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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)

71.1%

Healthcare

- API
- Contract FDF
- Branded FDF

28.9%

Specialty Chemicals

- Personal Care
- Home Care
- Industrials

Q1 FY2016 Net Sales of Rs. 3,330 million (down 9.5% y-o-y)

EBITDA of Rs. 672 million (up 15.8% y-o-y) at margin of 20.2% (up 440 bps)



Vivimed

Vivimed Group Overview

Preferred supplier to the leading global brands



L'ORÉAL

P&G



Johnson & Johnson



Cipla



Actavis



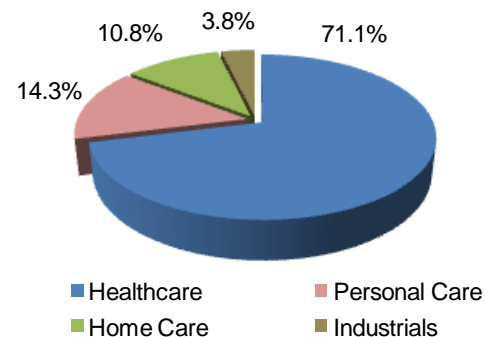
Vivimed

Consolidated Financial Performance

Performance Highlights: Q1 FY2016 vs. Q1 FY2015

- Net Sales of Rs. 3,330 million
- EBITDA of Rs. 672 million (up 15.8%)
 - EBITDA margin of 20.2%; significant improvement of 440 bps
- Net Profit of Rs. 242 million (up 41.1%)
 - Net Profit margins of 7.3%; improvement of 260 bps

Q1 FY2016 Revenue Breakup



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

“Vivimed started the financial year 2016 on a promising note. Despite a 9.5% y-o-y decline in the revenues, we reported an improvement in our profitability as operations benefitted from product mix, project ramp ups and better customer mining. Margins were also helped to a certain extent on recognition of certain milestone related income in our FDF segment.

In the healthcare segment, we are focused on improving the product mix toward higher margin products and on our new product development pipeline for both APIs and FDFs. In the Speciality Chemicals business, we have been focusing on higher margin products which has improved profitability. Across both the segments, we are working closely with our clients on products and opportunities. We look forward to a continued improvement in the business as well as our capital structure for the rest of the year.”



Financial Performance

Consolidated Financials

(Rs. million)	Q1		y-o-y	Q4	q-o-q	Full Year		y-o-y
	FY2016	FY2015	Growth (%)	FY2015	Growth (%)	FY2015	FY2014	Growth (%)
Net Sales	3,330	3,678	(9.5)%	3,567	(6.7)%	13,860	13,590	2.0%
EBITDA	672	581	15.8%	526	27.7%	2,228	2,133	4.4%
<i>Margin (%)</i>	20.2%	15.8%		14.8%		16.1%	15.7%	
Net Profit	242	171	41.1%	179	34.7%	721	664	8.5%
<i>Margin (%)</i>	7.3%	4.7%		5.0%		5.2%	4.9%	
Basic EPS (Rs.)	14.92	10.57	41.1%	11.08	34.7%	44.47	40.97	8.5%

Note: Net Sales includes Other Operating Income



Financial Performance

Management Perspectives

- **Revenues** declined 9.5% y-o-y to Rs. 3,330 million primarily due to decline in healthcare revenues as a result of unfavourable variation in the EURO-INR equation. Despite strategic reduction in volumes of low margin products, the Speciality Chemicals business registered a 8.1% y-o-y growth with better profitability
- **EBITDA** increased by 15.8% y-o-y to Rs. 672 million. EBITDA margins improved significantly by 440 bps compared to Q1 FY2015 to 20.2%. This margin expansion is primarily due to improved business mix, project ramp ups and capacity utilization across both the Healthcare and Speciality Chemicals business segments. Margins were also helped to a certain extent (approx. 1.5% of sales) on recognition of certain milestone related income in our FDF segment
- Finance cost for Q1 FY2016 was Rs. 190 million up 3.5% y-o-y but down 11.7% q-o-q
- Effective tax rate for Q1 FY2016 was 27.6% vs. 26.0% in Q1 FY2015
- **Net Profit** for Q1 FY2016 was Rs. 242 million up 41.1% y-o-y and 34.7% q-o-q



Segment Highlights

Healthcare segment

- Total revenue of Rs. 2,358 million (vs. Rs. 2,779 million in Q1 FY2015); EBIT margin of 14.9% (vs. 8.5%)
- This decline in revenue was due the impact of currency in our foreign subsidiaries; However, margin improved significantly due to product mix, project ramp ups and higher capacity utilization
- Going forward, API business is expected to see improved profitability as benefits of a healthy order and lower raw material prices start to make contribution
- The FDF business is likely to remain an area of growth with new product launches in the RoW and CIS markets. FDF in the regulated markets will remain an area of investment with new product filing being a priority

Specialty Chemicals segment

- Total revenue of Rs. 958 million up 8.1% y-o-y; EBIT margin of 18.2%
- Margins improved significantly vs. Q4 FY2014 but declined compared to Q1 FY2015
- In the personal care segment, manufacturing volumes increased largely in the hair care and hair dyes segments. These helped offset the subdued off-take in older products which have been deferred due to customer specific issues. New product launches in hair dyes, sunscreen and skin care are expected to drive growth in coming year
- In the home care segment, performance driven by both Antimicrobials and Preservatives segments
- Industrial segment continues to grow with new product offerings in the photochromics and imaging chemical products



Segment Highlights

(Rs. million)	Q1		y-o-y	Q4		q-o-q	Full Year		y-o-y
	FY2016	FY2015	Growth (%)	FY2015	Growth (%)	FY2015	FY2014	Growth (%)	
Segment Revenue	3,315	3,665	(9.6)%	3,562	(6.9)%	13,801	13,508	2.2%	
Specialty chemicals	958	886	8.1%	1,497	(36.0)%	4,462	4,143	7.7%	
Healthcare	2,358	2,779	(15.2)%	2,065	14.1%	9,339	9,365	(0.3)%	

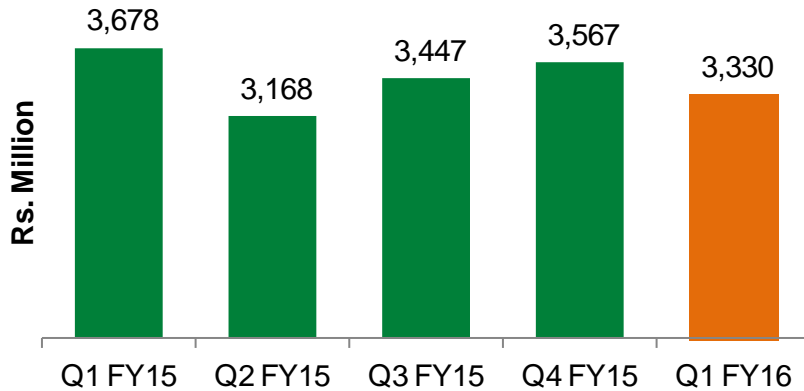
EBIT	524	416	26.2%	379	38.3%	1,566	1,472	6.4%
Margin (%)	15.8%	11.3%		10.6%		11.3%	10.9%	
Specialty chemicals	174	179	(2.6)%	219	(20.4)%	900	826	9.0%
Margin (%)	18.2%	20.2%		14.6%		20.2%	19.9%	
Healthcare	350	237	47.9%	161	118.2%	665	645	3.1%
Margin (%)	14.9%	8.5%		7.8%		7.1%	6.9%	

Capital Employed	14,996	14,685	2.1%	14,870	0.9%	14,870	14,740	0.9%
Specialty chemicals	8,117	8,159	(0.5)%	8,049	0.9%	8,049	8,003	0.6%
Healthcare	6,879	6,526	5.4%	6,821	0.9%	6,821	6,737	1.2%

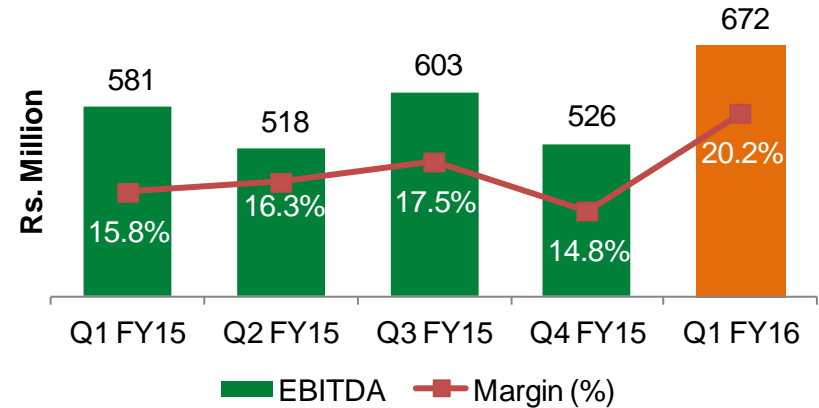


Quarterly Financial Trends

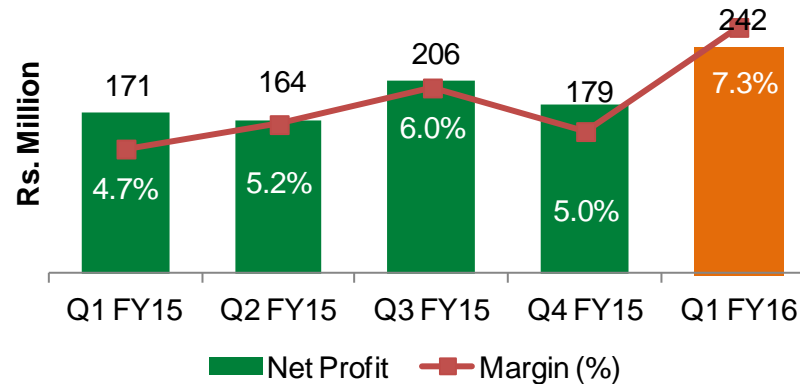
Net Sales



EBITDA and Margins

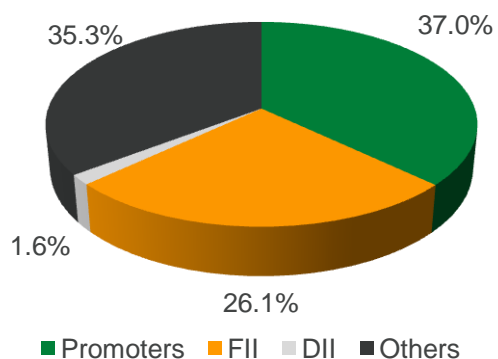


Net Profit and Margins



Capital Markets

Shareholding Structure



Key Institutional Investors



Shareholding Pattern Trend

Shareholders	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Promoters ¹	38.1%	38.1%	38.1%	37.9%	37.0%
FII / FDI	27.6%	27.7%	27.7%	27.7%	26.1%
DII	2.3%	0.3%	0.1%	0.2%	1.6%
Others	32.0%	33.9%	34.1%	34.2%	35.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note:

1 IFC holds FCCBs



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>	<ul style="list-style-type: none">• 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>	<ul style="list-style-type: none">• 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>	<ul style="list-style-type: none">• 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>	<ul style="list-style-type: none">• 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>	<ul style="list-style-type: none">• 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>	<ul style="list-style-type: none">• 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 – Quarterly Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	3,665	3,136	3,437	3,562	3,315
Other Operating Income	12	32	10	5	14
Total Revenues	3,678	3,168	3,447	3,567	3,330
Expenses					
Cost of Raw Materials Consumed	1,876	1,672	1,729	1,716	1,537
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(145)	(192)	(152)	(43)	(55)
Employee Benefit Expenses	472	423	478	472	454
Other Expenditure	894	747	789	895	721
Total expenses	3,097	2,650	2,844	3,041	2,657
Operating Profit (EBITDA)	581	518	603	526	672
Depreciation and Amortisation Expenses	165	165	184	147	148
EBIT	416	353	418	379	524
Finance Costs	184	197	194	216	190
PBT	232	156	225	163	334
Tax Expenses	60	(8)	19	(16)	92
PAT	171	164	206	179	242
Basic EPS (Rs)	10.57	10.13	12.69	11.08	14.92
Margins (%)					
Gross Margins	52.9%	53.3%	54.2%	53.1%	55.5%
EBITDA margins	15.8%	16.3%	17.5%	14.8%	20.2%
PAT margins	4.7%	5.2%	6.0%	5.0%	7.3%
Y-o-Y Growth (%)					
Total Revenues	6.9%	3.1%	2.7%	(4.1)%	(9.5)%
EBITDA	18.9%	(1.1)%	12.4%	(10.0)%	15.8%
PAT	(14.3)%	0.2%	8.3%	62.5%	41.1%
Q-o-Q Growth (%)					
Total Revenues	(1.2)%	(13.9)%	8.8%	3.5%	(6.7)%
EBITDA	(0.6)%	(10.8)%	16.4%	(12.7)%	27.7%
PAT	55.1%	(4.2)%	25.3%	(12.7)%	34.7%
Effective Tax Rate	26.0%	(5.4)%	8.5%	(9.8)%	27.6%



Annexure – Consolidated Segment Performance

(Rs. million)	Q1		y-o-y	Q4		q-o-q	Full Year		y-o-y
	FY2016	FY2015	Growth (%)	FY2015	Growth (%)		FY2015	FY2014	Growth (%)
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Healthcare	6,879	6,526	5.4%	6,821	0.9%		6,821	6,737	1.2%



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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