Vivimed Group Overview

Preferred supplier to the leading global brands



L'ORÉAL

P&G

NOVARTIS

Johnson & Johnson



Cipla



Actavis



APOTEX
ADVANCING GENERICS

AstraZeneca



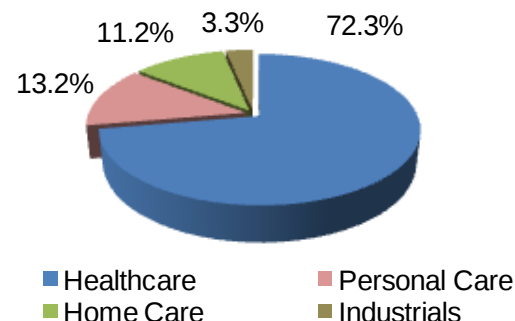
Vivimed

Consolidated Financial Performance

Performance Highlights: 9M FY2016 vs. 9M FY2015

- Net Sales of Rs. 10,064 million
- EBITDA of Rs. 1,917 million (up 11.4%)
 - EBITDA margin of 19.0%; improvement of 236 bps
- Net Profit of Rs. 711 million (up 31.4%)
 - Net Profit margins of 7.1%; improvement of 181 bps

9M FY2016 Revenue Breakup



Commenting on the performance, Mr. Santosh Varalwar, MD and CEO of Vivimed Labs said:

“Vivimed Labs reported another quarter of sustained top-line and strong profitability. Our EBITDA margin was driven by better profitability in our Healthcare segment which was led by our API business.

We had announced the sale of certain product lines in the Specialty Chemicals division at the end of September 2015. The transaction is progressing in the right direction and is expected to be closed by Q1 FY2017. We believe that the financial flexibility provided by the completion of this transaction will enable us to capitalize on the various opportunities in both the verticals. Furthermore, I am pleased to report that our formulations division received the GMP approvals from Ukraine and Kazakhstan, which gives us better visibility for the CIS region. The product transfer is complete and we will start to see meaningful contribution from the region in FY2017.”



Financial Performance

Consolidated Financials

(Rs. million)	Q3		y-o-y	Q2	q-o-q	Nine Months		y-o-y
	FY2016	FY2015	Growth (%)		Growth (%)	FY2016	FY2015	Growth (%)
Net Sales	3,319	3,447	(3.7)%	3,415	(2.8)%	10,064	10,311	(2.4)%
EBITDA	613	603	1.6%	632	(3.0)%	1,917	1,720	11.4%
Margin (%)	18.5%	17.5%		18.5%		19.0%	16.7%	
Net Profit	230	206	11.9%	239	(3.6)%	711	541	31.4%
Margin (%)	6.9%	6.0%		7.0%		7.1%	5.2%	
Basic EPS (Rs.)	14.20	12.69	11.9%	14.73	(3.6)%	43.86	33.39	31.4%

Note: Net Sales includes Other Operating Income



Financial Performance

Q3 FY2016: Management Perspectives

- **Revenues** declined by 3.7% to Rs. 3,319 million primarily due to decline in the Specialty Chemicals segment revenues
 - **Healthcare** segment recorded a stable growth of 3.7% y-o-y to reach Rs. 2,431 million. This growth was primarily driven by an improved performance of FDF business coupled with steady growth in the API segment
 - **Speciality Chemicals** revenues declined 20.5% to Rs. 869 million primarily due to strategic product mix changes (defocus on lower margin products in India)
- **EBITDA** increased by 1.6% y-o-y to Rs. 613 million. EBITDA margins improved by 97 bps compared to Q3 FY2015 to 18.5%
 - **Healthcare** EBIT margin for the quarter was 11.7% compared to 6.4% for the same period last year. Profitability of the segment was driven by higher contribution from the CMO vertical and better product mix in the Generics business, coupled with favorable Euro-Dollar exchange variations
 - **Speciality Chemicals** EBIT margin for Q3 FY2016 was 20.0%. The Company strategically focused on more high value photochromic chemicals and hair dyes products
- Finance cost for Q3 FY2016 was Rs. 192 million down 0.8% y-o-y
- Effective tax rate for Q3 FY2016 was 13.4%
- **Net Profit** for Q3 FY2016 was Rs. 230 million up 11.9% y-o-y.



Financial Performance

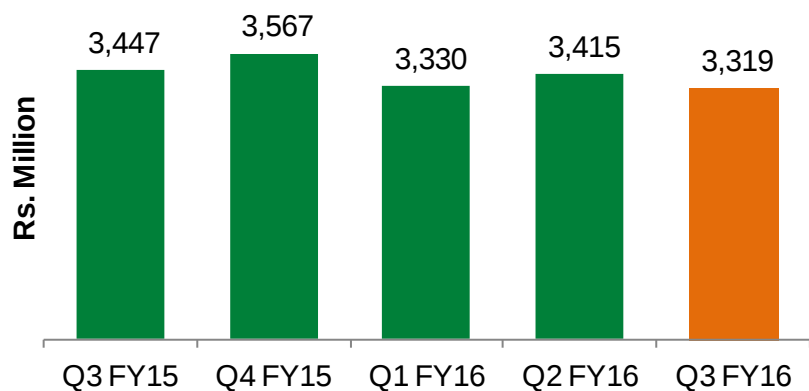
Corporate Developments

- **Update on sale of certain assets in the Specialty Chemical business to Clariant India Limited:**
 - Completed the first stage of the transaction and second & final stage is expected to be closed by Q1 FY2017
 - As per the agreement, transfer of products has been completed and anticipate the assets to be transferred with the second & final stage
 - Received the first tranche of Rs. 2,580 million which has been utilized to retire the high cost long term debt
- **Update on the Formulations Segment**
 - Received GMP approvals for supply of formulation products to Ukraine and Kazakhstan
 - This development provides the Company a better visibility in the CIS region
 - Anticipate meaningful contribution from FY2017 onwards
- **Maintenance of quality standards and regulatory compliances** is a key differentiator for the Group. The USFDA approvals received over the last year for the Company's various sites provides it a competitive edge in the regulated markets of US and Europe

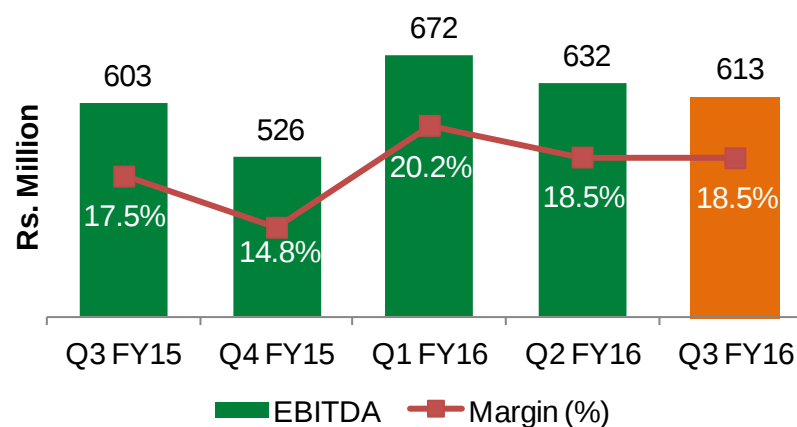


Quarterly Financial Trends

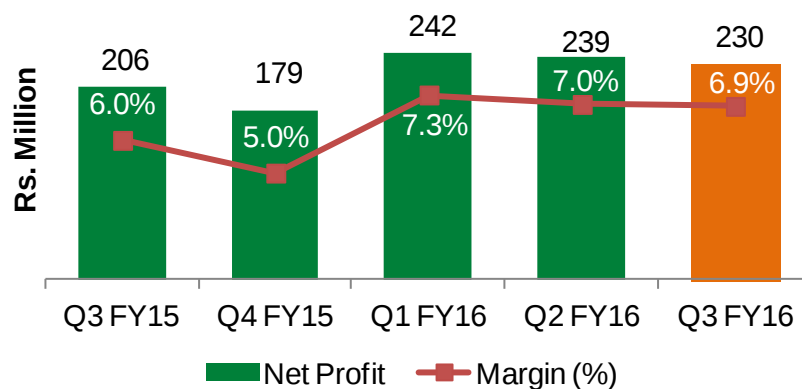
Net Sales



EBITDA and Margins



Net Profit and Margins



Strategic Direction

Where Chemistry and Quality Matters

Continue to **strengthen engagements** with marquee customer base through superior product development and delivery capabilities

Move up the **value chain through vertical integration in Healthcare** (R&D to manufacturing of API / FDF / brands) and target **niche opportunities in the Specialty Chemicals** segment

Optimize utilization of existing global manufacturing platform to enhance capital efficiencies and shareholder returns

Increase penetration in existing **regulated and semi regulated Healthcare markets** and target selected new geographies

Focus on early stage **innovative R&D** and **product development** to drive monetization of business opportunity across all segments

Leverage the strengthened management team to support the future growth aspirations and deliver sustainable returns over the longer term

Successful integration of recent initiatives which will bring scalability through a larger opportunity space and a platform to address the same



Global Reach

A multinational global platform that provides Vivimed access to markets and significant cost advantage



Note: Names in **Green** indicate facilities which are US FDA approved

Facilities	Mexico	Spain	UK	China	USA	India	Total
Healthcare – API 	1	2					3
Healthcare – FDF 						7	7
Specialty Chemicals - Active Ingredients 						2	2
Total Facilities	1	2				9	12
R&D Facilities		1	1			3	5
Global Support Offices		1	1	1	1	1	5



Strong Transnational Management Team

Key Management	Profile
Dr. V Manohar Rao <i>Chairman</i>	- Retired as joint director of The Veterinary Biological and Research Institute and has over 40 years of industry experience - Responsible for developing a sophisticated and well-equipped in-house quality control and introduced various cost control systems in production process
Santosh Varalwar <i>Managing Director & Chief Executive Officer</i>	- First generation entrepreneur - Business growth strategy and leadership; Focus on key global client relationships - Previously associated with Shipping Corporation of India
Sandeep Varalwar <i>Executive Director</i>	- Associated with Vivimed since its incorporation and leads Vivimed's Healthcare FDF division - Over 19 years of experience in manufacturing and marketing in the Healthcare industry
Mark I Robbins <i>Chief Executive, Uquifa, Vivimed's API Division</i>	- Associated with Chemicals and API industries for over 24 years - Previously a member of the management executive committee of Yule Catto, UK - Previously worked with Johnson Matthey for 10 years - Member of the Institute of Marketing and Engineering , UK
George Polson <i>COO, Specialty Chemicals, VLI, USA</i>	- Leads the operations of the Global Specialty Chemicals Division and has - Industry experience of over 30 years with reputed companies such as Lonza and DSM - Holds ~40 US and World patents - Member of the American Chemical Society (ACS), the Society of Cosmetic Chemists (SCC), and Society of Investigative Dermatology (SID) and American Society of Pharmacognosy
Saurabh SG <i>Director, Corporate Strategy and Business Development</i>	- Responsible for the Vivimed Group's overall strategic initiatives; and business operations of the healthcare segment - Has more than ten years of experience across investment management with global firms such as Prudential Financial, Kotak Mahindra and Credit Suisse



Annexure – Consolidated Quarterly P&L Statement

Profit & Loss Statement (Rs. million)	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	3,437	3,562	3,315	3,370	3,299
Other Operating Income	10	5	14	45	20
Total Revenues	3,447	3,567	3,330	3,415	3,319
Expenses					
Cost of Raw Materials Consumed	1,729	1,716	1,537	1,545	1,502
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(152)	(43)	(55)	50	4
Employee Benefit Expenses	478	472	454	378	383
Other Expenditure	789	895	721	811	817
Total expenses	2,844	3,041	2,657	2,784	2,706
Operating Profit (EBITDA)	603	526	672	632	613
Depreciation and Amortisation Expenses	184	147	148	164	155
EBIT	418	379	524	468	458
Finance Costs	194	216	190	188	192
PBT	225	163	334	280	266
Tax Expenses	19	(16)	92	41	36
PAT	206	179	242	239	230
Basic EPS (Rs)	12.69	11.08	14.92	14.73	14.20
Margins (%)					
Gross Margins	54.2%	53.1%	55.5%	53.3%	54.6%
EBITDA margins	17.5%	14.8%	20.2%	18.5%	18.5%
PAT margins	6.0%	5.0%	7.3%	7.0%	6.9%
Y-o-Y Growth (%)					
Total Revenues	2.7%	(4.1)%	(9.5)%	7.8%	(3.7)%
EBITDA	12.4%	(10.0)%	15.8%	22.0%	1.6%
PAT	8.3%	62.5%	41.1%	45.5%	11.9%
Q-o-Q Growth (%)					
Total Revenues	8.8%	3.5%	(6.7)%	2.6%	(2.8)%
EBITDA	16.4%	(12.7)%	27.7%	(6.0)%	(3.0)%
PAT	25.3%	(12.7)%	34.7%	(1.2)%	(3.6)%
Effective Tax Rate	8.5%	(9.8)%	27.6%	14.7%	13.4%



Annexure – Consolidated Segment Performance

(Rs. million)	Q3		y-o-y	Q2		q-o-q	Nine Months		y-o-y
	FY2016	FY2015	Growth (%)	FY2016	Growth (%)		FY2016	FY2015	Growth (%)
Segment Revenue	3,299	3,437	(4.0)%	3,370	(2.1)%		9,985	10,239	(2.5)%
Specialty chemicals	869	1,093	(20.5)%	943	(7.9)%		2,769	2,975	(6.9)%
Healthcare	2,431	2,344	3.7%	2,427	0.1%		7,216	7,263	(0.7)%

EBIT	458	418	9.5%	468	(2.1)%		1,450	1,205	20.3%
Margin (%)	13.9%	12.2%		13.9%			14.5%	11.8%	
Specialty chemicals	173	268	(35.3)%	211	(17.9)%		558	674	(17.2)%
Margin (%)	20.0%	24.5%		22.4%			20.2%	22.7%	
Healthcare	285	150	89.4%	257	10.9%		892	531	67.9%
Margin (%)	11.7%	6.4%		10.6%			12.4%	7.3%	

Capital Employed	14,292	14,247	0.3%	14,059	1.7%		14,292	14,247	0.3%
Specialty chemicals	7,558	8,020	(5.8)%	7,415	1.9%		7,558	8,020	(5.8)%
Healthcare	6,735	6,227	8.2%	6,644	1.4%		6,735	6,227	8.2%



Annexure – Consolidated Balance Sheet

Liabilities (Rs. million)	Mar-15	Sep-15
Shareholders funds		
Share capital		
Equity share capital	162	162
Preference share capital	639	639
Reserves and surplus	4,791	4,928
Money recieved against share warrants	0	0
Total Shareholders Funds	5,592	5,729
Non current liabilities		
Long term borrowings	4,834	3,308
Deferred tax liabilities	94	102
Other long term liabilities	424	353
Long term provisions	32	31
Total Non Current Liabilities	5,384	3,794
Current liabilities		
Short term borrowings	3,894	4,536
Trades payable	1,887	1,802
Other current liabilities	1,764	3,197
Short term provisions	464	618
Total Current Liabilities	8,009	10,153
Liabilities total	18,985	19,676

Assets (Rs. million)	Mar-15	Sep-15
Non current assets		
Tangible assets	6,963	6,925
Intangible assets	1,172	1,013
Tangible and Intangible assets	8,135	7,938
Capital work in progress	903	945
Non current investments	27	27
Other non current assets	0	0
Total Non Current Assets	9,065	8,911
Current assets		
Inventories	4,314	5,076
Trade receivable	3,296	2,735
Cash and bank balance	267	234
Short term loans and advances	1,852	2,625
Other current assets	191	96
Total Current Assets	9,920	10,766
Assets Total	18,985	19,676



Annexure – Key Ratios

	FY2011	FY2012	FY2013	FY2014	FY2015	H1 FY16
Net Worth (Rs. million)	1,967	4,748	5,091	5,604	5,592	5,729
Net Debt (Rs. million) Including current maturities of LT Debt	2,959	5,279	6,414	8,591	9,852	10,290
Fixed Assets (Rs. million)	2,643	5,953	7,090	8,079	8,135	7,938
ROE (%)	24.8%	18.4%	18.8%	13.4%	14.5%	17.0%
ROCE (%)	13.6%	8.3%	10.1%	7.7%	9.3%	9.5%
Interest Coverage Ratio (x)	3.50	3.74	3.39	2.44	1.98	2.27
Net Debt to EBITDA (x)	3.38	3.97	3.25	4.03	4.42	4.23
Net Debt to Equity (x)	1.50	1.11	1.26	1.53	1.76	1.80



Glossary

- ANDA: Abbreviated New Drug Application
- API: Active Pharmaceutical Ingredients
- CEP: Certificates of Suitability to the monographs of European Pharmacopoeia
- CMO: Contract Manufacturing Organization
- DMF: Drug Master File
- FDF: Finished Dosage Formulation
- GMP: Good Manufacturing Practices
- H&PC: Home and Personal Care
- MRs: Medical Representatives
- MA: Marketing Authorization



Thank You

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