

Vivimed Labs Ltd.

Strong operational performance

Outlook

Vivimed backed by its strong product portfolio and successful integration of the recent acquisitions is likely to register robust growth in the next two to three years. The company being a net exporter is unlikely to be impacted negatively by the current currency depreciation. At a CMP of Rs 399, Vivimed trades at a PE multiple of 8.1x and 7.0x FY13 & FY14 earnings estimates. We remain positive on the stock and recommend a BUY with the revised target price of Rs 486.

Key Takeaways

- On the back of acquisitions, Vivimed Lab's Q4FY12 revenues increased by 109.7% yoy to Rs 251.1 crore v/s Rs 119.7 crore in the previous corresponding quarter. For the fiscal year, revenues jumped by 60.7% to Rs 668.3 crore. Recently acquired Uquifa contributed ~ Rs 130-140 crore to revenue while the branded formulation business contributed Rs 14-15 crore.
- Specialty Chemical Business de-grew by 6% to Rs 81.4 crore v/s Rs 86.4 crore in the previous corresponding quarter. The de growth on specialty chemical business was majorly on account of delays on supplies and certain other regulatory and environmental hurdles. The company's tie up with ISP for accelerated growth hit hurdles and delays on account of the recent acquisition of ISP by Ashland. However, the company feels that the issues would be resolved soon. Similarly, the active ingredient of a skin lightening product to be supplied to HUL was likely to begin in September 2011; however it got delayed and commenced supplies only in March 2012. However, we feel that the management is focused towards the specialty chemical business and we would see revival growth in next few quarters.
- Pharma Business stood at Rs 170.6 crore, up 411% on the back of integration of the recently acquired Uquifa, Klar Sehens, Occtanis Nobel Labs Pvt. Ltd. The management plans to use Uquifa acquisition to establish a presence in branded formulations business. In the long term, the company would be looking to exit low margin contract manufacturing business. The management is also scouting for acquisitions in the branded formulation business in the regulated markets to reduce gestation period and establish presence in the high margin segment.
- EBITDA for the quarter rose by 117.3% yoy to Rs 47.2 crore, primarily due to better product mix as compared to the previous corresponding quarter. The EBITDA margins for the quarter stood at 18.7%, up 70 bps. However, sequentially, the margins declined by 90 bps due to increasing contribution from low margin API business of Uquifa. The margins have come in line with our estimates. We expect, the margins to see slight

Recommendation (Rs)	
CMP	399
Rating	BUY

Index Details	
Sensex	15,988
Nifty	4,848
Industry	Pharma

Scrip Details	
Mkt Cap (Rs cr)	496
Eq Shares O/s (Cr)	1.4
Avg Vol (Lakhs)	0.2
52 Week H/L	444/213
Dividend Yield (%)	0.5
Face Value (Rs)	10.0

Latest shareholding pattern (%)	
Promoters	45.2
Indian Institutions	1.6
FII's	18.2
Public	35.1
Total	100

Stock performance (%)			
	1m	3m	6m
Vivimed	-7.5	8.5	65.4
Nifty	-7.7	-9.3	-1.9

correction on account of shifting of the product mix in favour of low margin API business.

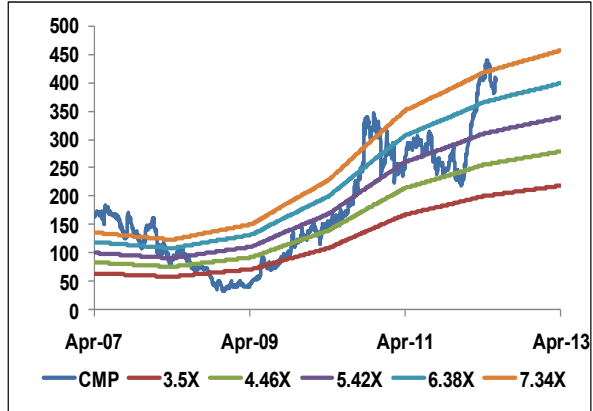
- The net profit grew by 83.1% to Rs 22.3 crore, slightly better than our estimates. The net profit margins stood at 8.8% for the quarter ended.
- Vivimed has spent Rs 140 crore on capex in FY12. Out of it, Rs 50 crore is spent on land acquisitions for the SEZ while rest Rs 80 crore is spent for asset creation at existing facilities. The company is likely to spend similar amounts in the next few years in creating a branded formulations facility in India. The SEZ is likely to see delays on account of environmental and other regulatory hurdles.

Quarterly Result Update

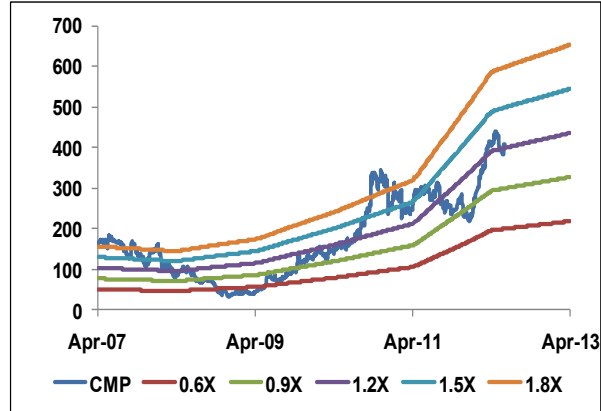
Description	Q4FY12	Q4FY11	% Chg.	Q4FY12	Q3FY12	% Chg.	FY201203	FY201103	% Chg.
Net Sales	251.1	119.7	109.7	251.1	168.0	49.5	668.3	416.0	60.7
Other operational Income	0.9	0.8	9.1	0.9	1.6	-43.8	2.7	0.9	187.5
Total Oper. Income(TOI)	252.0	120.6	109.0	252.0	169.6	48.6	671.0	416.9	60.9
Raw Materials Cons.-	115.3	59.2	94.6	115.3	89.6	28.7	355.7	241.6	47.3
<i>% to TOI</i>	<i>45.7</i>	<i>49.1</i>	-	<i>45.7</i>	<i>52.8</i>	-	<i>53.0</i>	<i>57.9</i>	-
Stock adj. (-)Inc / (+)Dec-	2.0	2.9	-30.0	2.0	-7.2	-	-18.4	-4.6	299.8
<i>% to TOI</i>	<i>0.8</i>	<i>2.4</i>	-	<i>0.8</i>	<i>-4.2</i>	-	<i>-2.7</i>	<i>-1.1</i>	-
Net Raw Mat adj. for stock	117.3	62.1	88.8	117.3	82.4	42.4	337.4	237.0	42.4
<i>% to TOI</i>	<i>46.5</i>	<i>51.5</i>	-	<i>46.5</i>	<i>48.6</i>	-	<i>50.3</i>	<i>56.8</i>	-
Other expenses	73.6	33.2	122.1	73.6	45.6	61.4	166.4	75.0	121.9
<i>% to TOI</i>	<i>29.2</i>	<i>27.5</i>	-	<i>29.2</i>	<i>26.9</i>	-	<i>24.8</i>	<i>18.0</i>	-
Contribution Net_Sales	61.1	25.3	141.3	61.1	41.6	46.9	167.2	105.0	59.3
Personnel	13.9	3.6	286.3	13.9	8.4	65.5	34.2	20.0	71.4
<i>% to TOI</i>	<i>5.5</i>	<i>3.0</i>	-	<i>5.5</i>	<i>4.9</i>	-	<i>5.1</i>	<i>4.8</i>	-
Total expenditure	204.8	98.9	107.1	204.8	136.4	50.1	538.0	331.9	62.1
Operating Profit	47.2	21.7	117.3	47.2	33.2	42.2	133.0	85.0	56.5
<i>% to TOI</i>	<i>18.7</i>	<i>18.0</i>	-	<i>18.7</i>	<i>19.6</i>	-	<i>19.8</i>	<i>20.4</i>	-
Non-Operating Income	-	-	-	-	-	-	0.0	0.0	0.0
Interest	8.1	7.0	15.1	8.1	5.9	37.3	28.4	20.6	37.8
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	39.1	14.7	166.3	39.1	27.4	42.7	104.6	64.4	62.4
Depreciation	13.5	3.6	277.1	13.5	6.9	95.7	26.8	9.1	192.9
PBT before Extra-ord	25.6	11.1	130.7	25.6	20.5	24.9	77.8	55.3	40.9
<i>% to TOI</i>	<i>10.2</i>	<i>9.2</i>	-	<i>10.2</i>	<i>12.1</i>	-	<i>11.6</i>	<i>13.3</i>	-
Extraordinary Items	-	-	-	-	-	-	0.0	0.0	-
PBT	25.6	11.1	130.7	25.6	20.5	24.9	77.8	55.3	40.9
Tax Rate	13.0	-9.6	-	13.0	21.5	-39.5	18.9	11.6	62.1
Prov. for Tax	3.3	-1.1	-	3.3	4.4	-25.0	14.7	6.4	128.3
<i>% to TOI</i>	<i>1.3</i>	<i>-0.9</i>	-	<i>1.3</i>	<i>2.6</i>	-	<i>2.2</i>	<i>1.5</i>	-
Profit after Tax	22.3	12.2	83.1	22.3	16.1	38.5	63.2	48.8	29.3
<i>% to TOI</i>	<i>8.8</i>	<i>10.1</i>	-	<i>8.8</i>	<i>9.5</i>	-	<i>9.4</i>	<i>11.7</i>	-
Minority Interest	-	0.0	-	-	-	-	0.0	0.0	0.0
PAT (adj. For MI)	22.3	12.2	83.1	22.3	16.1	38.5	63.2	48.8	29.3
Face Value	10.0	10.0	-	10.0	10.0	-	10.0	10.0	-
Equity Share capital	13.9	10.2	-	13.9	13.9	-	13.9	10.2	-
EPS (Rs.)	16.0	12.0	33.6	16.0	11.5	39.1	45.3	48.0	-5.7
CEPS (Rs.)	25.7	15.5	65.7	25.7	16.5	55.8	64.6	57.0	13.2

Quarterly Result Update

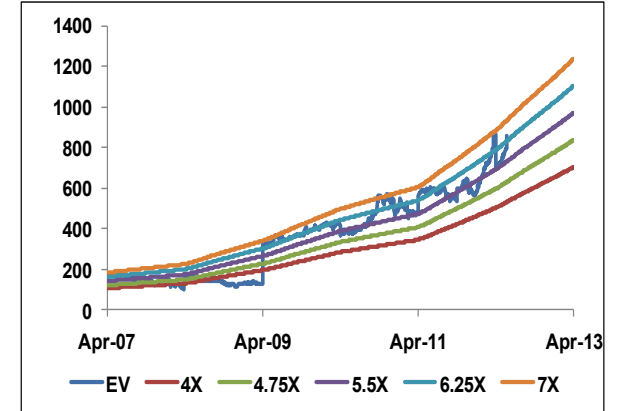
P/E Bands



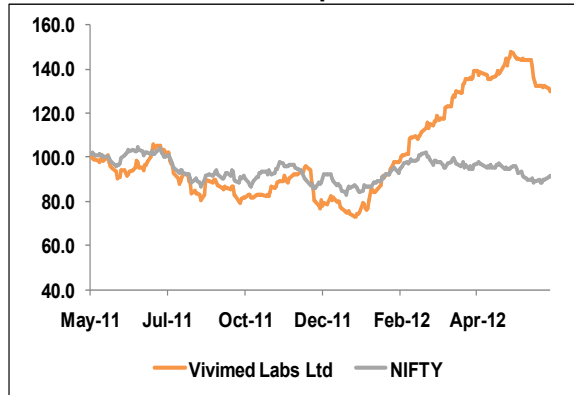
P/B Bands



EV/EBITDA Bands



NIFTY Comparison



Segment Wise Revenue

Particulars (Rs.Cr)	Q4 FY12	Q4 FY11	Y-o-Y (%)	FY12	FY11	Y-o-Y (%)
Segment Revenue						
Speciality Chemicals Business	59.2	82.4	-28.1%	280.1	242.1	15.7%
Pharma Business	25.3	26.5	-4.4%	104.8	67.7	54.9%
Total	84.6	108.9	-22.3%	384.9	309.8	24.2%
EBIT						
Speciality Chemicals Business	12.9	10.3	25.4%	49.7	38.8	28.1%
Pharma Business	5.9	2.7	115.4%	24.2	11.8	104.8%
Total	18.8	13.0	44.4%	73.9	50.6	46.0%
EBIT Margin (%)						
Speciality Chemicals Business	21.7%	12.5%		17.7%	16.0%	
Pharma Business	23.3%	10.4%		23.1%	17.4%	
Total	22.2%	11.9%		19.2%	16.3%	

Financials & Projections

Y/E March, Fig in Rs. Cr	FY 2011	FY 2012e	FY 2013e	FY 2014e	Y/E March, Fig in Rs. Cr	FY 2011	FY 2012e	FY 2013e	FY 2014e
Profit & Loss Statement					Per Share Data (Rs)				
Net Sales	416.0	668.3	982.1	1139.9	EPS	48.0	35.3	49.2	57.2
% Chg.		60.7	46.9	16.1	Cash EPS	53.9	78.1	99.8	115.2
Total Expenditure	331.9	538.0	805.3	934.5	DPS	2.0	2.0	2.0	2.0
% Chg.		62.1	49.7	16.0	Book Value	193.5	265.5	274.9	296.2
EBDITA	84.1	130.3	176.7	205.5	Capital, Liquidity, Returns Ratio				
EBDITA Margin %	20.2	19.5	18.0	18.0	Debt / Equity (x)	1.6	1.2	1.3	1.4
Other Income	0.9	2.7	1.1	1.2	Current Ratio (x)	4.6	2.9	4.0	3.9
PBDIT	85.0	133.0	177.8	206.7	ROE (%)	24.8	13.3	17.9	19.3
Depreciation	9.1	26.8	21.2	23.0	ROCE (%)	16.4	12.6	15.5	16.2
Interest	20.6	28.4	45.3	54.2	Dividend Yield (%)	0.5	0.5	0.5	0.5
PBT	55.3	77.8	111.4	129.5	Valuation Ratio (x)				
Tax Provisions	6.4	14.7	23.4	27.2	P/E	8.3	11.3	8.1	7.0
Reported PAT	48.8	63.1	88.0	102.3	P/BV	2.1	1.5	1.5	1.3
PAT Margin (%)	11.7	9.4	9.0	9.0	EV/Sales	3.0	1.9	1.3	1.1
Raw Materials / Sales (%)	58.1	59.0	61.0	61.0	EV/EBIDTA	14.8	9.6	7.1	6.1
Manpower cost / Sales (%)	4.8	5.0	5.0	5.0	Efficiency Ratio (x)				
Other Exp / Sales (%)	7.4	0.0	7.3	7.3	Inventory (days)	74.1	75.0	75.0	75.0
Tax Rate (%)	11.6	18.9	21.0	21.0	Debtors (days)	111.9	110.0	110.0	110.0
Balance Sheet					Creditors (days)	41.0	45.0	45.0	45.0
Share Capital	10.2	144.9	77.9	17.9	Cash Flow statement				
Reserves & Surplus	186.5	329.9	413.7	511.8	Profit After Tax	48.8	63.1	88.0	102.3
Minority Interest & Others	0.0	0.0	0.0	0.0	Depreciation	9.1	26.8	21.2	23.0
Total Loans	307.7	570.1	643.8	736.5	Working Capital Changes	-106.2	-182.3	-56.0	-68.4
Deferred Tax Liability	14.7	13.4	13.4	13.4	Others	0.5	78.9	0.0	
Total Liabilities	519.1	1058.4	1148.8	1279.6	Operating Cash Flow	-47.8	-13.6	53.1	56.9
Goodwill	84.6	54.2	54.2	54.2	Capital Expenditure	-28.7	-394.9	-55.2	-84.7
Gross Block	223.3	611.5	642.7	697.4	Change in Investment	9.4	-29.7	0.0	0.0
Less: Acc. Depreciation	43.5	70.3	91.5	114.5	Cash Flow from Investing	-19.3	-424.6	-55.2	-84.7
Net Block	179.7	541.2	551.2	582.9	Proceeds from equity issue	1.9	205.1	-67.0	-60.0
Capital Work in Progress	1.7	8.4	32.4	62.4	Inc/ Dec in Debt	72.4	262.4	73.6	92.7
Investments	0.0	0.0	0.0	0.0	Dividend and DDT	-1.7	-4.2	-4.2	-4.2
Net Current Assets	246.4	454.0	510.4	579.5	Cash Flow from Financing	72.5	463.3	2.5	28.5
Misc Expenses	6.7	0.0	0.0	0.0	Net Change in Cash	5.5	25.2	0.4	0.6
Total Assets	519.1	1057.6	1148.1	1278.8	Opening Cash Balance	5.6	11.1	36.3	36.7
					Closing Cash Balance	11.1	36.3	36.7	37.3

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