



# Vivimed Labs Limited

Q4 and Full Year FY 2013 Earnings Presentation

May 30, 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

- 10 manufacturing facilities and 3 R&D centers across the world
- 3 USFDA 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

67% of FY13 sales



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



## Personal Care

20% of FY13 sales

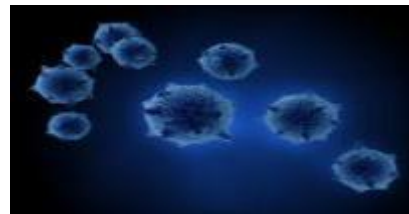


- Sun Care
- Skin Care
- Hair Care
- Oral Care
- Naturals



## Home Care

9% of FY13 sales

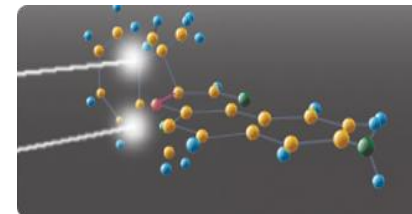


- Antimicrobials
- Specialty Intermediates
- Preservatives



## Industrials

4% of FY13 sales



- Photo Chromic Dyes
- Imaging Chemicals



# Consolidated Financial Performance

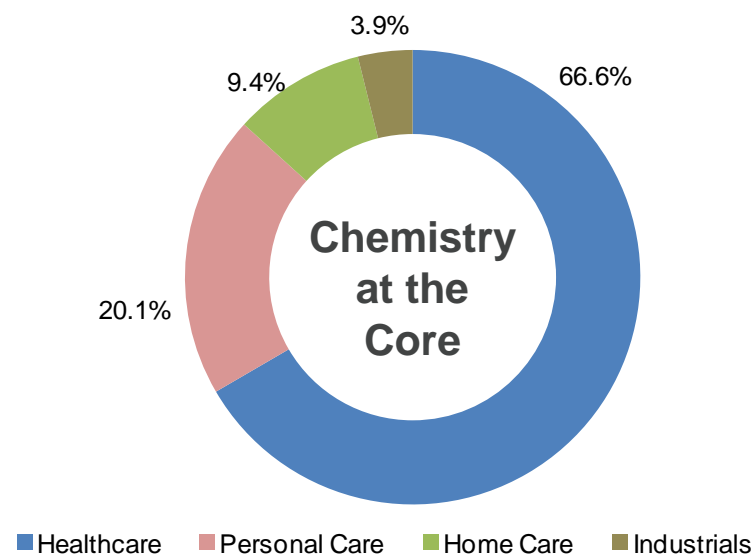
## Q4 FY2013 vs. Q4 FY2012

- Net Sales of Rs. 2,961 mn, an increase of 17.5%
- EBITDA of Rs. 452 mn and margins of 15.3%
- Net Profit of Rs. 150 mn and margins of 5.1%

## FY2013 vs. FY2012

- Net Sales of Rs. 11,207 mn, an increase of 67.0%
- EBITDA of Rs. 1,976 mn and margins of 17.6%
- Net Profit of Rs. 836 mn and margins of 7.5%
- EPS of Rs 52.04, an increase of 14.9%
- Net Debt of Rs 6,072 mn and Net Debt / Equity 1.2x
- Dividend per share of Rs 3.00

## Attractive End User Markets



# Consolidated Financial Performance

## Management Commentary

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

*“In context of an uncertain economic environment, I am pleased to report a strong financial performance with an annual revenue growth of 67% and net profit growth of over 32%. Enhancing our margins is a high priority and we expect to deliver this through process improvements, portfolio optimization and driving sales through deeper client engagements.*

*We continue to build upon our customer partnerships with a broader range of product offerings and service reliability. In the Specialty Chemicals segment, the recent PTW (Partner to Win) status with Unilever is an acknowledgement of Vivimed’s capabilities to service high profile global customers and match their expectations. In this segment, we will endeavour to deepen our existing strategic engagement with the top tier consumer MNCs. In the Healthcare segment, we are happy to note the addition to our order book from one of the largest global healthcare companies. We believe that there is more to come in terms of order wins given our manufacturing expertise even as we roll out our formulations business in Europe.*

*As our business has become increasingly global, we have responded by strengthening our management team across our core business areas including R&D. I am personally delighted with all of our recent senior level appointments. Now we have a global leadership which can successfully take Vivimed to its next phase of growth.*

*Innovation is at the heart of Vivimed and is driving the development of new business areas. In addition, Vivimed’s investments in research are set to build a pipeline which will create value over the next few years as they enter the commercialization phase. Overall, after the successful integration of our recent acquisitions, the Company is well positioned to achieve its growth aspirations.”*



# Financial Performance

## Consolidated Financials

(Rs. million)	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2013	FY2012	Growth (%)	FY2013	Growth (%)		FY2013	FY2012	Growth (%)
Net Sales	2,961	2,520	17.5%	2,744	7.9%		11,207	6,710	67.0%
EBITDA	452	472	(4.2)%	371	21.7%		1,976	1,330	48.6%
Margin (%)	15.3%	18.7%		13.5%			17.6%	19.8%	
Net Profit	150	223	(32.8)%	169	(11.5)%		836	631	32.4%
Margin (%)	5.1%	8.8%		6.2%			7.5%	9.4%	
Basic EPS (Rs)	9.33	16.00	(41.7)%	12.15	(23.2)%		52.04	45.31	14.9%

Note:

1. Net Sales includes Other Operating Income
2. EPS for Q4 and FY2013 on a fully diluted basis

## Key Observations

- **FY2013:** Net Sales driven by consolidation of acquisitions, steady growth from the Specialty Chemicals and the FDF segment in Healthcare. Margins moderated due to product specific issues in Specialty Chemicals and certain exceptional items and product mix changes in the Healthcare segment
- **Q4 FY2013:** Increase in Net Sales due to a pick up in the Specialty Chemical business. The Healthcare segment remained stable due to the ongoing API product portfolio optimization. Furthermore, the segment was impacted by seasonal trends and wait for regulatory approvals in FDF. Margins increased sequentially led by an improvement in profitability of the API and Specialty Chemicals businesses. Effective tax rate for Q4 FY13 was 37.2% compared to 13.0% in Q4 FY12 which resulted in the Net Profit decline y-o-y



# Segment Highlights

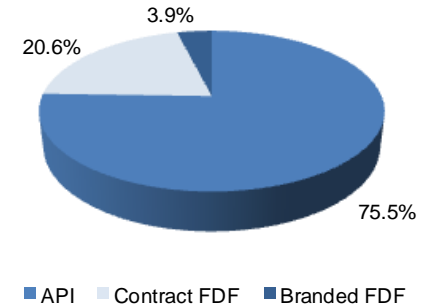
## Healthcare Segment

- Process improvements in manufacturing facilities in Spain and Mexico by leveraging India based R&D
- Addition of a CMO customer in the USA; on-going initiatives include targeting other blue chip customers
- FDA and Spanish Health Authority inspections in both Spanish sites were successfully completed
- Branded FDF development to be initiated with focus on products where in-house API is available and new geographies
- Domestic FDF saw launches of drugs with combination therapies; European rollout to follow

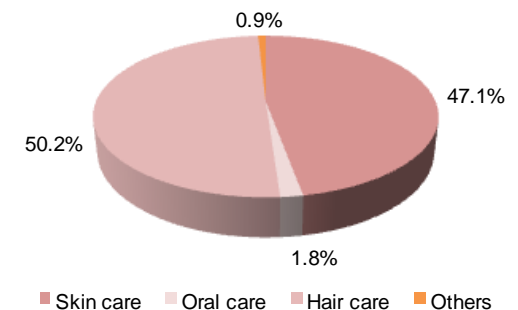
## Personal Care Segment

- Strong traction in Skin care (up 40%) with Sun care (up 19%)
- Although Hair care was up 15%, hair dyes continue to face strong competition with a moderate growth
- Entered Unilever's Partner to Win (PTW) list and developed new products for them
- Discussions with consumer MNCs to commercialize applied-for patents for innovative natural products
- New offerings include new products in Sun care basket, Peptide for anti-ageing and skin whiteners
- Capitalize on increasing sales contribution from emerging markets for large consumer MNCs

**FY13 Revenue:**  
**Rs. 7,502 mn (up 126% y-o-y)**



**FY13 Revenue:**  
**Rs. 2,233 mn (up 20% y-o-y)**





# Segment Highlights

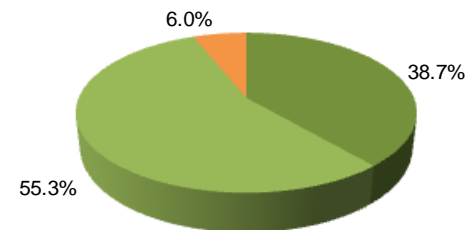
## Home Care Segment

- Antimicrobials under pressure on revenue growth even as specialty intermediates remained stable

## Industrials Segment

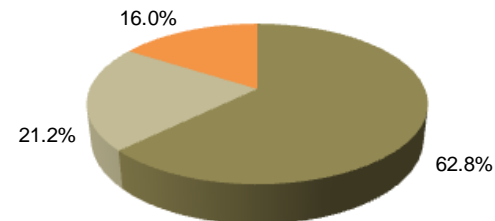
- Photo Chromic business with majors such as Corning continues to be flat
- License technologies through Open Innovation and strategic partnerships

**FY13 Revenue:**  
**Rs. 1,042 mn (down 10% y-o-y)**



■ Antimicrobials ■ Specialty intermediates ■ Others

**FY13 Revenue:**  
**Rs. 429 mn (up 23% y-o-y)**



■ Photo chromic dyes ■ Imaging chemicals  
■ Other chemicals



# Segment Highlights

## Consolidated Performance

(Rs. million)	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY2013	FY2012	Growth (%)	FY2013	Growth (%)	FY2013	FY2012	Growth (%)
<b>Segment Revenue</b>	<b>2,981</b>	<b>2,511</b>	<b>18.7%</b>	<b>2,721</b>	<b>9.5%</b>	<b>11,088</b>	<b>6,683</b>	<b>65.9%</b>
Specialty chemicals	1,029	809	27.1%	955	7.7%	3,704	3,363	10.1%
Healthcare	1,952	1,701	14.7%	1,766	10.5%	7,384	3,321	122.4%

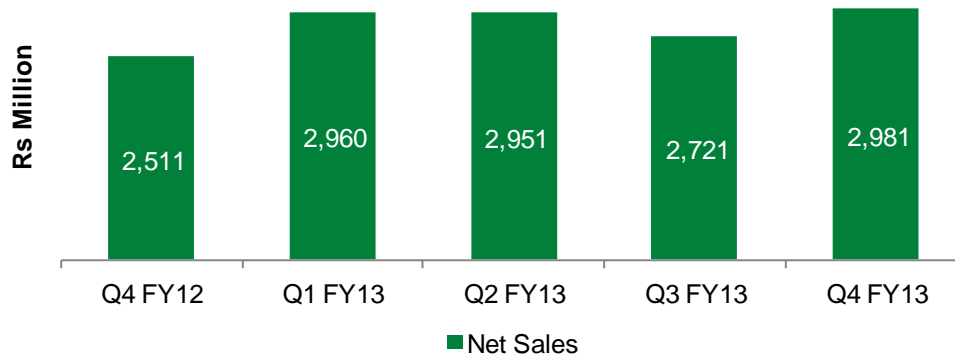
<b>EBIT</b>	<b>289</b>	<b>337</b>	<b>(14.3)%</b>	<b>229</b>	<b>26.4%</b>	<b>1,388</b>	<b>1,062</b>	<b>30.7%</b>
<b>Margin (%)</b>	<b>9.7%</b>	<b>13.4%</b>		<b>8.4%</b>		<b>12.5%</b>	<b>15.9%</b>	
Specialty chemicals	153	150	2.5%	143	7.7%	683	601	13.6%
Margin (%)	14.9%	18.5%		14.9%		18.4%	17.9%	
Healthcare	135	188	(27.8)%	86	57.4%	705	461	53.0%
Margin (%)	6.9%	11.0%		4.9%		9.6%	13.9%	

<b>Capital Employed</b>	<b>12,929</b>	<b>10,857</b>	<b>19.1%</b>	<b>12,641</b>	<b>2.3%</b>	<b>12,929</b>	<b>10,857</b>	<b>19.1%</b>
Specialty chemicals	7,772	6,824	13.9%	7,845	(0.9)%	7,772	6,824	13.9%
Healthcare	5,157	4,033	27.9%	4,796	7.5%	5,157	4,033	27.9%



# Quarterly Financial Trends

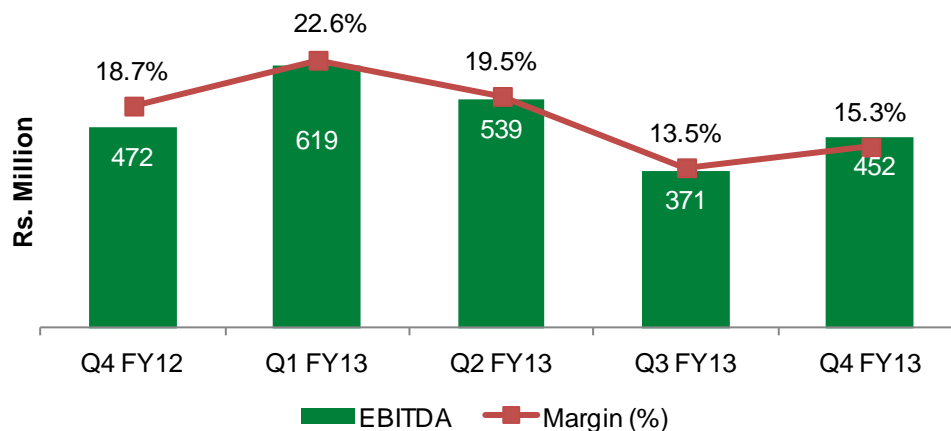
## Net Sales



## Key Observations

- Q4 FY13 sales increased by 10.0% on q-o-q basis and 18.7% on y-o-y
- Healthcare segment grew by 10.5% on q-o-q basis and 14.7% y-o-y basis. This was led by strong growth in API and branded FDF businesses
- Specialty Chemicals segment grew by 7.7% on q-o-q basis and 27.1% y-o-y basis

## EBITDA and Margins

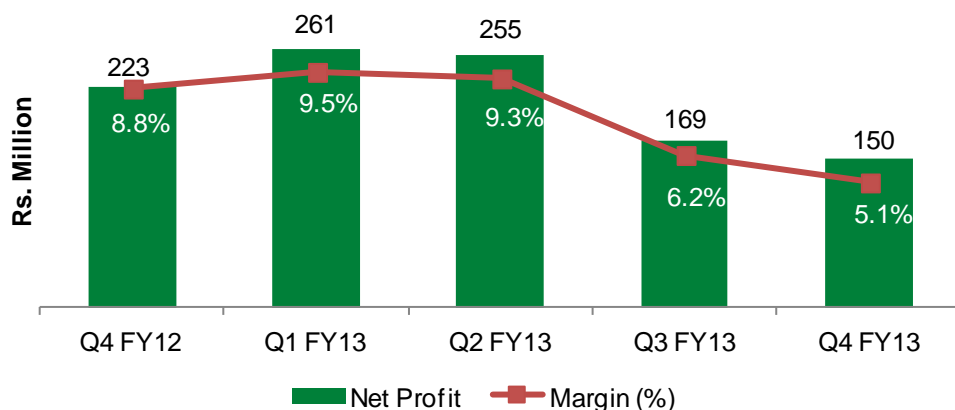


- Q4 FY13 EBITDA margins improved on a sequential basis primarily due to sale of higher margin products in the Specialty Chemicals business and process improvement measures taken in the Healthcare business
- Margin improved by 169 bps on q-o-q basis



# Quarterly Financial Trends

## Net Profit and Margin



## Key Observations

- Net Profit declined 12.0% on q-o-q basis and by 33.2% on y-o-y basis
- In Q4 FY13, Interest cost declined to Rs 50mn from Rs. 98mn in Q3 FY13 and Rs. 81mn in Q4 FY12
- Effective tax rate for Q4 FY13 was 37.2% compared to 13.0% in Q4 FY12 which resulted in the Net Profit decline y-o-y
- Q3 FY2013 included a tax benefit of Rs 39 mn

## Balance Sheet – Key Metrics

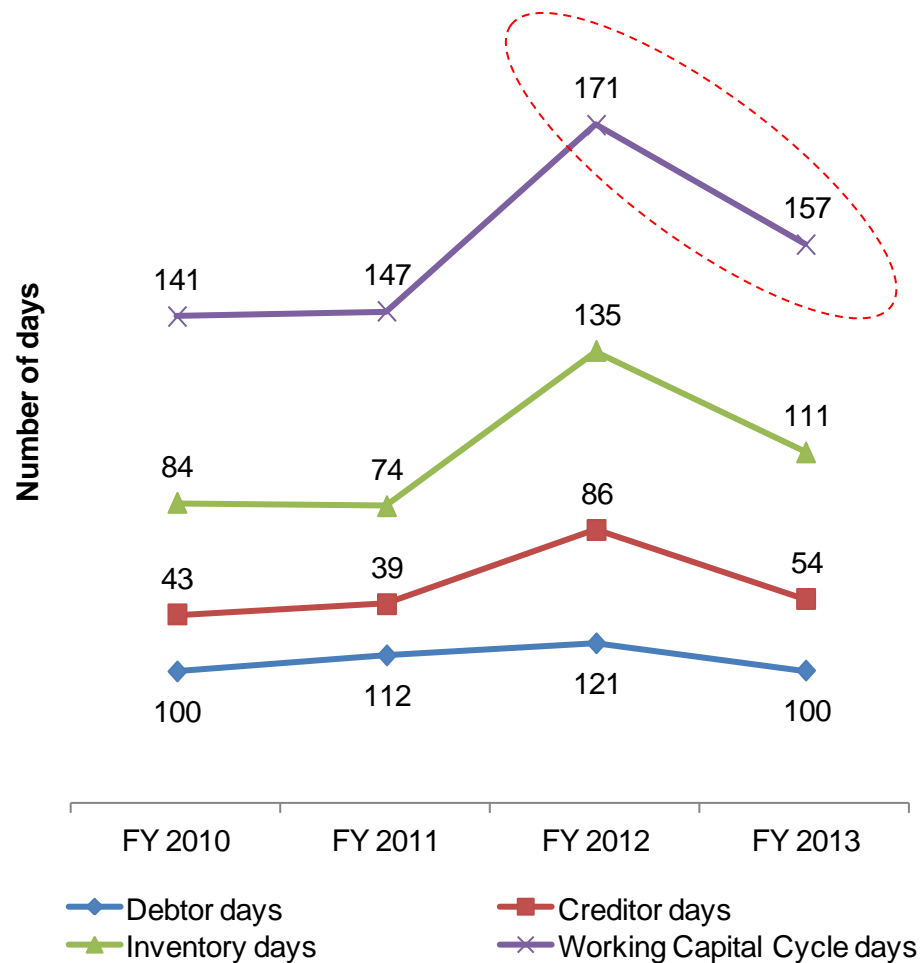
(Rs. million)	Full Year	
	FY2013	FY2012
Net Worth	5,091	4,748
Long-Term Debt	3,300	2,580
Short-Term Debt	3,011	2,328
<b>Total Debt</b>	<b>6,311</b>	<b>4,908</b>
Cash and Cash Equivalents	240	363
<b>Net Debt</b>	<b>6,072</b>	<b>4,544</b>
Net Debt / Equity (x)	1.19	0.96
Interest Coverage Ratio (x) *	3.39	3.74
Return on Equity (%)	18.8%	18.4%

\* Interest Coverage Ratio = EBIT / Finance Cost

- 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 Mar 31, 2013: 16.06 mn
- Net Debt increased on account of capex in the API business (Spain, Mexico) and up-gradation of India FDF facilities for regulatory markets
- FY13 Net Debt includes Rs. 331 mn included in other current liabilities



# Working Capital Cycle



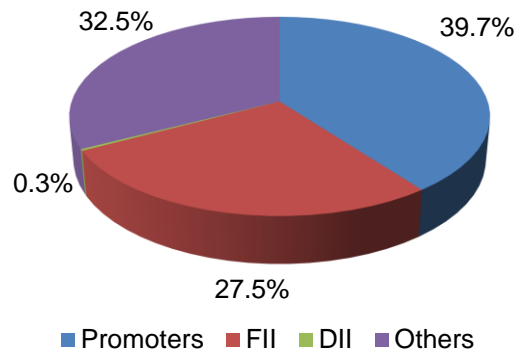
## Key Observations

- Focused on productivity management, tighter procurement, more accurate sales forecasting and production planning
- Tighter credit policies helped improve the debtor days
- Using more effective inventory management in the Specialty Chemicals and API businesses



# Capital Markets

## Shareholding Structure



## Shareholding Pattern Trend

Shareholders	Jun-12	Sep-12	Dec-12	Mar-13
Promoters <sup>1</sup>	45.2%	45.2%	45.2%	39.7%
FII / FDI	18.2%	17.2%	16.4%	27.5%
DII	1.6%	0.4%	0.3%	0.3%
Others	35.0%	37.2%	38.1%	32.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Market Data

As on 30.5.2013

Market price (Rs.)	288.90
52 week H/L (Rs.)	415.00 / 254.90
Market Capitalization (Rs. mn)	4,630
Equity share outstanding (mn)	16.06
Face value (Rs.)	10

Note:

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

## Key Institutional Investors



# 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



# Key Facts: Global Reach

Best in class knowledge base, experienced team and customer focused manufacturing platform to take the Company to the next level of growth

## Knowledge Base

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Products: 50 APIs, 30 Specialty Chemicals, 20 Branded FDFs  
Customers: Across 50 countries

## Global Team

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Global Support Offices: 5  
Employees: 1,800 (125 R&D)  
Sales force: 300  
Distribution network: 60 countries

## Manufacturing Platform

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API Manufacturing: 2 in Barcelona (350 kl), 1 in Mexico (150 kl)  
Specialty Chemicals Active Ingredients: 2 in India (over 600 kl)  
Finished Dosage: 5 in India (Tablets >2bn, capsule ~1bn, 145 kl across delivery platforms)





# Strong Transnational Management Team

Name & Designation	Profile
<b>Santosh Varalwar</b> <i>MD &amp; CEO</i>	<ul style="list-style-type: none"><li>• First generation entrepreneur</li><li>• Evolves the business strategy and guides the implementation</li><li>• Identifying potential business opportunities and exercising the choices</li><li>• Setting the growth path for the Company, visualizing and providing for the enablers</li><li>• Previously associated with Shipping Corporation of India</li></ul>
<b>Subhash Varalwar</b> <i>Vice-Chairman</i>	<ul style="list-style-type: none"><li>• Responsible for technology and new product development in the Specialty Chemical segment</li><li>• Previously associated with Fertilizer Corporation of India for 15 years</li></ul>
<b>Sandeep Varalwar</b> <i>Executive Director</i>	<ul style="list-style-type: none"><li>• Associated with Vivimed since its incorporation</li><li>• Leads Vivimed's Pharma FDF division</li><li>• Has more than 18 years of experience in manufacturing and marketing functions of the Healthcare industry</li></ul>
<b>Mark I Robbins</b> <i>Chief Executive, Uquifa , Vivimed's API Division</i>	<ul style="list-style-type: none"><li>• Associated with Chemicals and API industries for over 23 years</li><li>• Previously a member of the management executive committee of Yule Catto, a reputed UK based manufacturing conglomerate</li><li>• Previously worked with Johnson Matthey for 10 years</li><li>• Member of the Institute of Marketing and Engineering , UK</li></ul>
<b>George Polson</b> <i>COO, Specialty Chemicals, VLI, USA</i>	<ul style="list-style-type: none"><li>• Leads the operations of the Global Specialty Chemicals Division</li><li>• Industry experience of over 30 years, worked with leading companies like Lonza</li><li>• Holds ~40 US and World patents</li><li>• Member of the American Chemical Society (ACS), the Society of Cosmetic Chemists (SCC), and Society of Investigative Dermatology (SID) and American Society of Pharmacognosy</li></ul>



# Annexure – Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	FY 2011	FY 2012	FY 2013
<b>Revenues</b>			
Revenue from Operations	4,160	6,683	11,088
Other Operating Income	10	27	119
<b>Total revenues</b>	<b>4,170</b>	<b>6,710</b>	<b>11,207</b>
<b>Expenditure</b>			
Cost of Materials Consumed	2,416	3,557	5,374
Changes in Inventories (Finished goods and WIP)	(46)	(184)	(242)
Employee Benefit Expenses	218	342	503
Other Expenses	706	1,664	3,594
<b>Total expenditure</b>	<b>3,294</b>	<b>5,380</b>	<b>9,231</b>
<b>Operating profit (EBITDA)</b>	<b>876</b>	<b>1,330</b>	<b>1,976</b>
Depreciation and Amortization Expenses	102	268	588
<b>EBIT</b>	<b>774</b>	<b>1,062</b>	<b>1,388</b>
Financial Costs	221	284	409
<b>PBT</b>	<b>553</b>	<b>778</b>	<b>979</b>
Current Tax	94	159	143
Deferred Tax	(30)	(12)	
<b>PAT</b>	<b>488</b>	<b>631</b>	<b>836</b>
Basic EPS (Rs)	48.04	45.31	52.04
EBITDA margins	21.0%	19.8%	17.6%
PAT margins	11.7%	9.4%	7.5%



# Annexure – Consolidated Balance Sheet

Liabilities (Rs. million)	FY 2011	FY 2012	FY 2013
<b>Shareholders funds</b>			
<b>Share capital</b>			
Equity share capital	102	139	161
Preference share capital	0	1,309	639
Reserves and surplus	1,777	3,275	4,268
Money recieved against share warrants	89	24	24
<b>Total</b>	<b>1,967</b>	<b>4,748</b>	<b>5,091</b>
<b>Non current liabilities</b>			
Long term borrowings	1,319	2,580	2,969
Deffered tax liabilities	147	134	172
Other long term liabilities	0	882	1,341
Long term provisions	17	11	15
<b>Total</b>	<b>1,482</b>	<b>3,607</b>	<b>4,497</b>
<b>Current liabilities</b>			
Short term borrowings	1,751	2,328	3,011
Trades payable	441	1,569	1,663
Other current liabilities	47	408	1,161
Short term provisions	186	332	272
<b>Total</b>	<b>2,424</b>	<b>4,637</b>	<b>6,107</b>
<b>Liabilities total</b>	<b>5,874</b>	<b>12,992</b>	<b>15,696</b>



# Annexure – Consolidated Balance Sheet

Assets (Rs. million)	FY 2011	FY 2012	FY 2013
<b>Non current assets</b>			
Tangible and Intangible assets	2,643	5,953	7,090
Capital work in progress	17	84	269
Non current investments	0	7	2
Other non current assets	67	477	183
<b>Total</b>	<b>2,727</b>	<b>6,521</b>	<b>7,545</b>
<b>Current assets</b>			
Inventories	845	2,479	3,403
Trade receivable	1,276	2,216	3,082
Cash and bank balance	111	363	240
Short term loans and advances	915	1,411	1,198
Other current assets	0	2	228
<b>Total</b>	<b>3,147</b>	<b>6,471</b>	<b>8,151</b>
<b>Assets Total</b>	<b>5,874</b>	<b>12,992</b>	<b>15,696</b>



# Thank You

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