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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)

67.7%

32.3%

Healthcare

- API
- Contract FDF
- Branded FDF

Specialty Chemicals

- Personal Care
- Home Care
- Industrials

*FY2015 Net Sales of Rs. 13,860 million (up 2.0% y-o-y)*

*EBITDA of Rs. 2,228 million (up 4.4% y-o-y) at margin of 16.1% (up 38 bps)*



Vivimed

# Vivimed Group Overview

Preferred supplier to the leading global brands



L'ORÉAL

P&G



NOVARTIS

Johnson & Johnson



Cipla



Actavis



APOTEX  
ADVANCING GENERICS

AstraZeneca



GILEAD



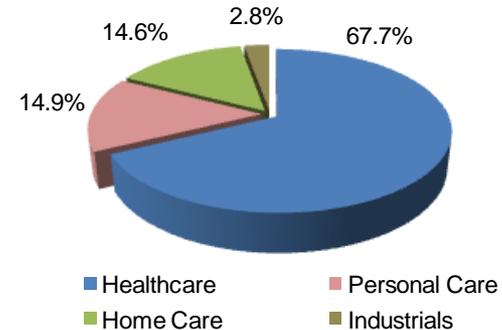
Vivimed

# Consolidated Financial Performance

## Performance Highlights: FY2015 vs. FY2014

- Net Sales of Rs. 13,860 million
  - Increased 2.0% y-o-y
- EBITDA of Rs. 2,228 million (up 4.4%)
  - EBITDA margin of 16.1%
- Net Profit of Rs. 721 million (up 8.5%)
  - Net Profit margins of 5.2%

## FY2015 Revenue Breakup



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

*“We have managed to improve our operating profit margins in FY15 despite the unfavourable forex movement and continuing investment phase across both the businesses. Revenues have been stable on a yearly basis with the outlook being positive over the medium term with our focus on product mix, customer relationships and quality assurance likely to be key differentiators for us. On the operational side, our past efforts and investments started to yield results. In the Healthcare segment, our focus on product quality and regulatory compliances resulted us in being a preferred supplier to large multinational healthcare companies in the regulated markets. Furthermore, in the Speciality Chemicals we continued to scale up existing accounts and win new customers.*

*We have a strong pipeline of products in both the Healthcare and Speciality Chemicals business. New product launches and investment in R&D remains a focus area for the management team with new product filings. Products, people, manufacturing plants and strong processes remain focus areas for the team. This gives us the confidence for a sustainable growth and an exciting future for the Company”*



# Financial Performance

## Consolidated Financials

(Rs. million)	Q4		y-o-y	Q3	q-o-q	Full Year		y-o-y
	FY2015	FY2014	Growth (%)	FY2015	Growth (%)	FY2015	FY2014	Growth (%)
Net Sales	3,567	3,721	(4.1)%	3,447	3.5%	13,860	13,590	2.0%
EBITDA	526	584	(10.0)%	603	(12.7)%	2,228	2,133	4.4%
<i>Margin (%)</i>	14.8%	15.7%		17.5%		16.1%	15.7%	
Net Profit	179	110	62.5%	206	(12.7)%	721	664	8.5%
<i>Margin (%)</i>	5.0%	3.0%		6.0%		5.2%	4.9%	
Basic EPS (Rs.)	11.08	6.81	62.5%	12.69	(12.7)%	44.47	40.97	8.5%

Note: Net Sales includes Other Operating Income



# Financial Performance

## Management Perspectives

### Q4 FY2015

- Revenues declined 4.1% to Rs. 3,567 million due to unfavourable variation in Euro, in particular in the API segment. This was partly offset by pick up in the Speciality Chemicals division during the quarter as key accounts continue to experience significant growth
- EBITDA declined by 10.0% to Rs. 526 million at 14.8% margin. This was primarily due to lower profitability in the Speciality Chemicals segment which was impacted by significant depreciation in Euro coupled with continuing investment phase in the Healthcare business. However, Healthcare segment profitability picked up as product mix improved in the API business and capacity utilization improved in the formulation business (EBIT margin of 7.8% v/s 6.4% last year)

### FY2015

- Revenues increased marginally by 2.0% to Rs. 13,860 million. Healthcare revenues remained stable due to the impact of unfavourable foreign currency variations on the API segment, although in terms of constant currency it recorded strong performance. Speciality Chemicals revenues grew 8.7% to Rs. 4,504 million as growth picked up in Q4, with the product rationalization being complete
- EBITDA increased by 4.4% to Rs. 2,228 million despite decline in Q4 FY2015 margins due to exchange rate fluctuations in the overseas subsidiaries and increased SG&A investments. EBITDA margins increased marginally to 16.1% driven by better product mix in both the Speciality Chemicals and the API businesses
- FY2015 Finance Cost was Rs. 790 million (up 31.1% y-o-y) and Rs. 216 million for Q4 FY2015 (up 22.3% y-o-y). Effective tax rate for FY2015 was 7.1% and for Q4 FY2015 was (9.8)%. This was primarily due to deferred tax assets in subsidiary companies



# Financial Performance

## Outlook & Strategy

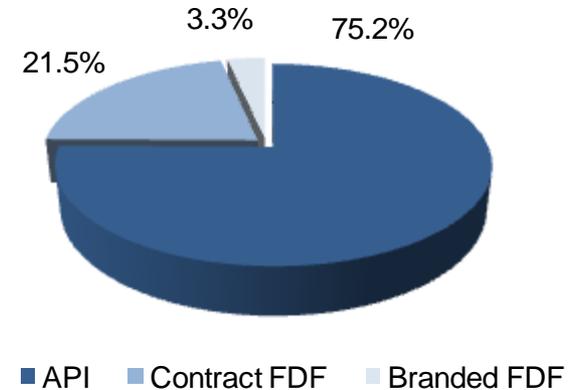
- Outlook for margins remains positive as the Healthcare business is expected to see benefits of higher utilization, improved product mix and cost optimization in the medium term. New product launches and sustained investment in R&D remains a focus area for both the Healthcare and Speciality Chemicals businesses with new product filings
- Vivimed continues to focus on new product development and maintaining its quality compliant manufacturing platform with investments in plants, processes and products being key areas of focus for the group. During the last year, Vivimed successfully completed, without any major observations, audits for 3 out its 4 US FDA approved manufacturing sites

# Segment Highlights

## Healthcare segment

- FY2015 Revenue of Rs. 9,339 million (vs. Rs. 9,365 million in FY2014)
- EBIT of Rs. 665 million at 7.1% margin (vs. 6.9%)
- In the API segment, subdued revenue growth was due to foreign currency impact; in terms of constant currency it recorded strong performance
- Continued focus on optimizing capacity utilization, cost control and harnessing the healthy order book in custom manufacturing
- In the FDF segment, performance improved significantly due to volume growth in the India institutional business as well as brand formulations
- The FDF business is expected to continue robust 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

## Revenue Breakup (FY2015)

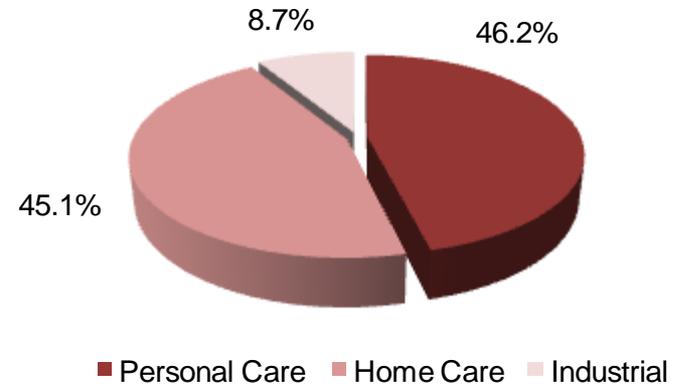


# Segment Highlights

## Specialty Chemicals segment

- FY2015 Revenue of Rs. 4,462 million up 7.7%
- EBIT of Rs. 900 million at 20.2% margin (vs. 19.9%). Margins were sustained despite significant pressure on Q4 FY2015 profitability primarily due to currency fluctuation (i.e. depreciation of Euro)
- **Personal care segment** recorded an increase in manufacturing volumes largely from the skin and hair care segments. These helped offset the subdued offtake in older products which have been delayed due to temporary postponement of orders by some clients. New product launches in the hair dyes, sunscreen and skin care segments to drive growth in FY2016
- **Home care segment** performance was driven by antimicrobials and preservatives segments
- **Industrial segment** continues to grow with new product offerings in photochromics and imaging chemicals. New 'Next-gen' / alternatives projects being undertaken with global players to come in production in coming year
- New distributor appointments to expand outreach continue to be an area of focus

## Revenue Breakup (FY2015)



# Segment Highlights

(Rs. million)	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2015	FY2014	Growth (%)	FY2015	Growth (%)	FY2015	FY2014	Growth (%)	
<b>Segment Revenue</b>	<b>3,562</b>	<b>3,682</b>	<b>(3.2)%</b>	<b>3,437</b>	<b>3.6%</b>	<b>13,801</b>	<b>13,508</b>	<b>2.2%</b>	
Specialty chemicals	1,497	1,184	26.5%	1,093	37.0%	4,462	4,143	7.7%	
Healthcare	2,065	2,498	(17.3)%	2,344	(11.9)%	9,339	9,365	(0.3)%	

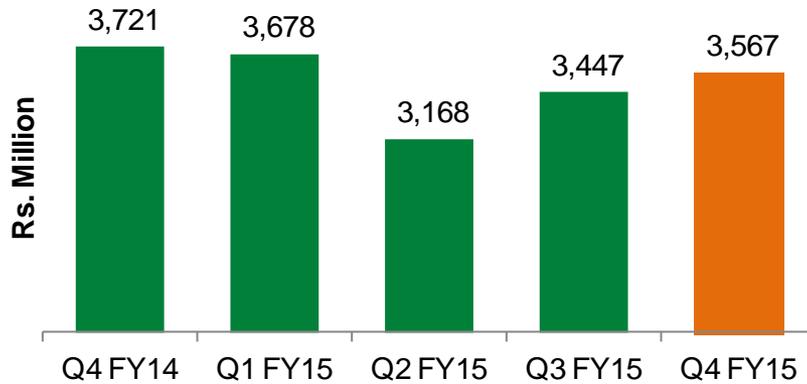
<b>EBIT</b>	<b>379</b>	<b>413</b>	<b>(8.2)%</b>	<b>418</b>	<b>(9.4)%</b>	<b>1,566</b>	<b>1,472</b>	<b>6.4%</b>
<b>Margin (%)</b>	<b>10.6%</b>	<b>11.2%</b>		<b>12.2%</b>		<b>11.3%</b>	<b>10.9%</b>	
Specialty chemicals	219	237	(7.6)%	268	(18.4)%	900	826	9.0%
Margin (%)	14.6%	20.0%		24.5%		20.2%	19.9%	
Healthcare	161	176	(8.9)%	150	6.8%	665	645	3.1%
Margin (%)	7.8%	7.1%		6.4%		7.1%	6.9%	

<b>Capital Employed</b>	<b>14,870</b>	<b>14,740</b>	<b>0.9%</b>	<b>14,247</b>	<b>4.4%</b>	<b>14,870</b>	<b>14,740</b>	<b>0.9%</b>
Specialty chemicals	8,049	8,003	0.6%	8,020	0.4%	8,049	8,003	0.6%
Healthcare	6,821	6,737	1.2%	6,227	9.5%	6,821	6,737	1.2%

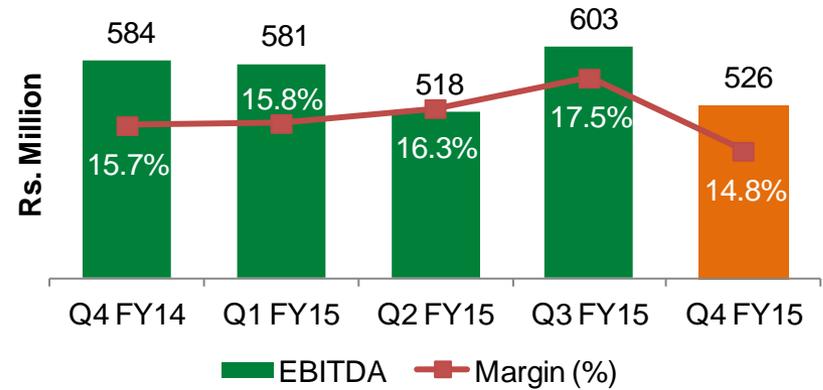


# Quarterly Financial Trends

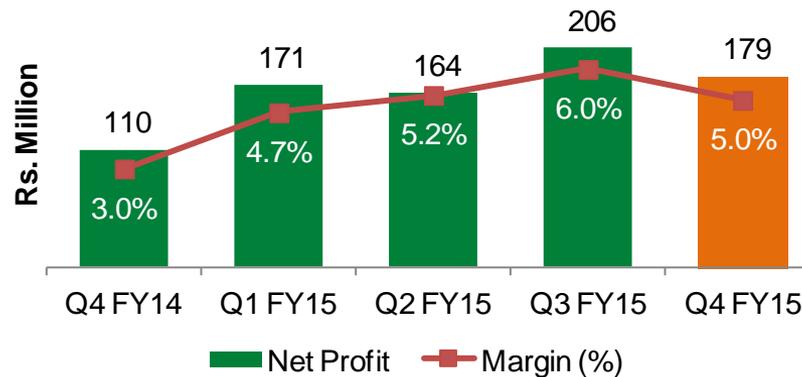
## Net Sales



## EBITDA and Margins

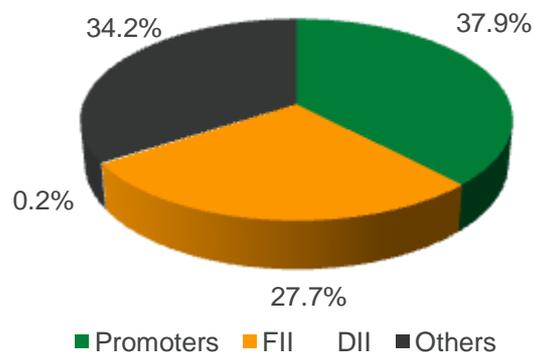


## Net Profit and Margins



# Capital Markets

## Shareholding Structure



## Key Institutional Investors



## Shareholding Pattern Trend

Shareholders	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Promoters <sup>1</sup>	38.1%	38.1%	38.1%	38.1%	37.9%
FII / FDI	27.5%	27.6%	27.7%	27.7%	27.7%
DII	2.3%	2.3%	0.3%	0.1%	0.2%
Others	32.1%	32.0%	33.9%	34.1%	34.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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 <span style="color: red;">●</span>	1	2					3
Healthcare – FDF <span style="color: green;">●</span>						7	7
Specialty Chemicals - Active Ingredients <span style="color: orange;">●</span>						2	2
<b>Total Facilities</b>	<b>1</b>	<b>2</b>				<b>9</b>	<b>12</b>
R&D Facilities		1	1			3	5
Global Support Offices		1	1	1	1	1	5

# Strong Transnational Management Team

Key Management	Profile
<b>Dr. V Manohar Rao</b> <i>Chairman</i>	<ul style="list-style-type: none"> <li>Retired as joint director of The Veterinary Biological and Research Institute and has over 40 years of industry experience</li> <li>Responsible for developing a sophisticated and well-equipped in-house quality control and introduced various cost control systems in production process</li> </ul>
<b>Santosh Varalwar</b> <i>Managing Director &amp; Chief Executive Officer</i>	<ul style="list-style-type: none"> <li>First generation entrepreneur</li> <li>Business growth strategy and leadership; Focus on key global client relationships</li> <li>Previously associated with Shipping Corporation of India</li> </ul>
<b>Sandeep Varalwar</b> <i>Executive Director</i>	<ul style="list-style-type: none"> <li>Associated with Vivimed since its incorporation and leads Vivimed's Healthcare FDF division</li> <li>Over 19 years of experience in manufacturing and marketing in 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 24 years</li> <li>Previously a member of the management executive committee of Yule Catto, UK</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 and has</li> <li>Industry experience of over 30 years with reputed companies such as Lonza and DSM</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>
<b>Saurabh SG</b> <i>Director, Corporate Strategy and Business Development</i>	<ul style="list-style-type: none"> <li>Responsible for the Vivimed Group's overall strategic initiatives; and business operations of the healthcare segment</li> <li>Has more than ten years of experience across investment management with global firms such as Prudential Financial, Kotak Mahindra and Credit Suisse</li> </ul>



# Annexure – Quarterly Consolidated P&L Statement

<b>Profit &amp; Loss Statement (Rs. million)</b>	<b>Q4 FY14</b>	<b>Q1 FY15</b>	<b>Q2 FY15</b>	<b>Q3 FY15</b>	<b>Q4 FY15</b>
<b>Revenues</b>					
Net Sales / Income from Operations (Net of Excise Duty)	3,682	3,665	3,136	3,437	3,562
Other Operating Income	39	12	32	10	5
<b>Total Revenues</b>	<b>3,721</b>	<b>3,678</b>	<b>3,168</b>	<b>3,447</b>	<b>3,567</b>
<b>Expenses</b>					
Cost of Raw Materials Consumed	1,903	1,876	1,672	1,729	1,716
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(299)	(145)	(192)	(152)	(43)
Employee Benefit Expenses	412	472	423	478	472
Other Expenditure	1,119	894	747	789	895
<b>Total expenses</b>	<b>3,136</b>	<b>3,097</b>	<b>2,650</b>	<b>2,844</b>	<b>3,041</b>
<b>Operating Profit (EBITDA)</b>	<b>584</b>	<b>581</b>	<b>518</b>	<b>603</b>	<b>526</b>
Depreciation and Amortisation Expenses	171	165	165	184	147
<b>EBIT</b>	<b>413</b>	<b>416</b>	<b>353</b>	<b>418</b>	<b>379</b>
Finance Costs	176	184	197	194	216
<b>PBT</b>	<b>237</b>	<b>232</b>	<b>156</b>	<b>225</b>	<b>163</b>
Tax Expenses	126	60	(8)	19	(16)
<b>PAT</b>	<b>110</b>	<b>171</b>	<b>164</b>	<b>206</b>	<b>179</b>
Basic EPS (Rs)	6.81	10.57	10.13	12.69	11.08
<b>Margins (%)</b>					
Gross Margins	56.9%	52.9%	53.3%	54.2%	53.1%
EBITDA margins	15.7%	15.8%	16.3%	17.5%	14.8%
PAT margins	3.0%	4.7%	5.2%	6.0%	5.0%
<b>Y-o-Y Growth (%)</b>					
Total Revenues	25.6%	6.9%	3.1%	2.7%	(4.1)%
EBITDA	29.3%	18.9%	(1.1)%	12.4%	(10.0)%
PAT	(26.3)%	(14.3)%	0.2%	8.3%	62.5%
<b>Q-o-Q Growth (%)</b>					
Total Revenues	10.8%	(1.2)%	(13.9)%	8.8%	3.5%
EBITDA	9.0%	(0.6)%	(10.8)%	16.4%	(12.7)%
PAT	(41.8)%	55.1%	(4.2)%	25.3%	(12.7)%
Effective Tax Rate	53.3%	26.0%	(5.4)%	8.5%	(9.8)%



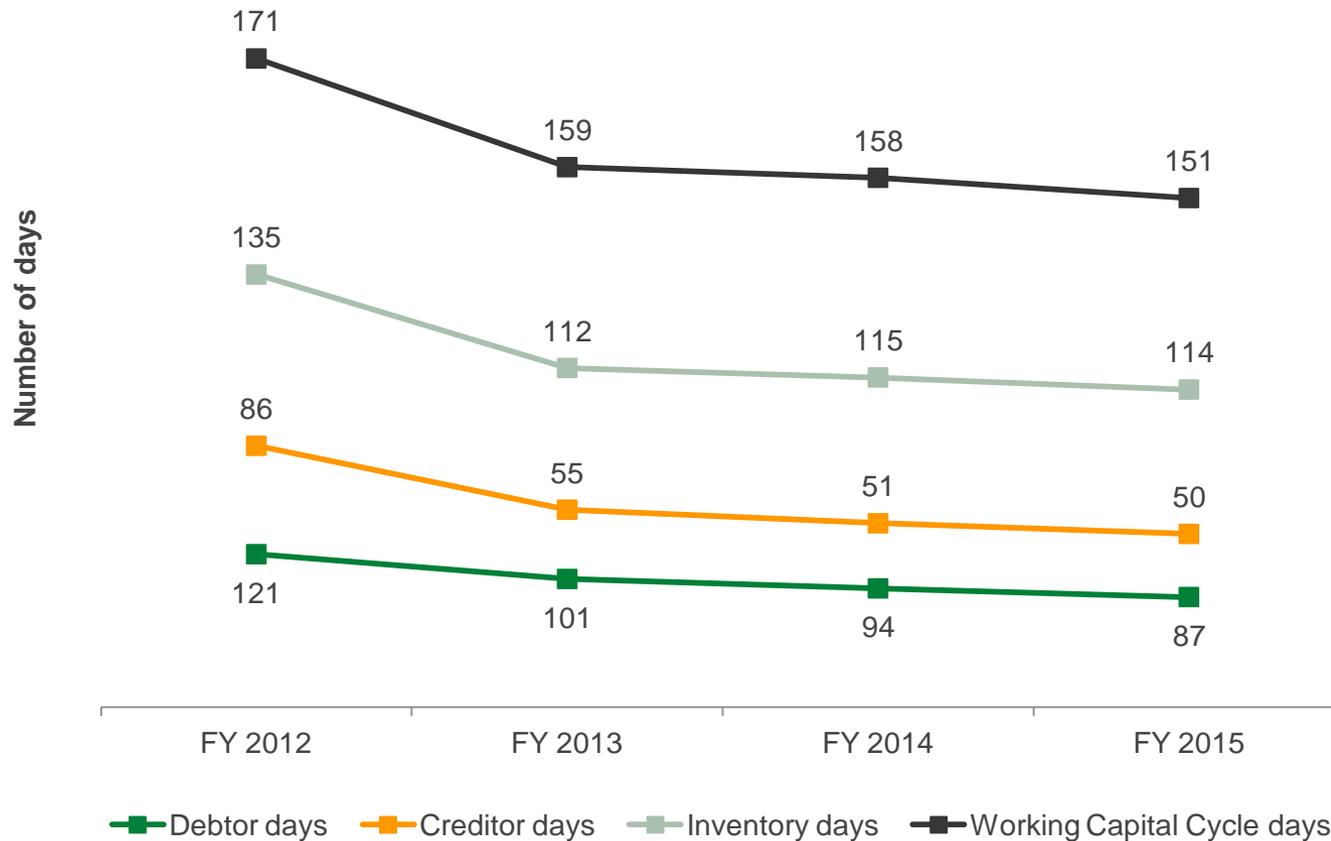
# Annexure – Consolidated Balance Sheet

Liabilities (Rs. million)	Mar-14	Mar-15
<b>Shareholders funds</b>		
<b>Share capital</b>		
Equity share capital	162	162
Preference share capital	639	639
Reserves and surplus	4,778	4,791
Money recieved against share warrants	24	0
<b>Total Shareholders Funds</b>	<b>5,604</b>	<b>5,592</b>
<b>Non current liabilities</b>		
Long term borrowings	4,197	4,952
Deferred tax liabilities	255	94
Other long term liabilities	822	475
Long term provisions	52	32
<b>Total Non Current Liabilities</b>	<b>5,326</b>	<b>5,553</b>
<b>Current liabilities</b>		
Short term borrowings	3,754	3,725
Trades payable	1,905	1,887
Other current liabilities	1,388	1,764
Short term provisions	397	464
<b>Total Current Liabilities</b>	<b>7,444</b>	<b>7,839</b>
<b>Liabilities total</b>	<b>18,374</b>	<b>18,985</b>

Assets (Rs. million)	Mar-14	Mar-15
<b>Non current assets</b>		
Tangible assets	7,078	6,963
Intangible assets	1,001	1,172
<b>Tangible and Intangible assets</b>	<b>8,079</b>	<b>8,135</b>
Capital work in progress	381	903
Non current investments	2	27
Other non current assets	202	0
<b>Total Non Current Assets</b>	<b>8,665</b>	<b>9,065</b>
<b>Current assets</b>		
Inventories	4,267	4,314
Trade receivable	3,478	3,296
Cash and bank balance	346	267
Short term loans and advances	1,395	1,852
Other current assets	223	191
<b>Total Current Assets</b>	<b>9,709</b>	<b>9,920</b>
<b>Assets Total</b>	<b>18,374</b>	<b>18,985</b>



# Annexure – Working Capital Cycle



# Annexure – Key Ratios

	FY2012	FY2013	FY2014	FY2015
Net Worth (Rs. million)	4,748	5,091	5,604	5,592
Net Debt (Rs. million)	5,079	5,741	7,606	8,410
Fixed Assets (Rs. million)	5,953	7,090	8,079	8,135
ROE (%)	18.4%	18.8%	13.4%	14.5%
ROCE (%)	8.5%	10.7%	8.3%	10.2%
Interest Coverage Ratio (x)	3.74	3.39	2.44	1.98
Net Debt to EBITDA (x)	3.82	2.91	3.57	3.78
Net Debt to Equity (x)	1.07	1.13	1.36	1.50

## Notes:

- 1 Interest Coverage Ratio: EBIT / Finance Cost
- 2 ROE: Net Income / Shareholders Equity excluding Preference Share Capital
- 3 ROCE: EBIT \* (1 – ETR)/ Capital Employed
- 4 Capital Employed: Net Worth + Total Debt



# 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

**Contact Details:**

**Vivimed Labs Limited**

(CIN: L02411KA1988PLC009465)

Veernag Towers, Habsiguda, Hyderabad 500 007

[www.vivimedlabs.com](http://www.vivimedlabs.com)

Phone: +91 40 2717 6005 / 06

Fax: +91 40 2715 0599

Ajay Mogili

***Vivimed Labs Limited***

+91 40 2717 6005

[Ajay.Mogili@vivimedlabs.com](mailto:Ajay.Mogili@vivimedlabs.com)

Saket Somani

***Churchgate Partners***

+91 22 3953 7444

[vivimed@churchgatepartnersindia.com](mailto:vivimed@churchgatepartnersindia.com)



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