



Vivimed Labs Limited

Q1 FY 2014 Earnings Presentation
August 13, 2013



Vivimed

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Where Chemistry and Quality Matters

Unique Business Model

- Uses chemistry to create ingredients which touch human life on a daily basis
- Focused on the Health Care, Personal Care, Home Care and Industrial segments globally
- Multiple manufacturing and R&D centers provides efficient platforms in India across business segments
- Product portfolio caters to over 75% of the personal care ingredient market
- Combination of stable margin and high growth global businesses

Attractive Industry Dynamics

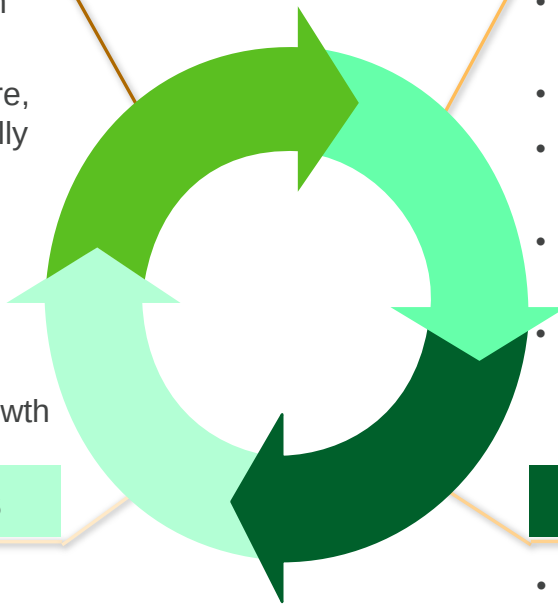
- Global API sales is expected to grow at a CAGR of 5.9% from 2010 to 2015
- Drugs with global market size of \$224bn to go off-patent by 2015 driving generic sales
- Indian pharmaceutical industry to reach \$20bn in 2015, a CAGR of 12.3%
- Global personal care ingredient market to grow to \$15bn by 2015 and India to \$800mn

Best-in-Class Operations

- 12 manufacturing facilities and 5 R&D centers across the world
- 4 US FDA approved sites
- Healthcare revenues: Regulated markets 85% and Semi Regulated markets 15%
- High entry barriers: Long standing customer relationships and in house knowledge base
- Flexible manufacturing across API and Active Ingredients

Robust Financial Performance

- 5-year Net Sales CAGR of 42% and Net Profit CAGR of 44%
- Revenues: India 35%, RoW 65%
- R&D investments: 3% of Revenues
- Short-term bank facilities rated A2+ and long term facilities rated A- by CARE Ratings
- Strong transnational management team with proven track record of delivering growth & profitability



Business Segments

Healthcare

71% of Q1 FY14 sales



- Active Pharmaceutical Ingredients (API)
- Finished Dosage Formulations (FDF)



Personal Care

17% of Q1 FY14 sales

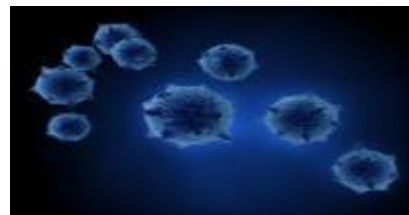


- Sun Care
- Skin Care
- Hair Care
- Oral Care
- Naturals



Home Care

9% of Q1 FY14 sales

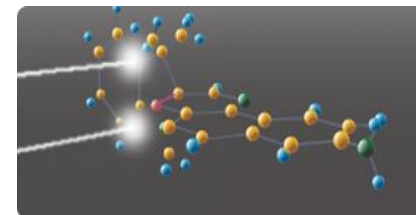


- Antimicrobials
- Specialty Intermediates
- Preservatives



Industrials

3% of Q1 FY14 sales



- Photo Chromic Dyes
- Imaging Chemicals

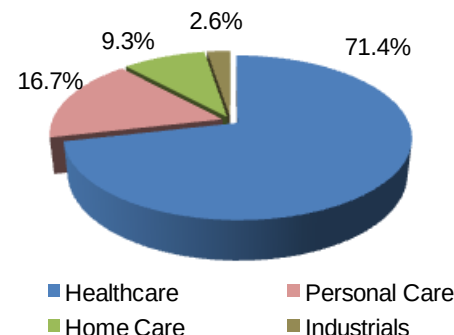


Consolidated Financial Performance

Performance Highlights

- Net Sales of Rs. 3,439 million
 - Increased 16.1% q-o-q and 25.4% y-o-y
- EBITDA of Rs. 488 million and margins of 14.2%
 - Increased 8.0% q-o-q
- Net Profit of Rs. 200 million and margins of 5.8%
 - Increase of 33.3% q-o-q

Q1 FY2014 Revenue Breakup



Management Commentary

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

“During the last few months we have seen some important corporate and business developments at Vivimed across our business segments. At the end of July, we acquired a US FDA approved finished dosage formulation facility from Actavis that provides us with immediate access to the regulated markets. In addition, it also delivers revenue opportunities through two commercially valuable and marketable ANDAs that form part of the transaction. This is an important development in our Healthcare segment as it is our first US FDA approved FDF facility and continues to move Vivimed up the healthcare value chain. In the Home & Personal Care segment, we received two orders with a total revenue potential of \$28 million over multi-year period, from leading consumer companies. These are both high profile and important wins for us, reinforcing our positioning in a competitive market.

During the quarter, we delivered an impressive revenue growth of 25% y-o-y and 16% q-o-q. This was led by strong traction in the API business and consistent growth in the Home & Personal segment. Vivimed’s innovative products and focus on targeted R&D enables us to strengthen our long standing relationship with our blue chip customers.”



Financial Performance

Consolidated Financials

(Rs. million)	Q1		y-o-y	Q4	q-o-q
	FY2014	FY2013	Growth (%)	FY2013	Growth (%)
Net Sales	3,439	2,743	25.4%	2,961	16.1%
EBITDA	488	619	(21.2)%	452	8.0%
Margin (%)	14.2%	22.6%		15.3%	
Net Profit	200	261	(23.5)%	150	33.3%
Margin (%)	5.8%	9.5%		5.1%	
Basic EPS (Rs.)	12.44	18.75	(33.6)%	9.33	33.4%

Note: Net Sales includes Other Operating Income

Key Observations

- Net Sales in Q1 FY2014 increased due to strong traction in the API business and consistent growth trend in the Specialty Chemicals business which helped offset the subdued performance of the Branded FDF business
- EBITDA margins were primarily impacted by a negative WIP charge in the API business and lower utilization levels in the domestic FDF business; normalized for the WIP charge consolidated EBITDA margins would have increased sequentially
- Finance costs have stabilized after the one-off reduction seen in Q4 FY2013
- Net Profit margins improved sequentially as tax rates normalized in Q1 FY2014

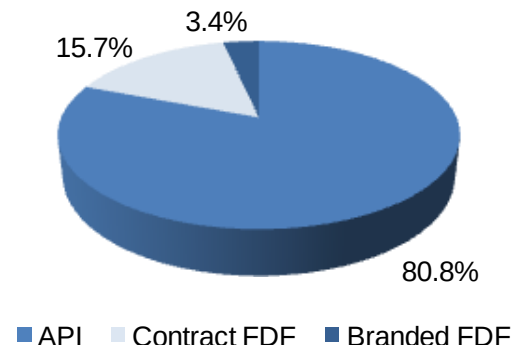


Segment Highlights

Healthcare Segment

- Revenue growth driven by the API business – ramp up of a key CMO account and better client penetration
- Process improvements, new product development and efficient procurement to remain key focus areas for enhancing segment profitability in the API business
- Utilization rates in the Domestic FDF business impacted by prolonged wait for regulatory audits from the CIS markets and impact of regulatory ban on a portfolio product
- The recent acquisition of a US FDA approved FDF to provide immediate access to regulated markets; immediate revenue opportunity with two ANDAs

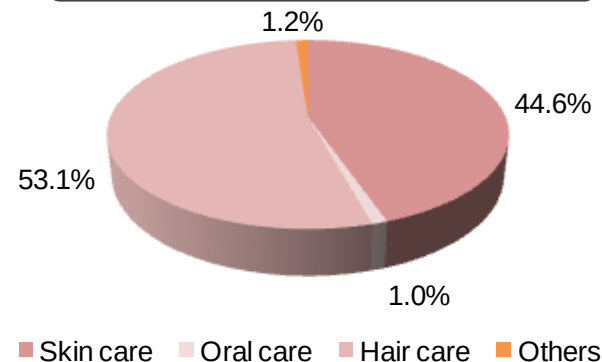
**Q1 FY14 Revenue:
Rs. 2,458 mn**



Personal Care Segment

- Skin Care: Healthy traction across existing customers with increase in off-take and cross selling of newer variants
- Hair Care: Approval of a new product underway in Middle East markets; Increased sales with existing customers in Europe with new set of products
- Sun Care: New opportunity tapped in APAC geography for a leading product. Other product extensions seeing an increase in user base in LatAm and Europe
- Two high profile order wins with significant revenue potential of ~\$28 million over a period of 24 months in the sun care and hair care segments

**Q1 FY14 Revenue:
Rs. 574 mn**



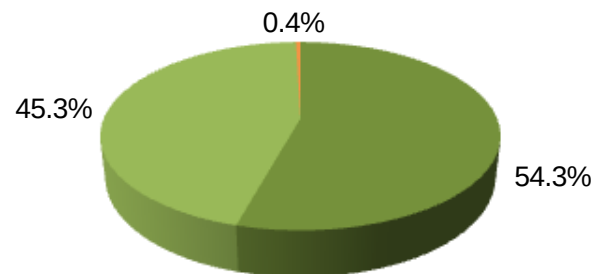
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Segment Highlights

Home Care Segment

- Cross selling efforts across existing customer in multiple geographies resulting in growth for Antimicrobial segment
- Specialty intermediates growth trajectory remains stable

**Q1 FY14 Revenue:
Rs. 320 mn**

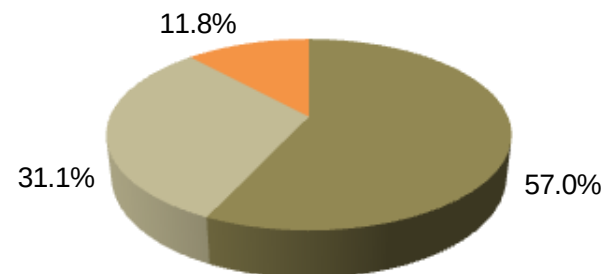


■ Antimicrobials ■ Speciality intermediates ■ Others

Industrials Segment

- Photo Chromic business continues to face challenges based on technological access
- Focus is to fix process and on newer geographies across Photo Chromics and Imaging chemicals

**Q1 FY14 Revenue:
Rs. 89 mn**



■ Photo chromic dyes ■ Imaging chemicals
■ Other chemicals



Acquisition of APMPL SOD

Recent acquisition of a US FDA approved FDF facility will provide immediate access to the regulated markets

Immediate Access to the Regulated Markets

- US FDA approved facility with 1.2 billion SOD per annum manufacturing capacity
- Immediate access to regulated market such as USA, the largest generics market in the world
- Eliminates three to four years of lead time, which is required to build a green field project of this quality and getting the regulatory approvals

Immediate Revenue Streams

- Two commercially valuable and marketable ANDAs acquired with the facility
- ANDAs acquired include Losartan with a market size of \$3.2 billion and Donepezil with a market size of \$2.2 billion
- Actavis to provide a manufacturing contract for a set of products over a defined period

Strengthening Relationship with Actavis for Future Association

- Opportunities which could emerge over the longer term include Actavis' potential use of Vivimed's existing API manufacturing platform
- Being considered for any future ANDA divestments by Actavis

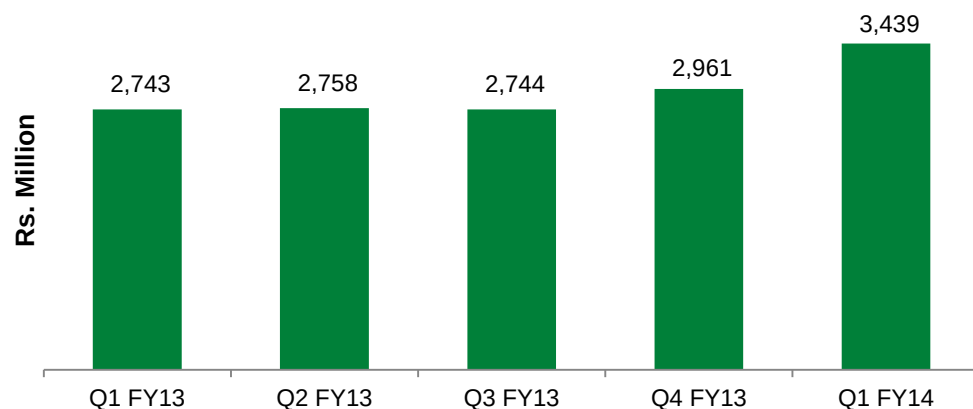
Completing the Value Chain

- Adding to forward integration synergies for Vivimed's existing API business
- Vivimed to develop its own formulation dossiers and start building a filing pipeline with Actavis facility as the manufacturing site



Quarterly Financial Trends

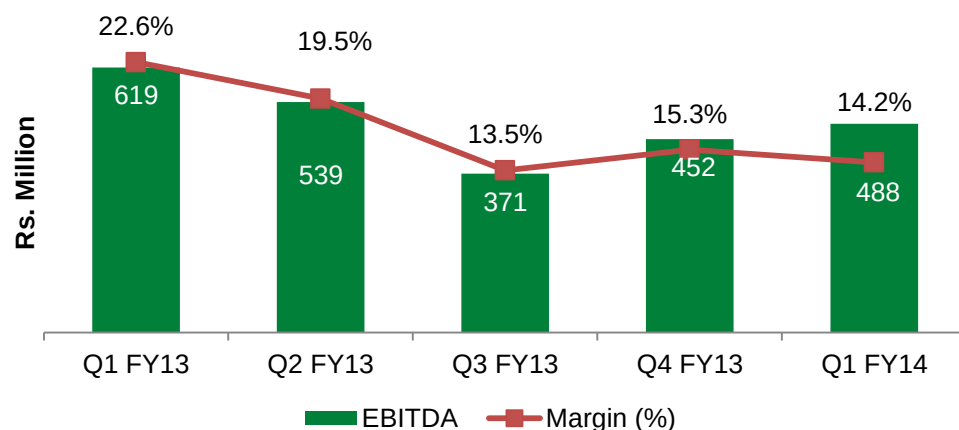
Net Sales



Key Observations

- Q1 FY14 sales driven by strong traction in the API business and consistent growth trend in the Specialty Chemicals business
- Q4 FY13 Healthcare segment grew by 24.2% on q-o-q basis and 14.7% y-o-y basis. This was led by strong growth in API and branded FDF businesses

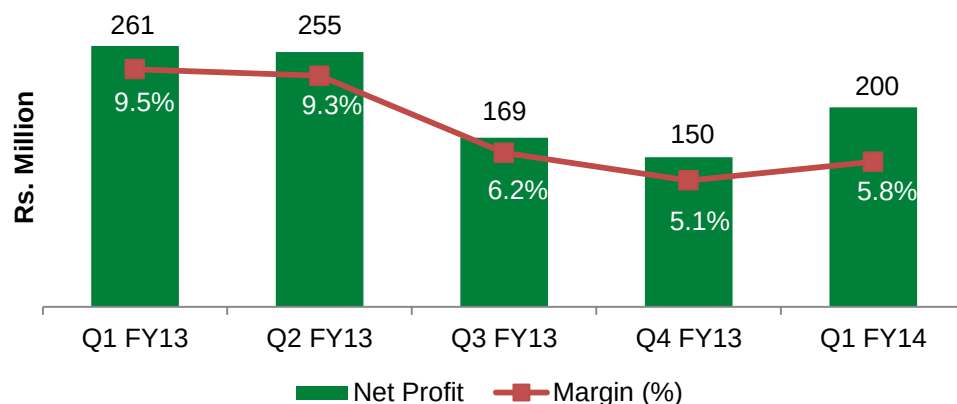
EBITDA and Margins



- Q1 FY14 EBITDA margins impacted by a negative WIP charge in the API business; and lower utilization levels in the domestic FDF business due to prolonged wait for regulatory audits from the CIS markets and impact of regulatory ban on a portfolio product
- Q4 FY13 EBITDA margins improved on a sequential basis primarily due to sale of higher margin products in the Specialty Chemicals business and process improvement measures taken in the Healthcare business

Quarterly Financial Trends

Net Profit and Margin

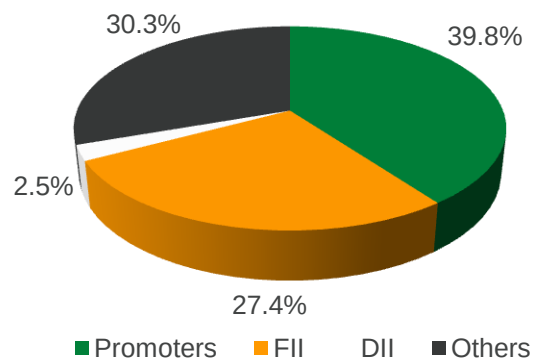


Key Observations

- Q1 FY14, Net profit increased by 33.3% sequentially
- Finance costs have stabilized after the one-off reduction seen in Q4 FY2013
- Net Profit margins improved sequentially as tax rates normalized in Q1 FY2014

Capital Markets

Shareholding Structure



Key Institutional Investors



Shareholding Pattern Trend

Shareholders	Sep-12	Dec-12	Mar-13	Jun-13
Promoters ¹	45.2%	45.2%	39.7%	39.8%
FII / FDI	17.2%	16.4%	27.5%	27.4%
DII	0.4%	0.3%	0.3%	2.5%
Others	37.2%	38.1%	32.5%	30.3%
Total	100.0%	100.0%	100.0%	100.0%

Note:
1 In Q4 FY2013, Jacob Ballas converted its convertible preference shares resulting in dilution of Promoters' stake



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



Facilities	Mexico	Spain	UK	China	USA	India	Total
Healthcare – API 	1	2					3
Healthcare – FDF 						7	7
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



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Strong Transnational Management Team

Name & Designation	Profile
Santosh Varalwar <i>MD & CEO</i>	• First generation entrepreneur • Evolves the business strategy and guides the implementation • Identifying potential business opportunities and exercising the choices • Setting the growth path for the Company, visualizing and providing for the enablers • Previously associated with Shipping Corporation of India
Subhash Varalwar <i>Vice-Chairman</i>	• Responsible for technology and new product development in the Specialty Chemical segment • Previously associated with Fertilizer Corporation of India for 15 years
Sandeep Varalwar <i>Executive Director</i>	• Associated with Vivimed since its incorporation • Leads Vivimed's Pharma FDF division • Has more than 18 years of experience in manufacturing and marketing functions of the Healthcare industry
Mark I Robbins <i>Chief Executive, Uquifa , Vivimed's API Division</i>	• Associated with Chemicals and API industries for over 23 years • Previously a member of the management executive committee of Yule Catto, a reputed UK based manufacturing conglomerate • 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 • Industry experience of over 30 years, worked with leading companies like Lonza • 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



Annexure – Quarterly Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	2,725	2,661	2,721	2,981	3,408
Other Operating Income	18	97	23	(19)	32
Total Revenues	2,743	2,758	2,744	2,961	3,439
Expenses					
Cost of Raw Materials Consumed	1,397	1,250	1,399	1,329	1,504
Other Expenditure	882	793	885	1,029	1,020
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(297)	52	(5)	8	272
Employee Benefit Expenses	142	124	93	144	156
Total expenses	2,124	2,219	2,372	2,509	2,951
Operating Profit (EBITDA)	619	539	371	452	488
Depreciation and Amortisation Expenses	141	141	143	163	147
EBIT	478	398	229	289	342
Finance Costs	159	108	98	50	99
PBT	319	291	130	239	243
Tax Expenses	58	35	(39)	89	43
PAT	261	255	169	150	200
Basic EPS (Rs)	18.75	18.33	12.15	9.33	12.44
Margins (%)					
EBITDA margins	22.6%	19.5%	13.5%	15.3%	14.2%
PAT margins	9.5%	9.3%	6.2%	5.1%	5.8%
Q-o-Q Growth (%)					
Total Revenues	8.9%	0.5%	(0.5)%	7.9%	16.1%
EBITDA	31.3%	(13.0)%	(31.1)%	21.7%	8.0%
PAT	17.2%	(2.3)%	(33.7)%	(11.5)%	33.3%
Effective Tax Rate	18.1%	12.1%	(30.0)%	37.2%	17.8%



Annexure – Segment Highlights

Consolidated Performance

(Rs. million)	Q1		y-o-y	Q4	q-o-q
	FY2014	FY2013	Growth (%)	FY2013	Growth (%)
Segment Revenue	3,408	2,725	25.0%	2,981	14.3%
Specialty chemicals	983	883	11.4%	1,029	(4.4)%
Healthcare	2,424	1,842	31.6%	1,952	24.2%

EBIT	342	478	(28.5)%	289	18.3%
Margin (%)	10.0%	17.5%		9.7%	
Specialty chemicals	150	197	(23.9)%	153	(2.3)%
Margin (%)	15.2%	22.3%		14.9%	
Healthcare	192	281	(31.7)%	135	41.7%
Margin (%)	7.9%	15.3%		6.9%	

Capital Employed	12,926	11,944	8.2%	12,929	(0.0)%
Specialty chemicals	7,913	7,635	3.6%	7,772	1.8%
Healthcare	5,014	4,309	16.3%	5,157	(2.8)%



Thank You

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