



Vivimed Labs Limited

Q4 and Full Year FY2014 Earnings Presentation

May 29, 2014



Vivimed

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The Company is hosting a conference call for analysts and investors on May 30, 2014 (Friday) at 4:00 PM IST to discuss the performance. Please find below the dial-in details:

Conference Dial-In Numbers

Primary Number	+91 22 3960 0664
Secondary Number	+91 22 6746 5864
<i>The numbers listed above are universally accessible from all networks and all countries</i>	



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 40% and EBITDA CAGR of 32%
- R&D investments: 4% of FY2014 Revenues
- Short-term bank facilities rated A3 and long term facilities rated BBB- by CARE Ratings
- Strong transnational management team with proven track record of delivering growth & profitability



Business Segments

Healthcare

67.9% of Q4 FY14 sales



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



Personal Care

18.4% of Q4 FY14 sales

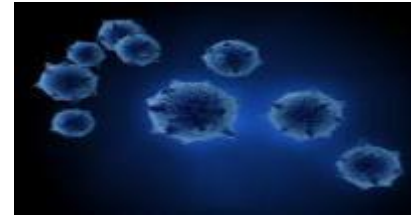


- Sun Care
- Skin Care
- Hair Care
- Oral Care
- Naturals



Home Care

11.4% of Q4 FY14 sales

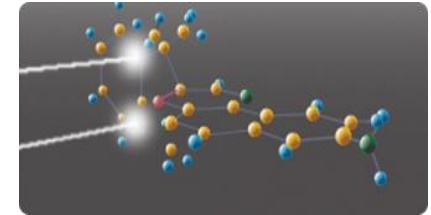


- Antimicrobials
- Specialty Intermediates
- Preservatives



Industrials

2.3% of Q4 FY14 sales



- Photo Chromic Dyes
- Imaging Chemicals



Q4 FY2014 Net Sales of Rs. 3,721 million (up 25.6% y-o-y)
EBITDA of Rs. 584 million (up 29.3% y-o-y) at margin of 15.7% (up 44 bps)



Consolidated Financial Performance

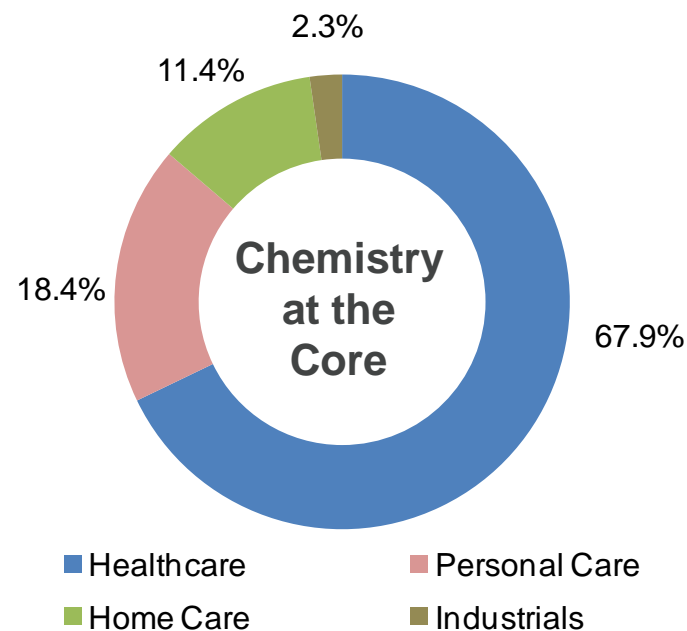
Q4 FY2014 Highlights

- Net Sales of Rs. 3,721 mn, an increase of 25.6% y-o-y
- EBITDA of Rs. 584 mn and margins of 15.7%
- Net Profit of Rs. 110 mn and margins of 3.0%

FY2014 Highlights

- Net Sales of Rs. 13,590 mn, an increase of 21.3% y-o-y
- EBITDA of Rs. 2,133 mn and margins of 15.7%
- Net Profit of Rs. 664 mn and margins of 4.9%
- Net Debt of Rs 7,775 mn and Net Debt / Equity 1.4x
- Dividend per share of Rs. 3

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:

“We have reported another year of improved operational performance which saw broad based revenue growth across both our business segments: Healthcare and Specialty Chemicals. Our EBITDA margins have also shown an improvement in the recent quarters and we believe the outlook for this remains encouraging.

In the Healthcare segment, our focus continues to be on strengthening our generic API portfolio and we expect to file 5-6 new DMFs in FY2015. Also, our high value CMO engagements in the API business ramps up as per expectations. During the last quarter, we shipped the first consignment of our finished formulations product to the regulated markets in the US from our Alathur facility. This segment is expect to provide us significant growth opportunities in the regulated generic markets as we begin to monetize our R&D investments.

Recently, we received the awaited GMP PIC/S approval for the supply of finished dosage formulations to the CIS region. This approval is a testament to the quality of our manufacturing facilities and commitment to match the international regulatory expectations of the pharmaceutical business. It will provide us with an opportunity to start catering to customers in the CIS region and other ASEAN countries. We are confident that this will help in enhancing our formulations exports business.

In the Specialty Chemicals segment, we have strategically expanded our distributor network to provide us access to the under penetrated markets. Growth in this segment will be driven by a combination of new products launches, deeper client mining and tapping newer geographies.

These are exciting times for Vivimed as we embark upon the next phase of growth for the Company. We have made investments in the past to build a differentiated product and manufacturing platform, which we believe will enable us to deliver a long term sustainable value to our shareholders.”



Financial Performance

Consolidated Financials

(Rs. million)	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)	
Net Sales	3,721	2,961	25.6%	3,358	10.8%	13,590	11,207	21.3%	
EBITDA	584	452	29.3%	536	9.0%	2,133	1,976	7.9%	
Margin (%)	15.7%	15.3%		16.0%		15.7%	17.6%		
Net Profit	110	150	(26.3)%	190	(41.8)%	664	836	(20.6)%	
Margin (%)	3.0%	5.1%		5.7%		4.9%	7.5%		
Basic EPS (Rs.)	6.81	9.33	(27.0)%	11.72	(41.8)%	40.97	52.04	(21.3)%	

Note: Net Sales includes Other Operating Income

Key Observations

- Net Sales growth in Q4 FY2014 was driven by robust performance across both the Healthcare and Specialty Chemicals business segments. Sales growth in the Healthcare segment (68% of Q4 revenues) was 28.0% y-o-y largely driven by the momentum in the API business which has seen ramp up in a key custom manufacturing engagement and increased market share in key generic products. Specialty Chemicals segment (32% of Q4 revenues) increased 15.1% y-o-y as key customer accounts in the personal care segment have scaled up
- EBITDA margin improved by 44 bps on a y-o-y basis to 15.7% as a result of improved profitability. The Company has undertaken certain strategic initiatives during the last year including portfolio rationalization and cost optimization, which has resulted in stable margins in the Specialty Chemicals segment. Healthcare segment profitability improved due to increased revenue productivity, better product mix and cost optimization
- Finance costs increased on y-o-y basis due to higher borrowings on account of acquisition of APMPL and foreign currency fluctuations
- Effective Tax Rate increased to 53.3% for the quarter due to deferred tax impact in the standalone financials



Segment Highlights

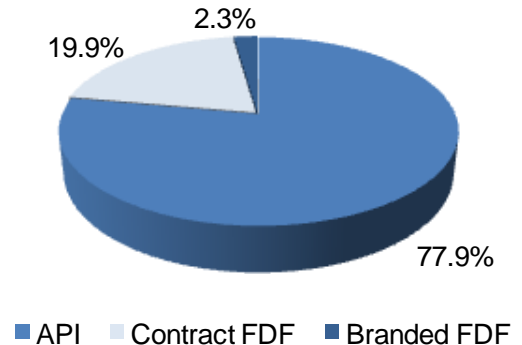
Healthcare Segment

- EBIT margins in the healthcare business increased to 7.1% during the quarter from 6.4% in Q3 FY14 as efforts on more efficient procurement, higher revenue productivity and cost optimization have started yielding results
- Received PIC/S GMP approval for the CIS region in May 2014. This is likely to make significant contribution in FY2015
- Branded FDF business expected to gain traction in the coming year given new launches, enhanced portfolio and better MR productivity

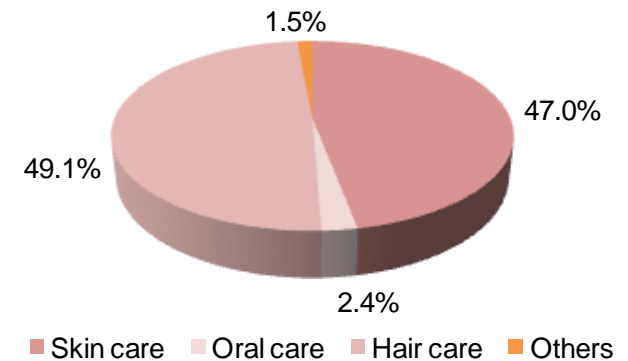
Personal Care Segment

- Hair dyes and sun care products have grown in line with expectations across geographies and customers
- Strong demand from global consumer companies for natural products as the segment performed well
- New distributor appointments which have led to upfront costs will result in increased revenues from underpenetrated markets such as Latam and AMET
- Hair care, sun care and skin care are expected to lead segment growth through a combination of increased market share and new customer acquisition in FY2015

**Q4 FY14 Revenue:
Rs. 2,498 mn**



**Q4 FY14 Revenue:
Rs. 678 mn**



Segment Highlights

Home Care Segment

- Antimicrobials sales gained traction from key customers
- Outlook for the segment remains strong with increasing off-take for new products such as Viv AG, BZC and better Viv 20 volumes expected in FY2015

Q4 FY14 Revenue:
Rs. 421 mn

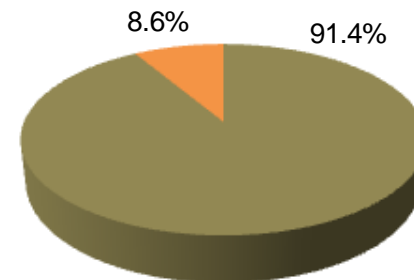


■ Antimicrobials ■ Speciality intermediates

Industrials Segment

- Photochromic dyes performed well as volumes increase from new customers
- Imaging Chemicals business continues to remain under pressure

Q4 FY14 Revenue:
Rs. 85 mn



■ Photo chromic dyes ■ Other chemicals



Segment Highlights

(Rs. million)	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)	FY2014	FY2013	Growth (%)	
Segment Revenue	3,682	2,981	23.5%	3,353	9.8%	13,508	11,088	21.8%	
Specialty chemicals	1,184	1,029	15.1%	1,074	10.2%	4,143	3,704	11.9%	
Healthcare	2,498	1,952	28.0%	2,279	9.6%	9,365	7,384	26.8%	

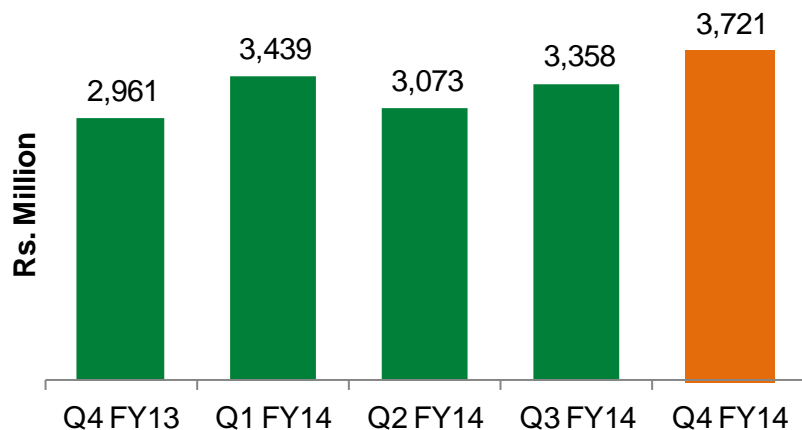
EBIT	413	289	42.9%	367	12.6%	1,471	1,388	6.0%
Margin (%)	11.2%	9.7%		10.9%		10.9%	12.5%	
Specialty chemicals	237	153	54.2%	220	7.4%	826	683	21.0%
Margin (%)	20.0%	14.9%		20.5%		19.9%	18.4%	
Healthcare	176	135	30.1%	146	20.6%	645	705	(8.5)%
Margin (%)	7.1%	6.9%		6.4%		6.9%	9.6%	

Capital Employed	14,740	12,929	14.0%	14,587	1.1%	14,740	12,929	14.0%
Specialty chemicals	8,003	7,772	3.0%	8,262	(3.1)%	8,003	7,772	3.0%
Healthcare	6,737	5,157	30.6%	6,325	6.5%	6,737	5,157	30.6%

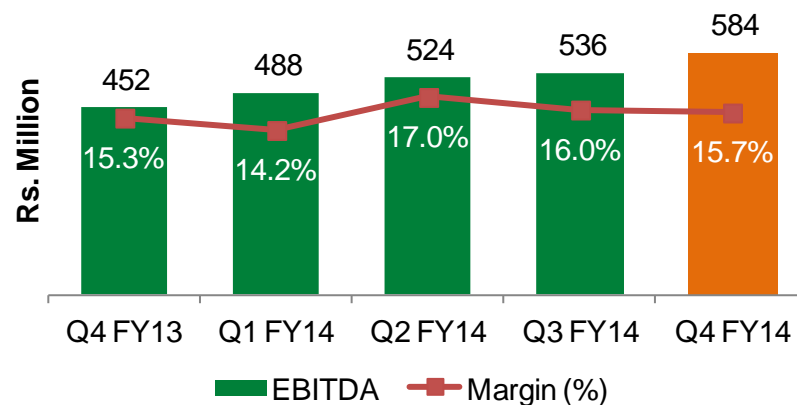


Quarterly Financial Trends

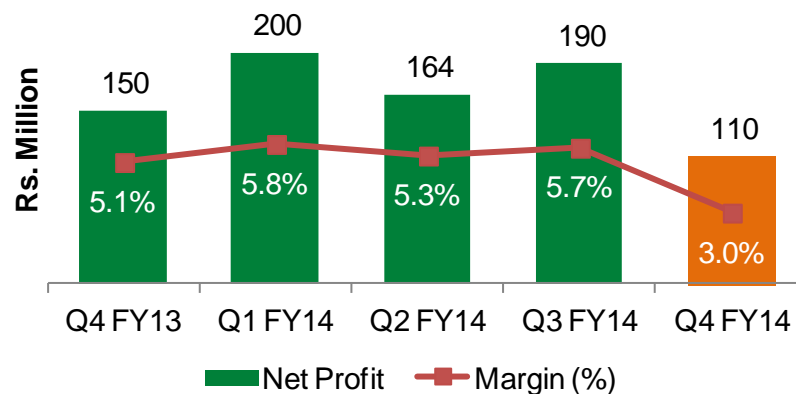
Net Sales



EBITDA and Margins

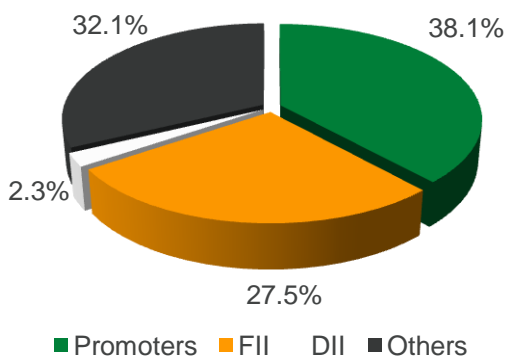


Net Profit and Margins



Capital Markets

Shareholding Structure



Key Institutional Investors



Shareholding Pattern Trend

Shareholders	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Promoters ¹	39.7%	39.8%	37.8%	37.8%	38.1%
FII / FDI	27.5%	27.4%	27.5%	27.5%	27.5%
DII	0.3%	2.5%	2.4%	2.4%	2.3%
Others	32.5%	30.3%	32.3%	32.3%	32.1%
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
 2 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
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
Subhash Varalwar <i>Vice Chairman</i>	<ul style="list-style-type: none">• Responsible for technology and new product development in the Specialty Chemicals• Previously associated with Fertilizer Corporation of India for 15 years
Sandeep Varalwar <i>Executive Director</i>	<ul style="list-style-type: none">• 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 <i>Chief Executive, Uquifa, Vivimed's API Division</i>	<ul style="list-style-type: none">• 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 <i>COO, Specialty Chemicals, VLI, USA</i>	<ul style="list-style-type: none">• 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
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 – Annual Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	FY 2012	FY 2013	FY 2014
Revenues			
Revenue from Operations	6,683	11,088	13,508
Other Operating Income	27	119	82
Total revenues	6,710	11,207	13,590
Expenditure			
Cost of Materials Consumed	3,557	5,374	6,637
Changes in Inventories (Finished goods and WIP)	(184)	(242)	(74)
Employee Benefit Expenses	342	503	659
Other Expenses	1,664	3,594	4,236
Total expenditure	5,380	9,231	11,458
Operating profit (EBITDA)	1,330	1,976	2,133
Depreciation and Amortization Expenses	268	588	661
EBIT	1,062	1,388	1,472
Financial Costs	284	409	603
PBT	778	979	869
Taxes	147	143	205
PAT	631	836	664
Basic EPS (Rs)	45.31	52.04	40.97
Margins (%)			
<i>Gross Margins</i>	49.7%	54.2%	51.7%
<i>EBITDA margins</i>	19.8%	17.6%	15.7%
<i>PAT margins</i>	9.4%	7.5%	4.9%
Growth (%)			
<i>Growth in revenue from operations</i>	60.7%	67.0%	21.3%
<i>Growth in operating profit</i>	51.9%	48.6%	7.9%
<i>Growth in PAT</i>	29.3%	32.4%	(20.6)%
<i>Effective Tax rate</i>	18.9%	14.6%	23.6%



Annexure – Quarterly Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14
Revenues					
Net Sales / Income from Operations (Net of Excise Duty)	2,981	3,408	3,066	3,353	3,682
Other Operating Income	(19)	32	6	5	39
Total Revenues	2,961	3,439	3,073	3,358	3,721
Expenses					
Cost of Raw Materials Consumed	1,329	1,504	1,461	1,748	1,903
Other Expenditure	1,029	1,020	800	1,033	1,383
Changes in Inventories of Finished Goods, WIP and Stock in Trade	8	272	123	(149)	(299)
Employee Benefit Expenses	144	156	165	190	148
Total expenses	2,509	2,951	2,549	2,822	3,136
Operating Profit (EBITDA)	452	488	524	536	584
Depreciation and Amortisation Expenses	163	147	174	169	171
EBIT	289	342	350	367	413
Finance Costs	50	99	172	156	176
PBT	239	243	179	210	237
Tax Expenses	89	43	15	20	126
PAT	150	200	164	190	110
Basic EPS (Rs)	9.33	12.44	10.11	11.72	6.81
Margins (%)					
Gross Margins	54.9%	48.4%	48.5%	52.4%	56.9%
EBITDA margins	15.3%	14.2%	17.0%	16.0%	15.7%
PAT margins	5.1%	5.8%	5.3%	5.7%	3.0%
Y-o-Y Growth (%)					
Total Revenues	17.5%	25.4%	11.4%	22.4%	25.6%
EBITDA	(4.2)%	(21.2)%	(2.8)%	44.3%	29.3%
PAT	(32.8)%	(23.5)%	(35.9)%	12.2%	(26.3)%
Q-o-Q Growth (%)					
Total Revenues	7.9%	16.1%	(10.7)%	9.3%	10.8%
EBITDA	21.7%	8.0%	7.3%	2.3%	9.0%
PAT	(11.5)%	33.3%	(18.0)%	15.9%	(41.8)%
Effective Tax Rate	37.2%	17.8%	8.3%	9.6%	53.3%



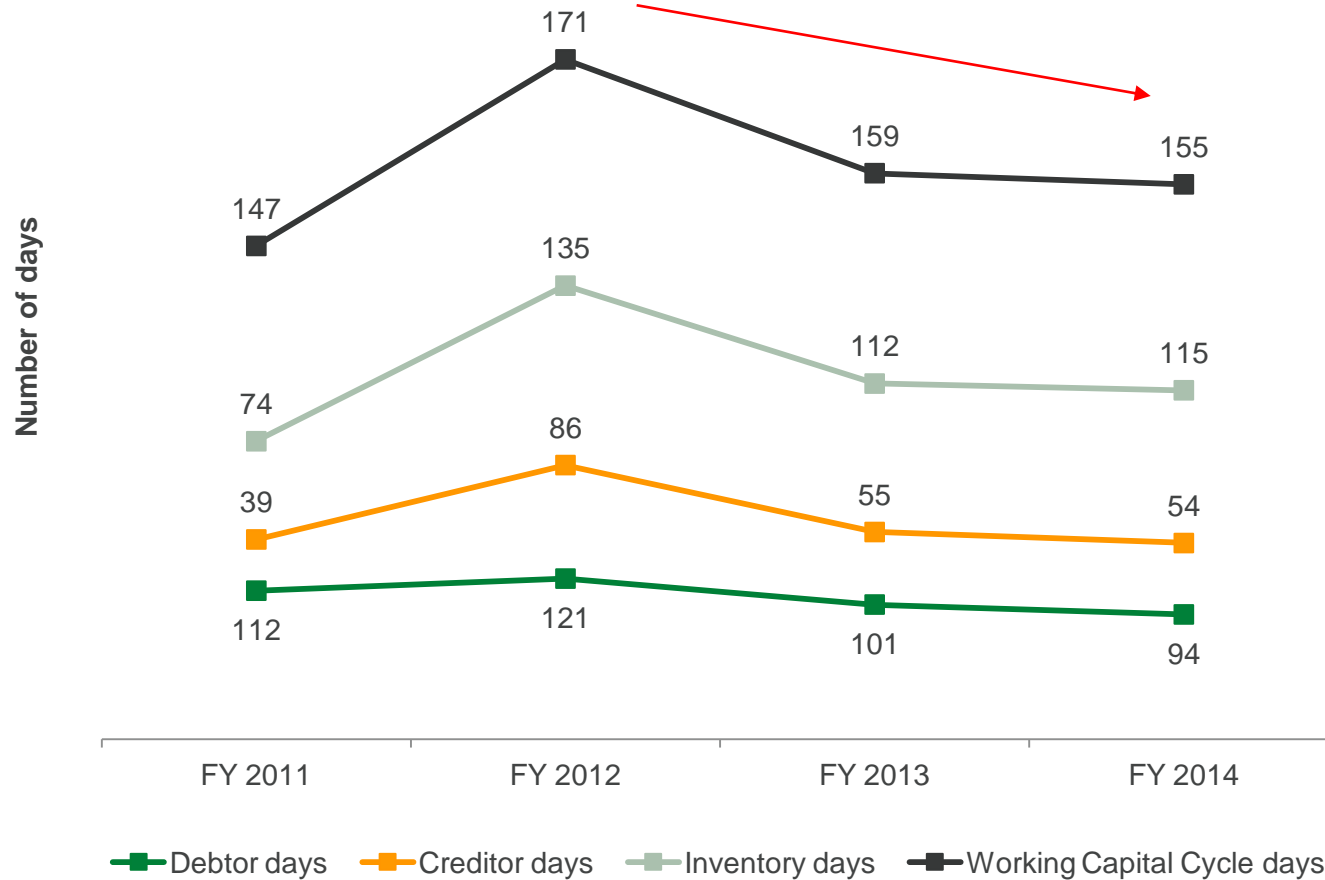
Annexure – Consolidated Balance Sheet

Liabilities (Rs. million)	FY 2012	FY 2013	FY 2014
Shareholders funds			
Share capital			
Equity share capital	139	161	162
Preference share capital	1,309	639	639
Reserves and surplus	3,275	4,268	4,778
Money received against share warrants	24	24	24
Total	4,748	5,091	5,604
Non current liabilities			
Long term borrowings	3,114	2,969	4,366
Deferred tax liabilities	134	172	255
Other long term liabilities	348	1,341	653
Long term provisions	11	15	52
Total	3,607	4,497	5,326
Current liabilities			
Short term borrowings	2,328	3,011	3,755
Trades payable	1,569	1,663	1,994
Other current liabilities	408	1,161	1,434
Short term provisions	332	272	397
Total	4,637	6,107	7,580
Liabilities total	12,992	15,696	18,509

Assets (Rs. million)	FY 2012	FY 2013	FY 2014
Non current assets			
Tangible and Intangible assets	5,953	7,090	8,079
Capital work in progress	84	269	381
Non current investments	477	183	202
Other non current assets	7	2	2
Total	6,521	7,545	8,665
Current assets			
Inventories	2,479	3,403	4,267
Trade receivable	2,216	3,082	3,478
Cash and bank balance	363	240	346
Short term loans and advances	1,411	1,198	1,530
Other current assets	2	228	223
Total	6,471	8,151	9,844
Assets Total	12,992	15,696	18,509



Annexure – Working Capital Cycle



Annexure – Key Ratios

	FY2012	FY2013	FY2014
Net Worth (Rs. million)	4,748	5,091	5,604
Net Debt (Rs. million)	5,079	5,741	7,775
Fixed Assets (Rs. million)	5,953	7,090	8,079
ROE (%)	18.4%	18.8%	13.4%
ROCE (%)	8.1%	9.4%	7.7%
Interest Coverage Ratio (x)	3.74	3.39	2.44
Net Debt to EBITDA (x)	3.82	2.91	3.65
Net Debt to Equity (x)	1.07	1.13	1.39

Notes:

- 1 Interest Coverage Ratio: EBIT / Finance Cost
- 2 ROE: Net Income / Shareholders Equity excluding Preference Share Capital
- 3 ROCE: EBIT * (1 – ETR)/ (Total Assets – Current Liabilities excluding Short Term Borrowings)



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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