



Tomorrow!

Vivimed Labs Limited

Q2 FY2016 Earnings Presentation

November 10, 2015



Vivimed

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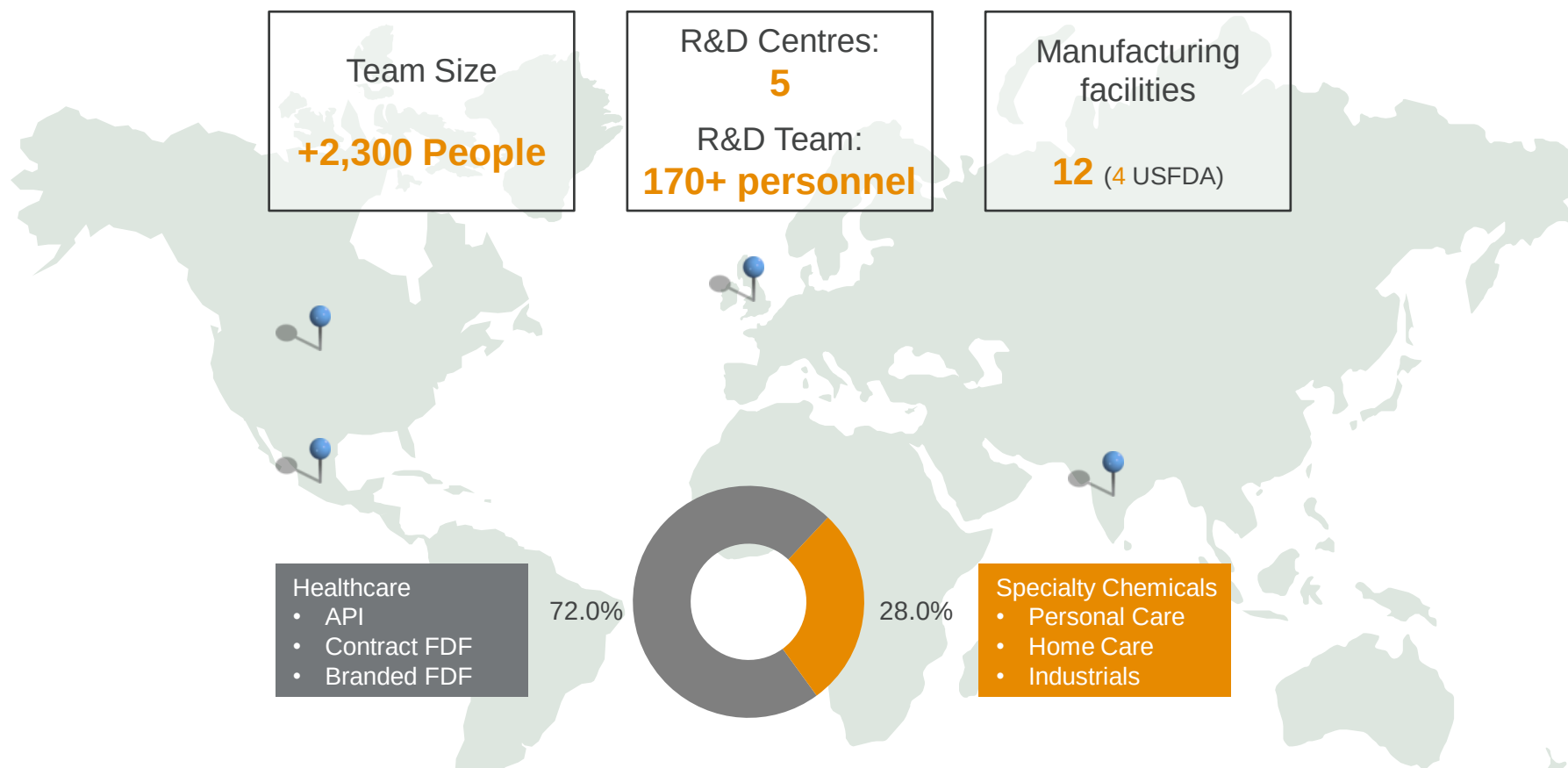
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Vivimed Group Overview

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



Q2 FY2016 Net Sales of Rs. 3,415 million (up 7.8% y-o-y)
EBITDA of Rs. 632 million (up 22.0% y-o-y) at margin of 18.5% (up 215 bps)



Vivimed Group Overview

Preferred supplier to the leading global brands



L'ORÉAL

P&G

NOVARTIS

Johnson & Johnson



Cipla



Actavis



APOTEX
ADVANCING GENERICS

AstraZeneca



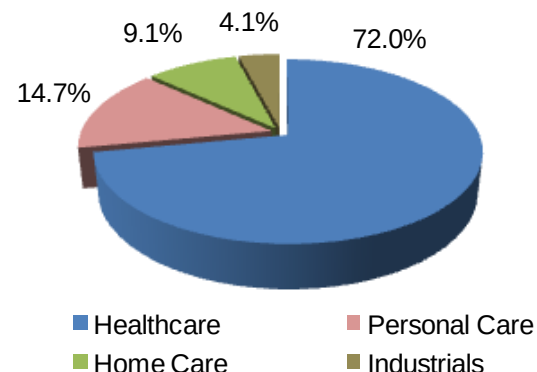
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Consolidated Financial Performance

Performance Highlights: Q2 FY2016 vs. Q2 FY2015

- Net Sales of Rs. 3,415 million
 - An increase of 7.8%
- EBITDA of Rs. 632 million (up 22.0%)
 - EBITDA margin of 18.5%; significant improvement of 215 bps
- Net Profit of Rs. 239 million (up 45.5%)
 - Net Profit margins of 7.0%; improvement of 181 bps

Q2 FY2016 Revenue Breakup



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

“Q2 FY2016 has been an exciting quarter for us, strategically as well as operationally. Towards the end of the quarter we announced signing of an agreement to sell a part of our Speciality Chemicals division to a strategic partner. This transaction will help us significantly improve financial flexibility for future growth.

In terms of quarterly performance, we reported 8% top-line growth with significantly improved bottom line and margins. This profitability growth was driven by both the Healthcare and Speciality Chemicals businesses. During the quarter, we also had a favourable outcome in the recently conducted US FDA inspection at our API manufacturing site in Spain. This is in line with the Group's constant focus on maintaining high levels of regulatory compliance, which is a key differentiator in today's evolving regulatory landscape, in the global generic pharmaceuticals market.”



Financial Performance

Consolidated Financials

(Rs. million)	Q2		y-o-y	Q1	q-o-q	Half Year		y-o-y
	FY2016	FY2015	Growth (%)		Growth (%)	FY2016	FY2015	Growth (%)
Net Sales	3,415	3,168	7.8%	3,330	2.6%	6,745	6,846	(1.5)%
EBITDA	632	518	22.0%	672	(6.0)%	1,304	1,099	18.7%
Margin (%)	18.5%	16.3%		20.2%		19.3%	16.0%	
Net Profit	239	164	45.5%	242	(1.2)%	480	335	43.3%
Margin (%)	7.0%	5.2%		7.3%		7.1%	4.9%	
Basic EPS (Rs.)	14.73	10.13	45.5%	14.92	(1.2)%	29.65	20.70	43.3%

Note: Net Sales includes Other Operating Income



Financial Performance

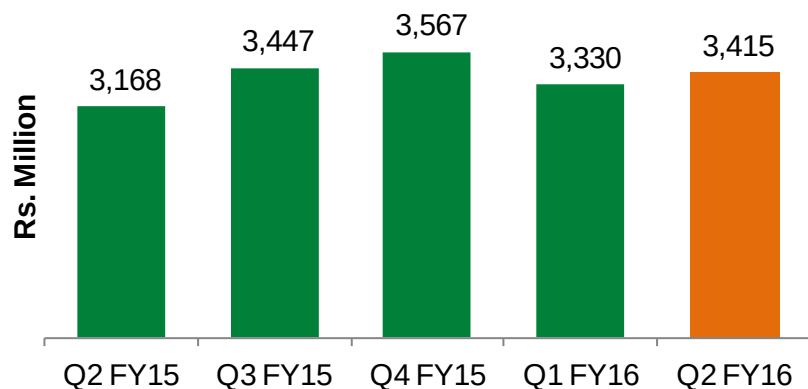
Q2 FY2016: Management Perspectives

- **Revenues** increased by 7.8% to Rs. 3,415 million primarily due to the growth in the healthcare segment. This was partly offset by a decline in the Speciality Chemicals segment revenue during the quarter.
 - **Healthcare** revenues increased by 12.9% y-o-y to Rs. 2,427 million due to the ongoing ramp-up in the order book in both the CMO and the Generics businesses. Vivimed's strong track record of regulatory compliance has been a differentiator for both the CMO & Generic businesses and helped drive the sales as well as the order book. The formulation business also recorded 10% growth.
 - **Speciality Chemicals** revenues declined 4.4% y-o-y to Rs. 943 million due to strategic defocus on lower margin products
- **EBITDA** increased by 22.0% y-o-y to Rs. 632 million. EBITDA margins improved by 215 bps compared to Q2 FY2015 to 18.5%.
 - **Healthcare** profitability improved due to the change in product mix in the API business (higher contribution from the CMO segment) and increase in capacity utilization in the formulation business
 - **Speciality Chemicals** EBIT for Q2 FY2016 (22.4%) was marginally lower than Q2 FY2015 (23.8%); the Company strategically focused on more high value photochromic chemicals and hair dyes. Margins were also benefited to a certain extent due to depreciation of the INR, stable raw material cost due to decline in crude prices and higher exports
- Finance cost for Q2 FY2016 was Rs. 188 million down 4.5% y-o-y
- Effective tax rate for Q2 FY2016 was 14.7%
- **Net Profit** for Q2 FY2016 was Rs. 239 million up 45.5% y-o-y

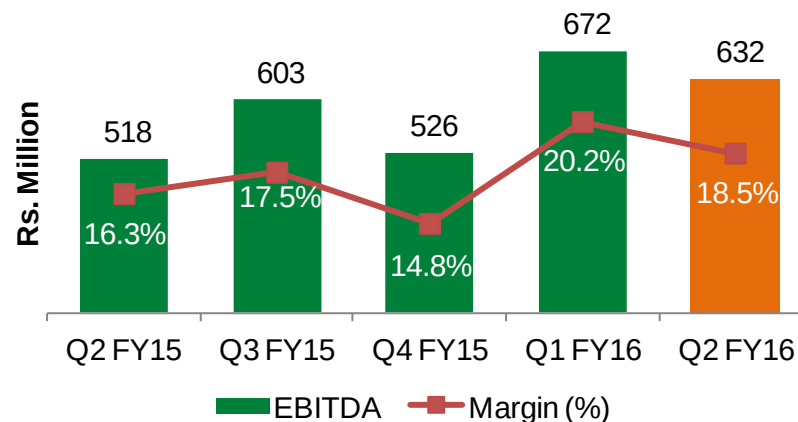


Quarterly Financial Trends

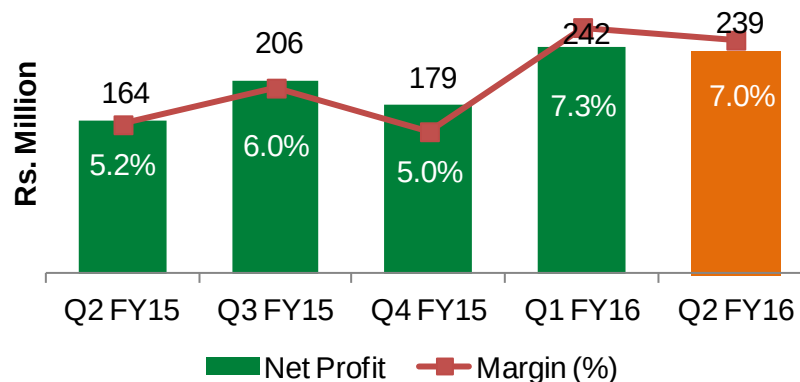
Net Sales



EBITDA and Margins

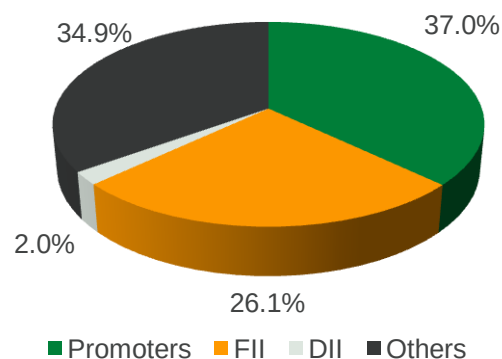


Net Profit and Margins



Capital Markets

Shareholding Structure



Key Institutional Investors



Shareholding Pattern Trend

Shareholders	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Promoters ¹	38.1%	38.1%	37.9%	37.0%	37.0%
FII / FDI	27.7%	27.7%	27.7%	26.1%	26.1%
DII	0.3%	0.1%	0.2%	1.6%	2.0%
Others	33.9%	34.1%	34.2%	35.3%	34.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note:

1 IFC holds FCCBs



Vivimed

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)	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	3,136	3,437	3,562	3,315	3,370
Other Operating Income	32	10	5	14	45
Total Revenues	3,168	3,447	3,567	3,330	3,415
Expenses					
Cost of Raw Materials Consumed	1,672	1,729	1,716	1,537	1,545
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(192)	(152)	(43)	(55)	50
Employee Benefit Expenses	423	478	472	454	378
Other Expenditure	747	789	895	721	811
Total expenses	2,650	2,844	3,041	2,657	2,784
Operating Profit (EBITDA)	518	603	526	672	632
Depreciation and Amortisation Expenses	165	184	147	148	164
EBIT	353	418	379	524	468
Finance Costs	197	194	216	190	188
PBT	156	225	163	334	280
Tax Expenses	(8)	19	(16)	92	41
PAT	164	206	179	242	239
Basic EPS (Rs)	10.13	12.69	11.08	14.92	14.73
Margins (%)					
Gross Margins	53.3%	54.2%	53.1%	55.5%	53.3%
EBITDA margins	16.3%	17.5%	14.8%	20.2%	18.5%
PAT margins	5.2%	6.0%	5.0%	7.3%	7.0%
Y-o-Y Growth (%)					
Total Revenues	3.1%	2.7%	(4.1)%	(9.5)%	7.8%
EBITDA	(1.1)%	12.4%	(10.0)%	15.8%	22.0%
PAT	0.2%	8.3%	62.5%	41.1%	45.5%
Q-o-Q Growth (%)					
Total Revenues	(13.9)%	8.8%	3.5%	(6.7)%	2.6%
EBITDA	(10.8)%	16.4%	(12.7)%	27.7%	(6.0)%
PAT	(4.2)%	25.3%	(12.7)%	34.7%	(1.2)%
Effective Tax Rate	(5.4)%	8.5%	(9.8)%	27.6%	14.7%



Annexure – Consolidated Segment Performance

(Rs. million)	Q2		y-o-y	Q1		Half Year		y-o-y
	FY2016	FY2015	Growth (%)	FY2016	Growth (%)	FY2016	FY2015	Growth (%)
Segment Revenue	3,370	3,136	7.5%	3,315	1.7%	6,686	6,802	(1.7)%
Specialty chemicals	943	987	(4.4)%	958	(1.5)%	1,901	1,873	1.5%
Healthcare	2,427	2,150	12.9%	2,358	2.9%	4,785	4,929	(2.9)%

EBIT	468	353	32.7%	524	(10.8)%	992	768	29.2%
Margin (%)	13.9%	11.2%		15.8%		14.8%	11.3%	
Specialty chemicals	211	235	(10.2)%	174	21.3%	385	414	(6.9)%
Margin (%)	22.4%	23.8%		18.2%		20.3%	22.1%	
Healthcare	257	117	118.7%	350	(26.7)%	607	354	71.3%
Margin (%)	10.6%	5.5%		14.9%		12.7%	7.2%	

Capital Employed	14,059	14,311	(1.8)%	14,996	(6.2)%	14,059	14,311	(1.8)%
Specialty chemicals	7,415	7,911	(6.3)%	8,117	(8.6)%	7,415	7,911	(6.3)%
Healthcare	6,644	6,400	3.8%	6,879	(3.4)%	6,644	6,400	3.8%



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
- H&PC: Home and Personal Care
- MRs: Medical Representatives
- MA: Marketing Authorization



Thank You

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