



Vivimed Labs Limited

Q4 and Full Year FY 2013 Earnings Presentation

May 30, 2013



Vivimed

Disclaimer

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. Certain statements made in this presentation may not be based on historical information or facts and may be "forward looking statements" based on the currently held beliefs and assumptions of the management of Vivimed Labs Limited ("Company" or "Vivimed"), which are expressed in good faith and in their opinion reasonable, including those relating to the Company's general business plans and strategy, its future financial condition and growth prospects and future developments in its industry and its competitive and regulatory environment.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievements of the Company or industry results to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements, including future changes or developments in the Company's business, its competitive environment and political, economic, legal and social conditions. Further, past performance is not necessarily indicative of future results. Given these risks, uncertainties and other factors, viewers of this presentation are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements to reflect future events or developments.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. This presentation does not constitute an offer or invitation to purchase or subscribe for any securities in any jurisdiction, including the United States. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any securities. None of our securities may be offered or sold in the United States, without registration under the U.S. Securities Act of 1933, as amended, or pursuant to an exemption from registration there from.

This presentation is confidential and may not be copied or disseminated, in whole or in part, and in any manner.



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

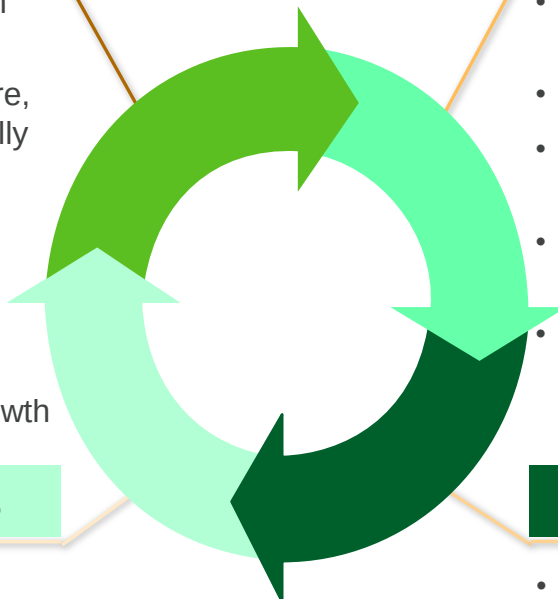
- Global API sales is expected to grow at a CAGR of 5.9% from 2010 to 2015
- Drugs with global market size of \$224bn to go off-patent by 2015 driving generic sales
- Indian pharmaceutical industry to reach \$20bn in 2015, a CAGR of 12.3%
- Global personal care ingredient market to grow to \$15bn by 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

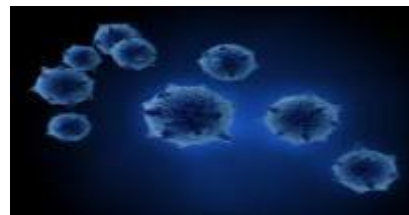


- Sun Care
- Skin Care
- Hair Care
- Oral Care
- Naturals



Home Care

9% of FY13 sales

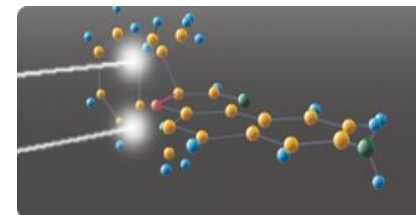


- Antimicrobials
- Specialty Intermediates
- Preservatives



Industrials

4% of FY13 sales



- Photo Chromic Dyes
- Imaging Chemicals



Consolidated Financial Performance

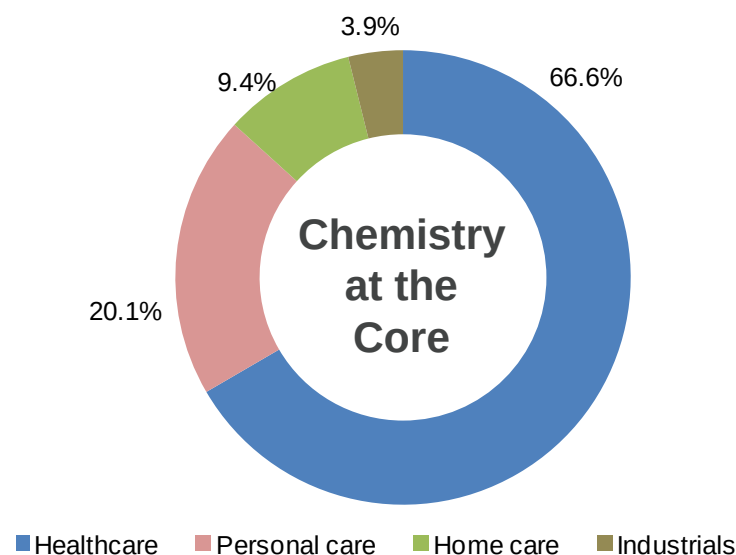
Q4 FY2013 vs. Q4 FY2012

- 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

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	FY2012	Growth (%)	FY2013	FY2012	Growth (%)
Net Sales	2,961	2,520	17.5%	2,744	2,444	7.9%	11,207	6,710	67.0%
EBITDA	452	472	(4.2)%	371	344	21.7%	1,976	1,330	48.6%
Margin (%)	15.3%	18.7%		13.5%	14.1%		17.6%	19.8%	
Net Profit	150	223	(32.8)%	169	191	(11.5)%	836	631	32.4%
Margin (%)	5.1%	8.8%		6.2%	7.8%		7.5%	9.4%	
Basic EPS (Rs)	9.33	16.00	(41.7)%	12.15	15.44	(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

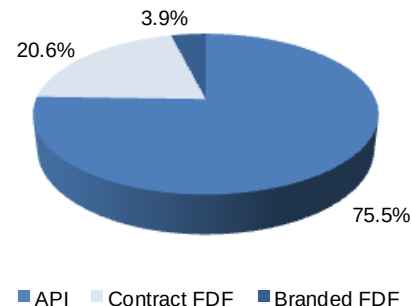
Healthcare Segment

- 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

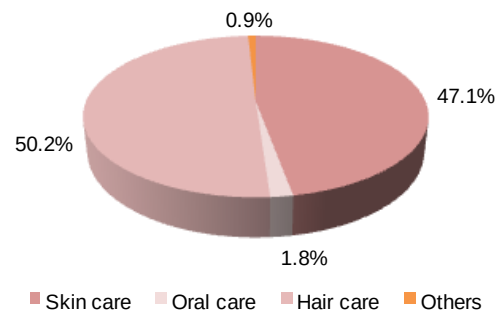
Personal Care Segment

- 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)

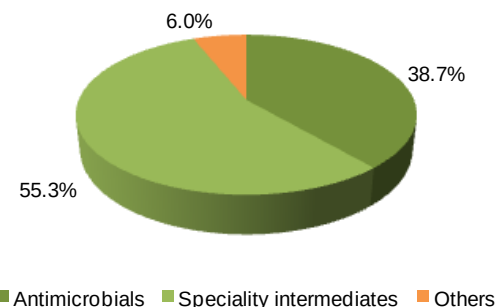


Segment Highlights

Home Care Segment

- Anti microbials saw pressure on revenue growth even as specialty intermediates remained stable

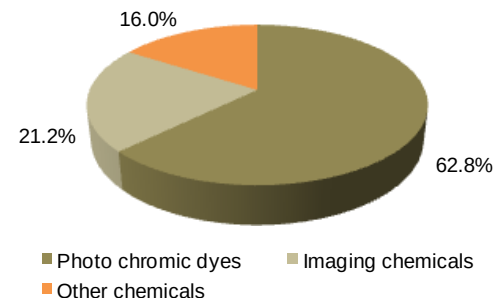
FY13 Revenue:
Rs. 1,042 mn (down 10% y-o-y)



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. 429 mn (up 23% y-o-y)



Segment Highlights

Consolidated Performance

(Rs. million)	Q4		y-o-y	Q3		q-o-q	Full Year		y-o-y
	FY2013	FY2012	Growth (%)	FY2013	FY2012	Growth (%)	FY2013	FY2012	Growth (%)
Segment Revenue	2,981	2,511	18.7%	2,721	2,411	9.5%	11,088	6,683	65.9%
Specialty chemicals	1,029	809	27.1%	955	908	7.7%	3,704	3,363	10.1%
Healthcare	1,952	1,701	14.7%	1,766	1,503	10.5%	7,384	3,321	122.4%

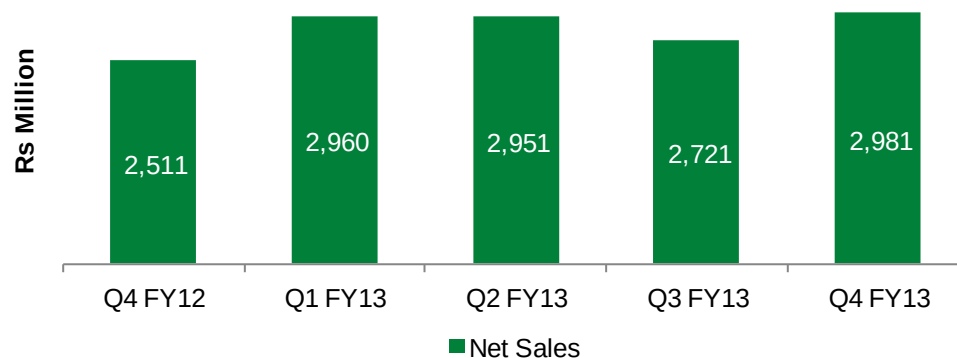
EBIT	289	337	(14.3)%	229	264	26.4%	1,388	1,062	30.7%
Margin (%)	9.7%	13.4%		8.4%	10.9%		12.5%	15.9%	
Specialty chemicals	153	150	2.5%	143	135	7.7%	683	601	13.6%
Margin (%)	14.9%	18.5%		14.9%	17.9%		18.4%	17.9%	
Healthcare	135	188	(27.8)%	86	129	57.4%	705	461	53.0%
Margin (%)	6.9%	11.0%		4.9%	5.3%		9.6%	13.9%	

Capital Employed	12,929	10,857	19.1%	12,641	12,416	2.3%	12,929	10,857	19.1%
Specialty chemicals	7,772	6,824	13.9%	7,845	7,930	(0.9)%	7,772	6,824	13.9%
Healthcare	5,157	4,033	27.9%	4,796	4,486	7.5%	5,157	4,033	27.9%



Quarterly Financial Trends

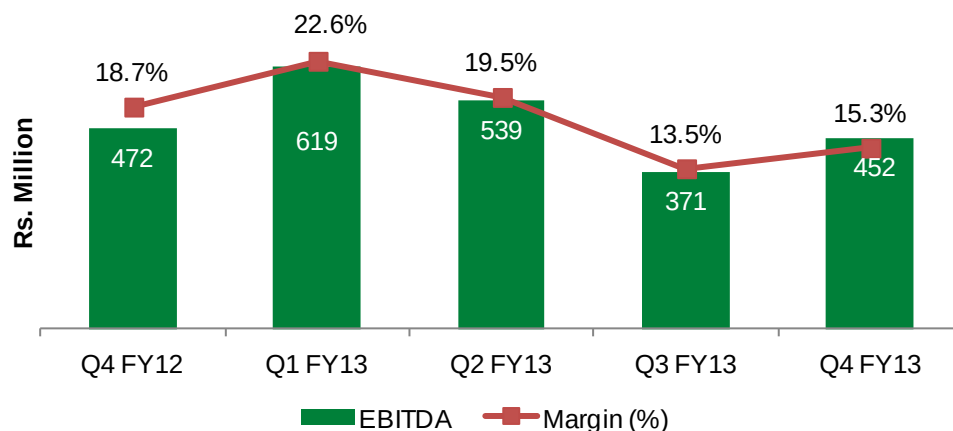
Net Sales



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

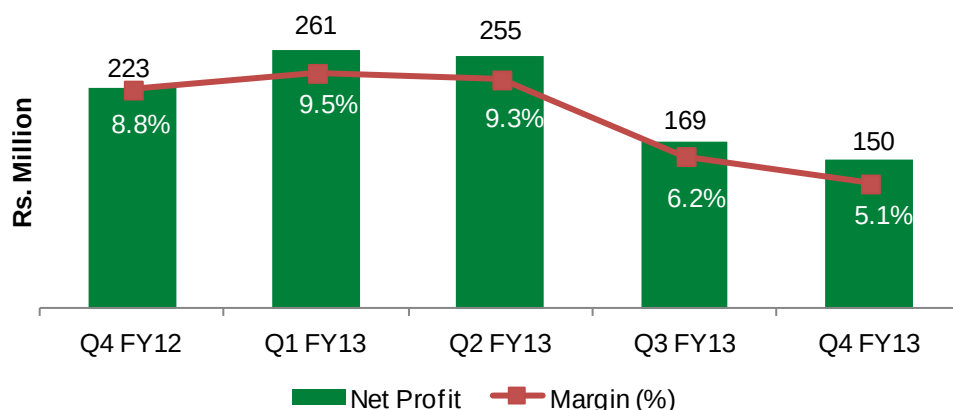


- Q4 FY13 EBITDA margins improved on a sequential basis primarily due to sale of higher margin products in the Specialty Chemicals business and process improvement measures taken in the Healthcare business
- Margin improved by 169 bps on q-o-q basis



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

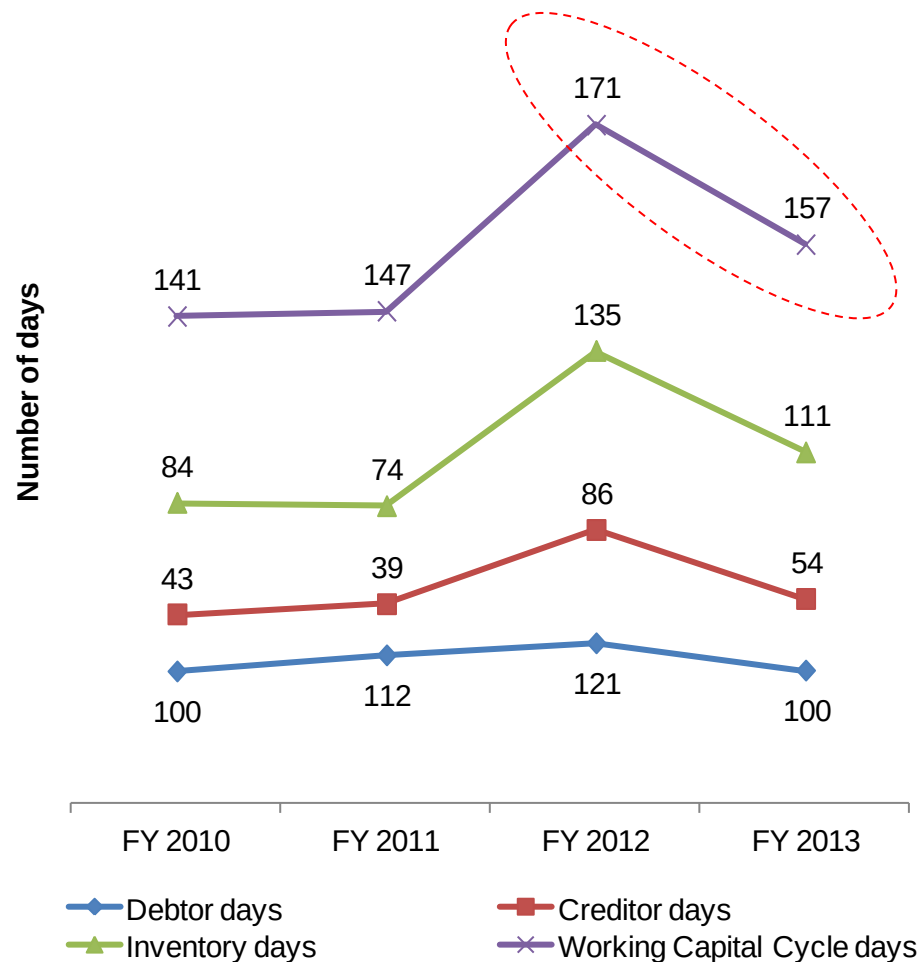
Balance Sheet – Key Metrics

(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
Total Debt	6,311	4,908
Cash and Cash Equivalents	240	363
Net Debt	6,072	4,544
Net Debt / Equity (x)	1.19	0.96
Interest Coverage Ratio (x) *	3.39	3.74
Return on Equity (%)	18.77%	18.36%

* 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: 16.06mn
- 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



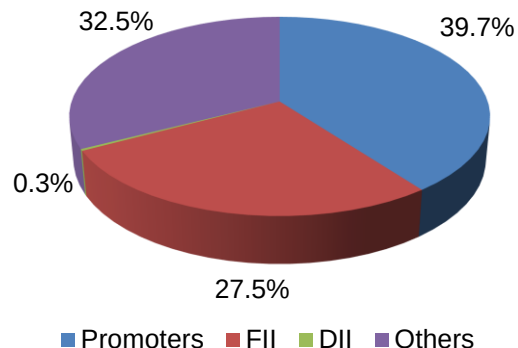
Key Observations

- 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 ¹	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%
Total	100.0%	100.0%	100.0%	100.0%

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 invested through 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

Products: 50 APIs, 30 Specialty Chemicals, 20 Branded FDFs

Customers: Across 50 countries

Global Team

Global Support Offices: 5

Employees: 1,800 (125 R&D)

Sales force: 300

Distribution network: 60 countries

Manufacturing Platform

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)



Vivimed

Strong Transnational Management Team

Name & Designation	Profile
Santosh Varalwar <i>MD & CEO</i>	• First generation entrepreneur • Evolves the business strategy and guides the implementation • Identifying potential business opportunities and exercising the choices • Setting the growth path for the Company, visualizing and providing for the enablers • Previously associated with Shipping Corporation of India
Subhash Varalwar <i>Vice-Chairman</i>	• Responsible for technology and new product development in the Specialty Chemical segment • Previously associated with Fertilizer Corporation of India for 15 years
Sandeep Varalwar <i>Executive Director</i>	• Associated with Vivimed since its incorporation • Leads Vivimed's Pharma FDF division • Has more than 18 years of experience in manufacturing and marketing functions of the Healthcare industry
Mark I Robbins <i>Chief Executive, Uquifa , Vivimed's API Division</i>	• Associated with Chemicals and API industries for over 23 years • Previously a member of the management executive committee of Yule Catto, a reputed UK based manufacturing conglomerate • Previously worked with Johnson Matthey Plc for 10 years • Member of the Institute of Marketing and Engineering , UK
George Polson <i>COO, Specialty Chemicals, VLI, USA</i>	• Leads the operations of the Global Specialty Chemicals Division • Industry experience of over 30 years, worked with leading companies like Lonza • 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



Annexure – Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	FY 2011	FY 2012	FY 2013
Revenues			
Revenue from Operations	4,160	6,683	11,088
Other Operating Income	10	27	119
Total revenues	4,170	6,710	11,207
Expenditure			
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
Total expenditure	3,294	5,380	9,231
Operating profit (EBITDA)	876	1,330	1,976
Depreciation and Amortization Expenses	102	268	588
EBIT	774	1,062	1,388
Financial Costs	221	284	409
PBT	553	778	979
Current Tax	94	159	143
Deferred Tax	(30)	(12)	
PAT	488	631	836
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
Shareholders funds			
Share capital			
Equity share capital	102	139	161
Preference share capital	0	1,309	639
Reserves and surplus	1,777	3,275	4,268
Money received against share warrants	89	24	24
Total	1,967	4,748	5,091
Non current liabilities			
Long term borrowings	1,319	2,580	2,969
Deferred tax liabilities	147	134	172
Other long term liabilities	0	882	1,341
Long term provisions	17	11	15
Total	1,482	3,607	4,497
Current liabilities			
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
Total	2,424	4,637	6,107
Liabilities total	5,874	12,992	15,696



Annexure – Consolidated Balance Sheet

Assets (Rs. million)	FY 2011	FY 2012	FY 2013
Non current assets			
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
Total	2,727	6,521	7,545
Current assets			
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
Total	3,147	6,471	8,151
Assets Total	5,874	12,992	15,696



Thank You

Contact Details:

Vivimed Labs Limited

Veernag Towers, Habsiguda, Hyderabad 500 007

www.vivimedlabs.com

Lalitha Swathi <i>Vivimed Labs Limited</i>	+91 40 2717 6005 <u>investor.relations@vivimedlabs.com</u>
Saket Somani <i>Churchgate Partners</i>	+91 22 3953 7444 <u>saket@churchgatepartnersindia.com</u>



Vivimed