Vivimed Labs Limited

Q2 and Half Year FY2014 Earnings Presentation

November 13, 2013

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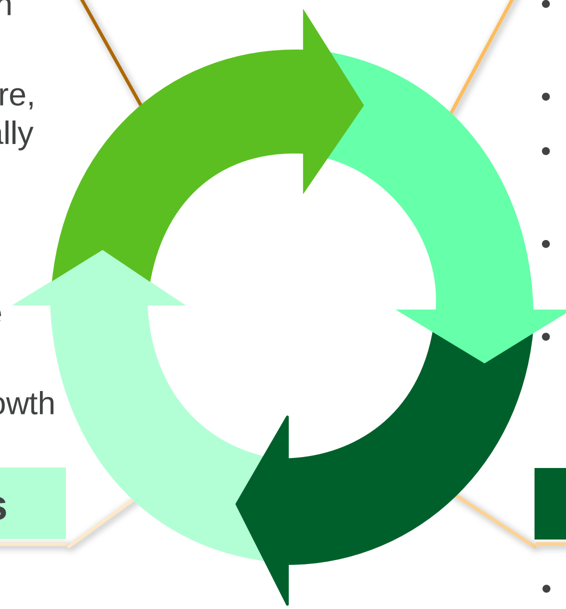
Where Chemistry and Quality Matters

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

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



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

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

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Business Segments

Healthcare
68% of Q2 FY14 sales

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

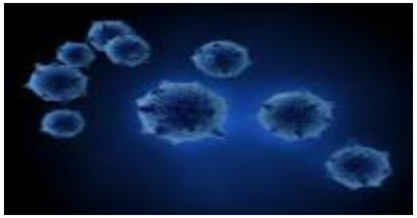
MERCK, LUPIN, Pfizer, TEVA, gsk GlaxoSmithKline

Personal Care
19% of Q2 FY14 sales

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

L'ORÉAL, BDF Beiersdorf, Johnson & Johnson, P&G, Unilever

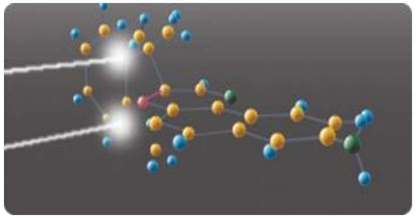
Home Care
11% of Q2 FY14 sales



- Antimicrobials
- Specialty Intermediates
- Preservatives

Dabur, Unilever, P&G, ITC Limited

Industrials
2% of Q2 FY14 sales



- Photo Chromic Dyes
- Imaging Chemicals

FUJIFILM, Kodak, CORNING, LG

Q2 FY2014 Net Sales of Rs. 3,073 million (up 11.4% y-o-y)
EBITDA of Rs. 524 million (margin of 17.0%)

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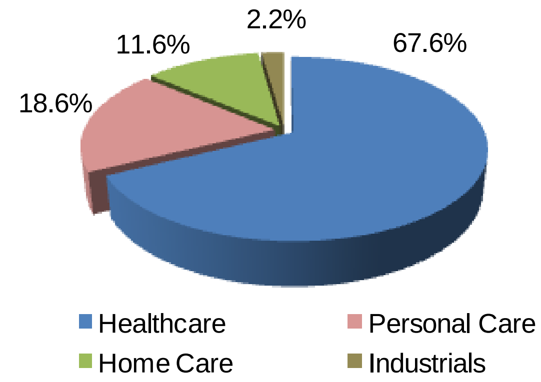
Consolidated Financial Performance

Performance Highlights

- Net Sales of Rs. 3,073 million
  - Increased 11.4% y-o-y and declined (10.7)% q-o-q
- EBITDA of Rs. 524 million and margins of 17.0%
  - Increased 7.3% q-o-q
  - Margin improved 285 bps
- Net Profit of Rs. 164 million and margins of 5.3%
  - Decline of 18.0% q-o-q

Q2 FY2014 Revenue Breakup



Management Commentary

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

"This quarter has been very eventful for us with the recent acquisition of the Alathur SOD facility from Actavis. Integration and consolidation of businesses across all verticals remain one of our highest priorities. Vivimed continues to make investments in strengthening our R&D base in India across healthcare and specialty chemicals segments. In the Healthcare business, we are positioning ourselves to capitalize our capabilities as an integrated player with a differentiated focus on R&D. In the Specialty Chemicals business, Vivimed is focused on successful execution of the recent order wins even as we invest in new products.

Despite near term challenges, we are confident that with our investments towards a differentiated product pipeline, continued focus on client mining and consistent regulatory track record will hold us in a good stead to deliver long term growth and sustainable profitability."

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Financial Performance

Consolidated Financials

(Rs. million)	Q2 FY2014	Q2 FY2013	y-o-y Growth (%)	Q1 FY2014	q-o-q Growth (%)	Half Year FY2014	Half Year FY2013	y-o-y Growth (%)
Net Sales	3,073	2,758	*11.4%*	3,439	*(10.7)%*	6,512	5,502	*18.4%*
EBITDA	524	539	*(2.8)%*	488	*7.3%*	1,012	1,158	*(12.6)%*
Margin (%)	*17.0%*	*19.5%*		*14.2%*		*15.5%*	*21.1%*	
Net Profit	164	255	*(35.9)%*	200	*(18.0)%*	364	517	*(29.6)%*
Margin (%)	*5.3%*	*9.3%*		*5.8%*		*5.6%*	*9.4%*	
Basic EPS (Rs.)	10.11	18.33	*(44.8)%*	12.44	*(18.8)%*	22.44	37.08	*(39.5)%*

Note: Net Sales includes Other Operating Income

Key Observations

- Net Sales in Q2 FY2014 was driven by the growth in the Healthcare segment. This was led by continued ramp up of a key CMO account in the API business and consolidation of Vivimed Alathur in the Contract FDF segment. Specialty Chemicals segment growth declined due to the strategic portfolio rationalization initiative. During the quarter, the Company reduced volumes of less profitable imaging chemical products
- EBITDA margin improved on a q-o-q basis by 285 bps to 17.0% driven by improved profitability in the Specialty Chemical business. This is despite the profitability in the Healthcare segment being impacted by prolonged wait for regulatory approvals in the FDF business and some product specific issues in the API business
- Finance cost increased due to higher working capital utilization and an increase in long term loans at the standalone level
- Effective Tax Rate (ETR) declined due to deferred tax asset created in the API business which reduced the overall ETR at the consolidated level

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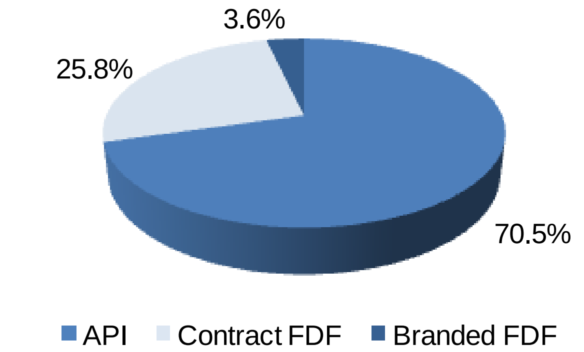
Segment Highlights

Healthcare Segment

- Process improvements start to deliver results in FY2015 for the current API product portfolio leveraging on Indian R&D
- Contract FDF have experienced push back due to prolonged wait for regulatory approval. Audit completed in Sept 2013. This situation is expected to correct itself in the current quarter and result in meaningful contribution it the second half of the year
- Acquisition of the US FDA approved FDF plant has opened the regulated market gateway, two ANDA's and in-house API manufacturing has driven the domestic FDF to the next level

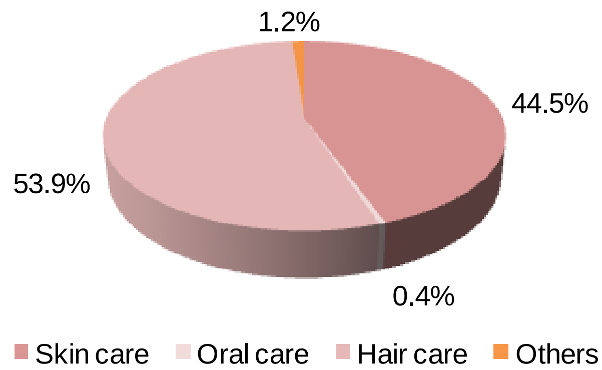
Q2 FY14 Revenue: Rs. 2,073 mn



Personal Care Segment

- Skin Care: Increased market share and higher allocation with existing clients; opportunities in newer markets in Latam. New product introduction and sampling remain core focus for H2 FY2014
- Hair Care: Encouraging volume growth in the Middle East. Increased client penetration and new opportunities in one Latam market. A new Hair Dye project in Southern Europe under progress
- In the process of adding two new in-marketing initiatives to the distribution vertical
- Identified certain new peptide products to be developed

Q2 FY14 Revenue: Rs. 572 mn



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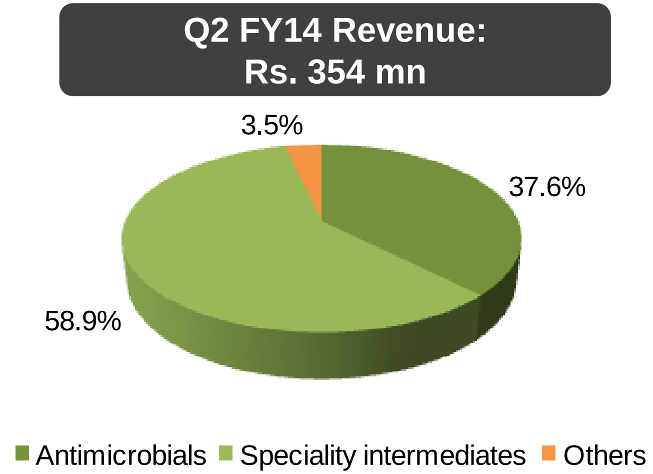
Segment Highlights

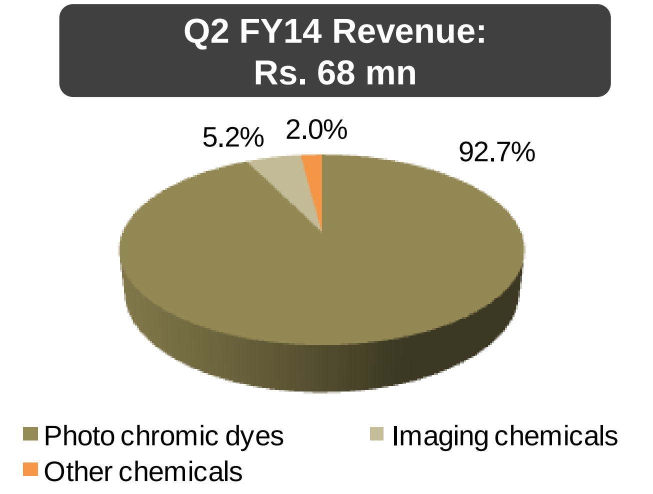
Home Care Segment

- Increased market share in Asia and Middle East, and received approval for three new products for preservatives



Industrials Segment

- Decline in the segment revenues due to a strategic defocus on the imaging chemicals business (decreased from 57.0% in Q1 FY2014 to 5.2% in Q2 FY2014)
- Photochromic Dyes growth in line with expectation



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Update on Vivimed Alathur

A successful step towards completing the Healthcare value chain

Focus on CMA execution across agreed upon range of products with Actavis → Build upon the two acquired ANDAs through marketing alliance, distributor arrangements and customer line-ups → Drive formulation R&D engine for fast filings to be initiated from Vivimed Alathur

Initiated capacity expansion from 1.2 bn SOD to 2 bn through debottlenecking and minimal capex

Alathur Foundation for Center of Excellence

Centralized procurement → Group quality assurance → Group regulatory affairs

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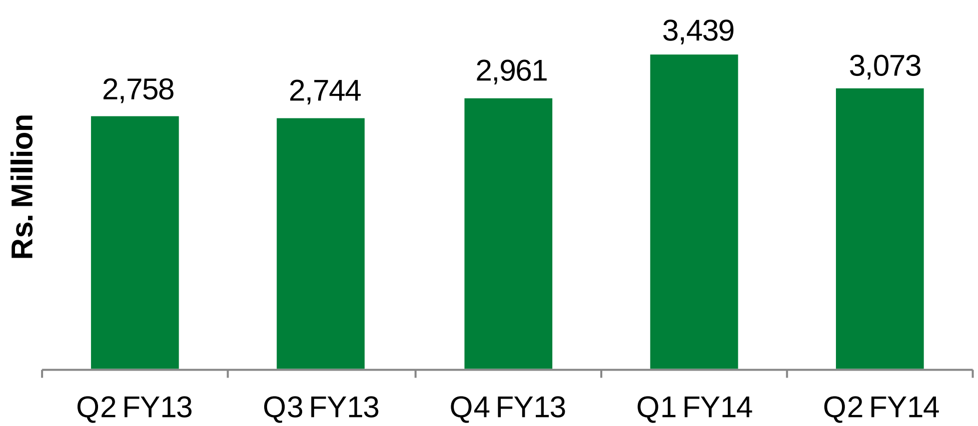
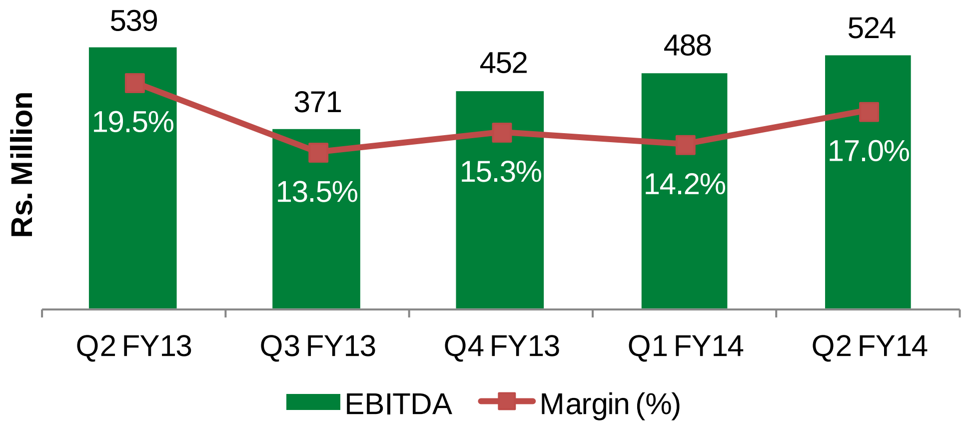
Quarterly Financial Trends

Net Sales



EBITDA and Margins



Key Observations

- Q2 FY2014 sales driven by continued ramp up of a key CMO account in the API business and consolidation of Vivimed Alathur in the Contract FDF segment. Specialty Chemicals segment growth declined due to the strategic portfolio rationalization initiative

- Q2 FY14 EBITDA margins driven by improved profitability in the Specialty Chemical business. This is despite the profitability in the Healthcare segment being impacted by prolonged wait for regulatory approvals in the contract FDF business and some product specific issues in the API business

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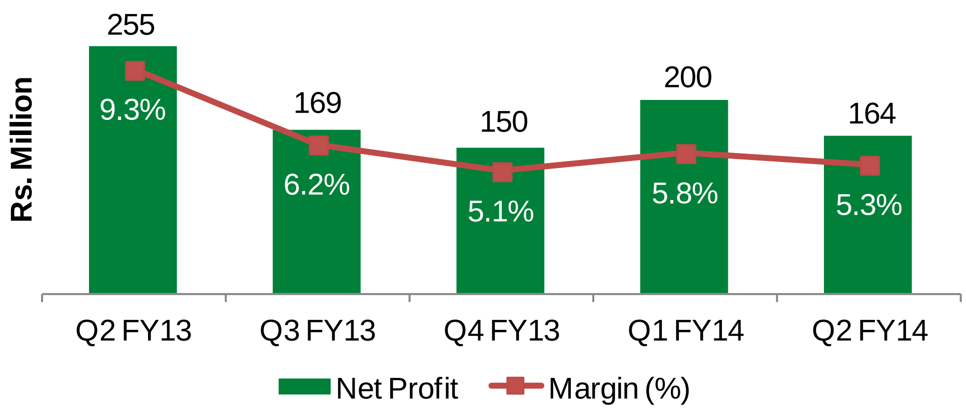
Quarterly Financial Trends

Net Profit and Margin



Balance Sheet – Key Metrics

(Rs. million)	Consolidated	
	Sep 30, 2013	Mar 31, 2013
Net Worth	5,274	5,091
Long-Term Debt	3,727	2,969
Short-Term Debt	3,285	3,011
Total Debt	**7,012**	**5,979**
Cash and Cash Equivalents	399	240
Net Debt	**6,613**	**5,740**
Net Debt / Equity (x)	1.25	1.13
Interest Coverage Ratio (x)[1]	2.04	3.39
Return on Equity (%)[2]	14.7%	18.8%

Note:
1. Interest Coverage Ratio = EBIT / Finance Cost
2. ROE for Q2 FY2014 based on LTM Net Income

Key Observations

- Q2 FY14 finance cost increased due to higher working capital utilization at the standalone level and an increase in long term loans at the consolidated level. Effective Tax Rate (ETR) declined due to deferred tax asset created in the API business which reduced the overall ETR at the consolidated level

- Share capital has increased due to conversion of convertible preference shares issued to Jacob Ballas into equity shares in Q4 FY2013; number of fresh equity shares issued 2.1 mn
- Shares outstanding as on Sep 30, 2013: 16.20 mn
- Net Debt increased on account of additional debt taken for acquisition of APMPL and foreign exchange fluctuation

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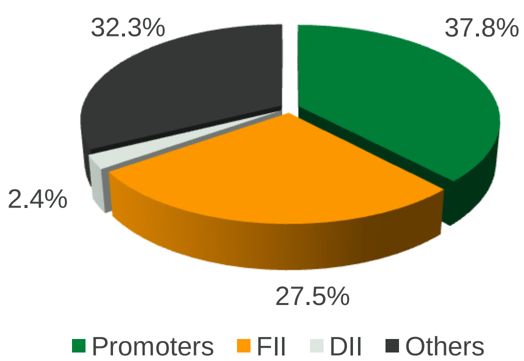
Capital Markets

Shareholding Structure



Key Institutional Investors

JACOB BALLAS
PARTNERING TOMORROW'S BLUE-CHIPS

KITARA CAPITAL

IFC

Shareholding Pattern Trend

Shareholders	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13
Promoters[1]	45.2%	45.2%	39.7%	39.8%	37.8%
FII / FDI	17.2%	16.4%	27.5%	27.4%	27.5%
DII	0.4%	0.3%	0.3%	2.5%	2.4%
Others	37.2%	38.1%	32.5%	30.3%	32.3%
Total	**100.0%**	**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

Key Management	Profile
Santosh Varalwar *Managing Director & Chief Executive Officer*	• First generation entrepreneur • Business growth strategy and leadership; Focus on key global client relationships • Previously associated with Shipping Corporation of India
Subhash Varalwar *Vice Chairman*	• Responsible for technology and new product development in the Active Ingredients segment • Previously associated with Fertilizer Corporation of India for 15 years
Sandeep Varalwar *Executive Director*	• Associated with Vivimed since its incorporation • Leads Vivimed's Healthcare FDF division • Over 18 years of experience in manufacturing and marketing in the Healthcare industry
Mark I Robbins *Chief Executive, Uquifa, Vivimed's API Division*	• Associated with Chemicals and API industries for over 23 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 *COO, Specialty Chemicals, VLI, USA*	• Leads the operations of the Global Specialty Chemicals Division • 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

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Annexure – Quarterly Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	2,661	2,721	2,981	3,408	3,066
Other Operating Income	97	23	(19)	32	6
Total Revenues	**2,758**	**2,744**	**2,961**	**3,439**	**3,073**
Expenses					
Cost of Raw Materials Consumed	1,250	1,399	1,329	1,504	1,461
Other Expenditure	793	885	1,029	1,020	800
Changes in Inventories of Finished Goods, WIP and Stock in Trade	52	(5)	8	272	123
Employee Benefit Expenses	124	93	144	156	165
Total expenses	**2,219**	**2,372**	**2,509**	**2,951**	**2,549**
Operating Profit (EBITDA)	**539**	**371**	**452**	**488**	**524**
Depreciation and Amortisation Expenses	141	143	163	147	174
EBIT	**398**	**229**	**289**	**342**	**350**
Finance Costs	108	98	50	99	172
PBT	**291**	**130**	**239**	**243**	**179**
Tax Expenses	35	(39)	89	43	15
PAT	**255**	**169**	**150**	**200**	**164**
Basic EPS (Rs)	18.33	12.15	9.33	12.44	10.11
Margins (%)					
EBITDA margins	*19.5%*	*13.5%*	*15.3%*	*14.2%*	*17.0%*
PAT margins	*9.3%*	*6.2%*	*5.1%*	*5.8%*	*5.3%*
Q-o-Q Growth (%)					
Total Revenues	*0.5%*	*(0.5)%*	*7.9%*	*16.1%*	*(10.7)%*
EBITDA	*(13.0)%*	*(31.1)%*	*21.7%*	*8.0%*	*7.3%*
PAT	*(2.3)%*	*(33.7)%*	*(11.5)%*	*33.3%*	*(18.0)%*
Effective Tax Rate	*12.1%*	*(30.0)%*	*37.2%*	*17.8%*	*8.3%*

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Annexure – Segment Highlights

Consolidated Performance

(Rs. million)	Q2 FY2014	Q2 FY2013	y-o-y Growth (%)	Q1 FY2014	q-o-q Growth (%)	Half Year FY2014	Half Year FY2013	y-o-y Growth (%)
Segment Revenue	**3,066**	**2,661**	***15.2%***	**3,408**	***(10.0)%***	**6,474**	**5,386**	***20.2%***
Specialty chemicals	994	941	*5.6%*	983	*1.1%*	1,977	1,823	*8.4%*
Healthcare	2,073	1,720	*20.5%*	2,424	*(14.5)%*	4,497	3,563	*26.2%*
EBIT	**350**	**398**	***(12.1)%***	**342**	***2.4%***	**692**	**876**	***(21.0)%***
Margin (%)	***11.4%***	***15.0%***		***10.0%***		***10.7%***	***16.3%***	
Specialty chemicals	211	190	*11.4%*	150	*40.9%*	361	387	*(6.6)%*
Margin (%)	*21.3%*	*20.2%*		*15.2%*		*18.3%*	*21.2%*	
Healthcare	139	209	*(33.4)%*	192	*(27.6)%*	331	490	*(32.5)%*
Margin (%)	*6.7%*	*12.1%*		*7.9%*		*7.4%*	*13.7%*	
Capital Employed	**14,151**	**12,706**	***11.4%***	**12,926**	***9.5%***	**14,151**	**12,706**	***11.4%***
Specialty chemicals	8,067	8,128	*(0.7)%*	7,913	*1.9%*	8,067	8,128	*(0.7)%*
Healthcare	6,084	4,578	*32.9%*	5,014	*21.3%*	6,084	4,578	*32.9%*

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Annexure – Consolidated Balance Sheet

Liabilities (Rs. million)	FY 2013	Q2 FY 2014
Shareholders funds		
Share capital		
Equity share capital	161	162
Prefrence share capital	639	639
Reserves and surplus	4,268	4,449
Money recieved against share warrants	24	24
Total	**5,091**	**5,274**
Non current liabilities		
Long term borrowings	2,969	3,727
Deferred tax liabilities	172	204
Other long term liabilities	1,341	1,620
Long term provisions	15	40
Total	**4,497**	**5,592**
Current liabilities		
Short term borrowings	3,011	3,285
Trades payable	1,663	2,100
Other current liabilities	1,161	1,278
Short term provisions	272	441
Total	**6,107**	**7,104**
Liabilities total	**15,696**	**17,969**

Assets (Rs. million)	FY 2013	Q2 FY 2014
Non current assets		
Tangible and Intangible assets	7,090	7,631
Capital work in progress	269	299
Non current investments	2	2
Other non current assets	183	211
Total	**7,545**	**8,144**
Current assets		
Inventories	3,403	4,245
Trade receivable	3,082	3,485
Cash and bank balance	240	399
Short term loans and advances	1,198	1,398
Other current assets	228	298
Total	**8,151**	**9,825**
Assets Total	**15,696**	**17,969**

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Thank You

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