

Dated: 22/10/2005

## VIVIMED LABS LIMITED

BSECODE: 532660  
EQUITY: 7.3 CRS  
CMP: 160

NSE CODE: VIVIMEDLAB  
Industry: SPECIALITY CHEMICAL  
TARGET: 240

### **BACKGROUND**

Vivimed Labs Ltd was incorporated as a Private Limited company in 1989 and subsequently converted into a Public Limited Company. The company over the years has strategized, planned and moved into the activity of synthesis of specialty chemicals for end-use in Personal Care Industry. The company today has 15 products in this segment and has moved these products into 19 countries across the globe. The company's manufacturing facilities have the required approvals from both domestic and international regulatory authorities. The company caters to marquee client's world wide. Today, it has a second lead position in the world in an anti-microbial product branded as "Viv20".

### **INTRODUCTION**

Vivimed makes specialty chemicals such as Triclosan, an anti-bacterial that finds wide application in dental care and deodorants; Avis, which offers sunscreen protection; CaGP, an ingredient that finds application in dental care; Chlorophenesin, an anti-fungal that serves as a preservative in cosmetics and foodstuffs; and NDGA, an anti-oxidant. Triclosan is the main product of the company and contributes the most (above 50%) to the company's total turnover.

### **EXPANSION**

Vivimed's expansion work of its manufacturing facility from 480 to 750 tonnes is expected to be completed by this December itself. With this expansion the company is trying aggressively in both the domestic and the international market and is aiming to be a 200cr company by 2007. According to the CMD, Vivimed Labs, Santosh Varalwar said, "In FY06, we expect revenues in the range of about Rs. 80-100 crores and FY07 should double up our expected revenue because the capacities are almost doubled up."

### **CLIENTS**

Vivimed lab has a coveted client base. About 23 per cent of the revenues for FY-05 were accounted for by sales to Hindustan Lever and its associates. Apart from Hindustan Lever, Vivimed also has customers such as Marico and Anchor Healthcare in the domestic market; Unilever, Arnaud of France and Harmet International of the US are some of its customers on the export market. Sometimes back the company has also developed a product for Hindustan Lever code-named A123, this product, according to the company, has received encouraging response from the MNC's.

## **CONCERNS**

Vivimed's dependence on a single product Triclosan to generate more than half its revenues is a big concern. Though the reliance on this product has fallen from close to 80 per cent in FY-01, the current level of exposure to it is still high. There have also been some health concerns on the use of Triclosan in products such as toothpastes. Though no adverse pronouncements have yet been passed against its use, any news flow that suggests that it does indeed pose a health hazard will exacerbate the downside risk to this stock.

## **CONCLUSION**

Vivimed has been quite a consistent performer in the last few years, its earnings have grown at a CAGR of 24 per cent over the past three years. According to the management, "Earnings should continue because there are new products which are coming up, which have better margins compared to the old quarter and the new products will have better margins. In FY06, we expect the company's revenue in the range of about Rs 95-100 crores. The company should easily report an EPS of over 14rs in this fiscal FY06. With capacity almost getting doubled and new products coming in Vivimed's Turnover should cross 180cr easily and the EPS should be above 22 in FY07 for the company. Vivimed labs is currently trading at a P.E of 11.4 times and 7.7 times its FY06 and FY07 earnings respectively. Considering all this, **WE ASSIGN A VALUE BUY ON THE COMPANY WITH A TARGET OF 240RS IN 10 MONTHS.**

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