Vivimed Labs Limited

Q1 FY2014 Earnings Conference Call

Management:

Mr. Santosh Varalwar, Managing Director and CEO

Mr. Saurabh SG, Associate Director, Corporate Strategy

Mr. Phaninder Nath, General Manager, Corporate Accounts

Mr. Raghu Iyer, Vice President, Corporate Strategy

Moderator: Ladies and gentlemen good evening and welcome to the Vivimed Labs Limited Q1 FY2014 Earnings Conference Call. Joining us today from Vivimed Labs Limited are Mr. Santosh Varalwar, MD & CEO, Mr. Saurabh S.G., Associate Director, Corporate Strategy, Mr. Phaninder Nath, GM, Corporate Accounts and Mr. Raghu Iyer, VP, Corporate Strategy. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to mention that some of the statements made in today's call may be forward looking in nature and may involve risks and uncertainties. For a list of such considerations please refer to the earnings presentation. I would now like to hand the conference over to Mr. Varalwar. Thank you and over to you, Sir!

Santosh Varalwar: Good afternoon to all of you and thank you for joining this call. I hope you all had an opportunity to review our earnings presentation which is also available on our website. In Q1 FY2014, we recorded net sales of Rs. 3,439 million representing a Y-o-Y growth of 25% and 16% sequentially. As a matter of fact this is the highest turnover that we have ever recorded on a Q-o-Q basis. Overall, during the quarter the net sales of the Company increased due to strong traction in the API business and consistent growth trend in the Home & Personal Care business, which helped offset the subdued performance of the Branded FDF business. The growth in our API business was driven by the ramp up of a key contract manufacturing account, which we won during Q4 of last year and strategic focus on better client penetration. In the last quarter, Healthcare business contributed to 71% of the net sales, Personal Care 17%, Home Care 9% and Industrials contributed 3%.

Q1 FY2014 EBITDA was Rs.488 million, an increase of 8% Y-o-Y and the Q1 FY2014 EBITDA margins were 14.2% a decrease from 15.3% in Q4 FY2013. Margins were primarily impacted by a negative WIP charge in the API business and lower utilization levels in the domestic FDF business as well as some of the impact also came from certain formulations, which were banned by the Government of India.

Net Profit during the quarter was Rs. 200 million, an increase of 33.3% versus Q4 FY2013. Net Profit margin for the quarter was 5.8%. Normalization of tax rates led to an improvement of net margins on a sequential basis.

On the corporate development side, last few months were very eventful for us across our business segments. Most recently in the Healthcare segment we acquired a US FDA approved finished dosage formulation facility from Actavis Pharma Manufacturing Private Limited, a 100% holding of Actavis Holding Netherlands. It provides us with immediate access to the regulated markets and revenue opportunities through two commercially valuable and marketable ANDAs that come along with the transaction. This is an important development in our Healthcare segment as it is our first US FDA approved FDF facility and continues to move Vivimed up the healthcare value chain. In the Home & Personal Care segment, we received two orders with a revenue potential of $28 million over a multi-year period from leading consumer companies. These are both high profile and important wins for us, the seeding of which has been done three years back and this reinforces our positioning in a competitive market. Definitely, going forward the specialty chemical business looks very promising with more and more products in the pipeline and most of them probably coming into commercial production during the few quarters going ahead.

Going ahead, we continue to strategically strengthen the healthcare value chain and win orders in the Home & Personal Care segments for innovative products and longstanding relationship with our blue chip customers.

I had also mentioned last time that I think a lot of work has been done at the R&D front; at the API R&D front a lot of new teams have been added to support the filing of new Drug Master Files (DMF).

I would now take the opportunity to talk again about the focus areas of the Company over the next 12 to 24 months. Interestingly, if you look at Vivimed segments they are a combination of high growth and stable margin business. We believe Healthcare will give acceleration to our growth trajectory and Specialty Chemicals will be niche stable margin activity for us. Acquisitions have been a key part of our strategy and after having successfully integrated them, Vivimed is focused on optimal utilization of our manufacturing platform and leverage our global scale which will also help to expand our margins. Going forward, improving our capital efficiency ratio, return on equity and ROC are three business objectives for us over the next 24 months.

We believe that an increase in this metric will be a factor of higher asset turnover, better profitability, low working capital and lesser capital intensity which would add to our cash generation efforts. Particularly in the last few quarters a lot of exercise has been done to improve this and it is still the work under process, but we will see those converting into margins and numbers in the coming quarters.

With this I would now like to hand over the floor to Saurabh to talk about the key highlights across our business during the last quarter.

Saurabh SG: Thank you Mr. Santosh and good afternoon to everybody on the call. We would now take the opportunity to touch upon briefly the key highlights across our business segments, which we have noticed over the last quarter or so.

I will first deal with the largest segment of our business right now, which is Healthcare. The revenue increase, which we have seen in an excess of around 30% on YoY basis was driven largely by the growth in API business in this segment. As mentioned earlier this is the outcome of ramp up of a key CMO account in the API business and also on-going efforts of better client penetration which has now started to bear fruit once the integration process has been completed. Also in the Healthcare segment the domestic formulation business has seen some challenges over the last three to four months as utilization rates have dipped due to a prolonged wait for regulatory audits for CIS markets.

Also volumes in the quarter for one of our portfolio products were impacted due to a regulatory ban. Potential loss from the above product ban we believe can be recovered through engagement with other health care companies for alternate supplies and this is a work in progress. On the branded formulation side we have been adding MRs in Northeast, Bihar and Jharkhand, which resulted in better traction for the branded products, which we have in this market on the ophthalmic side.

As Mr. Santosh mentioned earlier our recent acquisition of the US FDA approved plant is a stepping stone for Vivimed's entry into the regulated generics market. This transaction provides us with immediate access to two ANDAs which will be a source of revenue, apart from the contracted manufacturing arrangement which we have with Activis. More strategically we believe that this relationship can also be a stepping stone for Activis to use in the future, possibly Vivimed's in house API manufacturing platform and also consider Vivimed for any crucial ANDAs divestment that may take up.

Just a bit of context on the two ANDAs, which we have got from Activis, which includes Losartan and Donepezil, which are significantly large molecules with $2 billion market sizes. We would start our role as far as old pricing base is concerned in the next couple of months.

In the API business we have been focusing on new product development, efficient procurement and process improvements. These have been the cornerstones of the integration strategy which we have been pursuing and we believe that these will start delivering in the near future for the current API product portfolio and we will leverage our Indian R&D expertise to bring about competitiveness in all the three aspects which I mentioned.

Overall our integration activities of raw material cost savings like maintenance substitution and better procurement, product portfolio range, which is an outcome of R&D and product portfolio rejuvenation, which is an outcome of market intelligence and R&D will help us become more competitive and reach a larger addressable market as far as the API business is concerned.

In the Home & Personal Care segment, which is approximately around 30% of our Q1 sales we have benefited from the healthy traction which we have seen across the existing customers will increase an offtake and cross selling of newer variants especially skin care and sun care segment. The hair care segment also has seen some traction, pickup with the existing customers in Europe with a new set of products and approval of a new product which is underway in the Middle East markets. In the sun care segment we are tracking the opportunities in the APAC geography for a leading product and other products extensions are also seeing an increase in the user base across LatAm and Europe.

As Mr. Santosh mentioned we have won two high profile order wins with significant revenue potential of nearly $28 million over a period of 24 to 30 months in the sun care and hair care segments and that should start adding to our revenues over the medium-term.

In the industrial chemical segment within the specialty segment, Photochromic continues to face some challenges based on technological access and our focus here is to fix process and target newer geographies across Photochromics and the Imaging chemicals.

Overall we believe that the recent acquisition of the US FDA approved facility has strengthened our market positioning and moved Vivimed up the healthcare value chain. It is a strategic acquisition and compelling rationale from both strategic and operational perspective. Our recurring order wins in the Home & Personal Care segments reiterates the quality of our products and commitment with our longstanding customer base.

So with these two developments which have taken place in the last quarter we believe that the Company is optimally poised to deliver growth in terms of revenues over a medium-term and we will also focus on getting cash generation efforts up in the system and the way which we will look at it is trying to improve our asset turnover, reduce working capital and also lessen capital intensity which would see our cash generation efforts coming to bear fruit. The overall firm objective will be to look at our return ratios which we hope the efforts underway will see significant realignment over the next 24 to 36 months.

So with that I would now like to open the lines for Q&A, moderator.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Mr. Vimal Modi from Punit Capital. Please go ahead.

Vimal Modi: I have three questions. My first question is the Company paid interest of Rs.41 Crores during the last year. So how the company, if at all it is planning to reduce the interest cost in the coming year and what will be the approximate outgo in terms of interest for the current year. My second question is I would like to know the ownership structure of Uquifa as well as Actavis, are they 100% subsidiary of our stepdown or there is some other third party holding also and my third question is even though audited results are out in by May why AGM is still not held? Thank you Sir.

Santosh Varalwar: Thank you. I think going by the first question you are right the Finance Cost last year was Rs.41 Crores and this year there has been an increase in some working capital requirement particularly the Actavis acquisition which happened also we had to borrow partly under debt so we expect the interest cost to slightly go up, not significantly but in the range of Rs.41 Crores may be up to Rs.50 Crores.

Coming back to the second question of yours about Uquifa ownership, right now Uquifa is 100% owned by Vivimed. Preferential shares are held by a PE firm in Vivimed, Spain but in consolidation it is 100% ownership and Actavis is also 100% ownership of Vivimed. Recently we concluded this deal on July 31st as we acquired Actavis 100% holding from Actavis holding in Netherlands.

Coming back to AGM, as you know that since the consolidation is there and right now with the activities across the globe and some of the activities which have come recently, each subsidiary had to be given enough time to see that they submit all relevant information so that we can come with a good presentable annual report. So we have taken time, but I think our endeavor will be going forward to probably reduce the time not to run on the last day of the statuary period.

Moderator: Thank you. The next question is from the line of Mr. Ashok Shah from Pragya Securities. Please go ahead.

Ashok Shah: My questions are regarding, first, Finoso acquisition, which we had done some time back, is this complete or still pending. Secondly is regarding the Actavis acquisition, it is a US FDA plant, so approval is valid up to what time or when will this validity be required to be approved again. Third question is since Actavis has been acquired, does the SEZ plan is put on the back burner and also with SEZ the Company has bought some land. Does the Company plans to cash out the land value and reduce the interest cost? Thank you.

Saurabh SG: Thank you Mr. Ashok Shah for good and relevant questions. One is of course the Finoso acquisition technically it is still not closed, so I think we would be closing by end of this month in all forms because we are still waiting for some internal clearances and a few things. Once it is over then we will inform the stock changes and everybody. As far as Actavis acquisitions is concerned normally any US FDA license is valid for two years, so last inspection was done in 2011 which means it is valid till 2013 ending and obviously US FDA has a right to come for inspection any time before that or they need not opt for inspection, they can choose to come at some other date, but present status is that your FDA validity is on and it is still within the period of which US FDA has to come and visit us. Third question is also very relevant, when the land was acquired in Vizag for special economic zone, obviously it was really meant to put FDF facility and also expand subsidies of specialty chemicals. However, if you have seen the last 12 months the activities of Vivimed, we have acquired a unit next to the existing plant in Bidar which is ideal because existing activities are already there and there could be common overhead, we decided to acquire that plant and we have expanded in that. We had a capacity expansion of certain specialty chemicals area, new blocks were built and later on the recent development of acquiring Actavis obviously is very important because the Company again had clear cut four to five years headway in terms of time and the plant also has enough land for expansion. The present capacity of Actavis plant is about 1.2 billion SOD and in the given situation the present existing setup we are able to increase the capacity to about 2 billion, but there is a land available for further expansion up to 5 billion, so in breakup these developments have happened in the last 12 months. Vivimed does not propose to spend any money in the near term in Vizag SEZ. Coming back to encashing that, I think it is a matter of the board, yes it is a good asset, very valuable asset, but as you are all aware I think in the chemical industry the challenge today is availability of appropriate land with appropriate permissions, so I think today we are blessed that we have good parcel of land with all the permissions including the marine disposal. I think strategically we got to hold it for some more time, but I think over a period of time we will take a decision which is appropriate for the interest of the Company.

Ashok Shah: Regarding the Actavis, when will the first billing approximately start and secondly the Company has acquired JRL some years ago, so we are making some provisions every year for goodwill for the branch, what is the provision outstanding in JRL?

Santosh Varalwar: Coming back to Actavis in the first place, we already have about 10,000 square feet additional built up area which has not been converted into manufacturing area, so that will be converted in the next few months to come. The capacity of the plant will go from 1.2 million SOD to 2 million SOD. Coming back to the goodwill, there is no goodwill we are carrying in Actavis right now. Whereas for JRL right now I think the goodwill is all over I think, there is no goodwill right now.

Ashok Shah: My question was regarding Actavis when will the billing be included in Vivimed, from which date will be approximately?

Santosh Varalwar: August 1, 2013, we have already started, actually like we have already procured orders from the plant and we started invoicing from August 1, 2013. The first invoice was done on August 9, 2013. So in Q2 we will have turnover coming from Actavis also.

Ashok Shah: What is the first quarter turnover of Actavis, which will be with Actavis group only and not with Vivimed?

Saurabh SG: Mr. Shah I think the consolidation will be effective from August 1, 2013 in Vivimed book. Just to give you context of some numbers, last year Actavis, the acquired company, posted revenues around Rs.130 to 135 Crores and they had PBT margins of around 12% to 13%, so this gives some context of the numbers.

Moderator: Thank you. The next question is from the line of Mr. Vimal Modi from Punit Capital. Please go ahead.

Vimal Modi: There was some panic as far as our stock is concerned recently, large quantity it seems has changed hands recently. Is there any major single shareholder, may be FII or any other large investor who has acquired the shares or it just got distributed into public?

Saurabh SG: Mr. Vimal, I think on this call we will probably stick to the topic of the call which is the earnings. As far as the share price and shareholding factor is concerned all the latest disclosures are on our website and whatever we had to disclose in terms of the movement of the share price that was done between the quarter there was an announcement I think sometime in last month. So, apart from that we would not like to discuss too much about shareholding pattern and share price as you would see most of the shareholding has gone up marginally on June quarter compared to the March quarter.

Moderator: Thank you. The next question is from the line of Mr. Subhankar Ojha from SKS Capital & Research. Please go ahead.

Subhankar Ojha: Few bookkeeping questions, sir can I get the latest gross borrowing numbers and out of which if there is any foreign currency loan?

Saurabh SG: As of March 31, 2013, I think we had overall net debt of around Rs.597 Crores which was proportional between long term and short term, so the only different which would have probably happen to that is the fact that we have taken some long term debt for financing Actavis to the extent of around Rs.45 Crores. So that will be the change as far as the quarter position is concerned.

Subhankar Ojha: Do you have a foreign currency loan?

Saurabh SG: We have foreign currency loans of nearly Rs. 240 to 250 Crores on the long-term side.

Subhankar Ojha: Does it have a natural hedge, how much is our export turnover?

Saurabh SG: I think if you would see, nearly 60% of our billing in Euro, so to that extent we get the natural hedge in the business as such.

Subhankar Ojha: What is your capex plan over the next two years?

Saurabh SG: As Mr. Santosh mentioned earlier, going forward as far as capex is concerned, we are pretty clear that we will not be taking up any significant hard asset acquisition to what is already there. So focus is primarily over the next 12 to 24 months to improve our asset turnover from the current asset base which we have and all incremental investments will now be focused towards creation of more IP in terms of investing towards R&D. I think as far as the capex curve is there, it is probably behind us, therefore some maintenance and some client specific things which comes out, but otherwise I think the focus will be more on IP creation in the next 12 months.

Santosh Varalwar: As I said that I think we do have an annual budget of what you called maintenance capex of close to Rs.50 Crores even during this current year.

Subhankar Ojha: Just going back to the previous question, sir do we get any benefit out of this currency movement off late? You said that Rs.250 Crores is our FX loan and 60% of the turnover is in FX in foreign currency, so do you get a net-net benefit of this recent INR fall?

Saurabh SG: Mr. Subhankar on the P&L we do have foreign currency billing, but then you would also see there is a foreign subsidiary, so the fixed cost is also in the foreign currency there, to that extent the impact on P&L is netted off.

Subhankar Ojha: What is the latest promoter's pledge? Sir, is there any latest number that you have, June quarter number you are showing 38%, so is there any other number that you have?

Saurabh SG: What is on the website is reflective of the current position.

Moderator: Thank you. The next question is from the line of Mr. Vishal Jajoo from Nirmal Bang Securities. Please go ahead.

Vishal Jajoo: My question was with regard to the fact that historically our PAT margins have been around 9% or 10% but obviously with these acquisitions they seem to have tapered off and also due to some one-offs. When do you expect that we again achieve our old rate or somewhere come closer to those old rates of PAT margins?

Santosh Varalwar: If you would have seen our R&D spend is going up and then other expenses are going up, but I guess by the end of FY2014, we should get back to our PAT margins that was existing before.

Vishal Jajoo: Sir with regard to the mode of funding of this acquisition of around Rs.122 Crores, so what is the breakup of this funding?

Santosh Varalwar: As Saurabh just said we have borrowed additional Rs.45 Crores and rest of all is from internal accruals.

Vishal Jajoo: With regard to the working capital because we have been always discussing that the working capital is pretty low, again going forward do you expect some improvement and if yes then by what span of time?

Santosh Varalwar: If you look at the working capital cycle, see it is very evident of the industry that we are in. Healthcare and FMCG clients that we have, particularly in the personal care segment where Unilever, P&G asking for 120 days credit, and in the Healthcare side Pfizer, GSK again at the same level, so however we are trying our best to marginalize on terms of payment with medium and small players but it will also take some time to all set when you get major orders with the large guys. Right now I think we are showing an improvement in the working capital cycle and will strive to improve further.

Saurabh SG: Just to add to what Mr. Santosh just mentioned, if you would see on March basis we had slight improvement in working capital where we are running at around five months now compared to nearly six months last year. The effort is definitely on to generate more cash in the system, so we are trying to get receivables at lower levels than what they are but this is work-in progress and obviously the efforts of which will come through the next couple of quarters.

Vishal Jajoo: The last question with regard to Uquifa acquisition because when you had acquired this facility there was obviously a question of survival as far as the Eurozone goes. Now nobody is discussing that, so at least from that perspective overall things seems to be improving there, that is what is the reading as of now and by now you would have obviously got a fair understanding that where you are headed with regard to acquisition. So how do you see things in perspective particularly with regard to Uquifa?

Saurabh SG.: I think as far as Uquifa is concerned you would have to note that the business which Uquifa is in is pretty much immune to global macroeconomic activity as such because they are aligned more to spending patterns of innovators companies and generic companies. So to that extent there is an inbuilt sort of immunity, but what you are saying is right, the macro environment in Spain from what we acquired 18 months ago is slightly getting better and from our perspective, from Vivimed's perspective I think the key highlights which we are seeing there and draw benefit immediately from is trying to get them more efficient on procurement as far as raw material sourcing is concerned. We will be actively using our R&D team which we have scaled up here in Hyderabad, we have added nearly 60-70 scientist over the last six months or so and these people will now start delivering in terms of process improvement there which will make their products more competitive which will increase their addressable market, at the same time the third leg to this is of course the R&D effort which will start filing new DMF, so expect six to seven new DMF to be filed by March 2014. So this is significant giving the context of the Uquifa not having filed any DMF for the last two years pre-acquisition so there is a certain momentum which is there in the business now which is an outcome of ownership change, outcome of larger appetite to spend, so that should start to come through in terms of numbers in the next 12-18 months in terms of an incremental margins and incremental ROC and ROE

Santosh Varalwar: Adding to what Saurabh said also would like to make a statement that the focus is also on CMO business which really has shown signs of addition particularly since last quarter. The traction and the relationship that Uquifa has developed with certain large innovation companies definitely go in to giving dividends in the few quarters to come. We are also focusing on one plant in Spain should be on CMO business which is more value-added business whereas other plants can focus on APIs, generics and mix so with that strategy in mind I think we are trying to balance it, to improve the topline as well as improve the bottom line with the same administrative expense.

Moderator: Thank you. The next question is from the line of Ms. Purvi Shah from Dalal & Broacha. Please go ahead.

Purvi Shah: I have two questions. I just want to know the tax rate going forward and other was on the Vizag SEZ, how much have we invested so far?

Saurabh SG: Tax rate in this quarter was around 18% to 20% and should hold good for the year. What was your second question sorry?

Purvi Shah: Second was mainly on the Vizag SEZ investment, how much have we done so far, the latest status on it?

Santosh Varalwar: Answering that question, so far what we have really spent is on acquisition of land, completing all the formalities, pollution control approvals and various other things, close to Rs.70-80 Crores that we have spent on the books so far and that is purely on land, fencing and approvals, there is no hard asset built on the land as yet.

Purvi Shah: Sir, earlier you had mentioned that by the end of year we should be back to the normal PAT margins which are in the range of 9 to 9.5%, so if you could just throw a broader light as what would change by the end of the year and if you also could guide us on the topline and the margins also, sustainable margins that we should be looking forward?

Saurabh SG: On the margins what we have mentioned that we have seen some pressure as far as margin is concerned because the Healthcare business which is now nearly 70% of our revenues that is enjoying lower margins than specialty chemicals, so if you see how my margin map has actually moved right from Q3 we did I think 5% EBIT margin, now we are up to around 8% EBIT margin as far as segmental is concerned in the pharma side, it was a mixture of one-off, this is mixture of legacy issues which were there in terms of particular products and capacity utilization. So going forward as far as margins are concerned I think what we feel comfortable at this point that on a full year basis we see improvement on margins and the drivers for margins would be (a) our API business whatever efforts we are making which we have spoken extensively about those will start coming through, there is ramp up in the CMO business which should also help our asset utilization and the third of course the domestic pharma business where we have been seeing some challenges, hopefully that will normalize over the year or so and this would help the margins over a period of time. As far as guidance is concerned we will refrain from giving any particular guidance but I think what we have always aspired to do is beat the overall industry in terms of market growth, I think we will probably be on track to do that.

Santosh Varalwar: Adding on specialty chemicals, as we mentioned with the new orders that we have talked about it, with these orders coming into production pipelines in the next couple of months there will be more sweating of assets because the same assets will start adding higher turnover so I think we will be able to get some margins out of that so with what Saurabh said and with change in situation particularly order book in Speciality Chemicals I think we should go back to the original margin.

Purvi Shah: Any ballpark figure that you would like to mention wherein by the end of the year we should be in a certain range of EBITDA margins?

Saurabh SG: Last year we ended around 17.5% and right now we are doing 15%, so hopefully by the time we exit we should be closer to that number.

Purvi Shah: Sir one more on the Vizag front. You said that so far you have done Rs. 70 to 80 Crores of investment and probably we are not planning to develop, we would look at the latter options, so would you be looking at selling, how do we see that?

Santosh Varalwar: As I mentioned it runs in our mind like it runs in your mind but as I said very clearly we are in a very dynamic industry, chemical industry and API industry where I think the biggest requirement is the land, strategic land which has all the approvals, pollution control approvals, now if Vivimed has to again get something like this, it is really challenging. We know for sure that this is a dead asset sitting over there for a while, non-productive asset but definitely in terms of valuation, it has gone up, so before we could jump in to any conclusion about that we will really wait and watch for some more time before we conclude any firm thought about it.

Purvi Shah: On the US FDA front you said there could be a re-inspection probably and you said that every 2 years it is re-inspected and last it was done in 2011, so when are we due?

Santosh Varalwar: We are due in 2013, anytime from now till December. This is typically like any other US FDA inspection, once they do it, for two years they do not step in to your factory. But it does not mean they should step in after two years, it is their prerogative based on things that are happening. Because we do not know, we should probably get a date, if they get a date, then it will go through a normal process but just historical we had an inspection in 2007, the same plant, it had an inspection in 2009, it had an inspection in 2011, last inspection was also cleared without any issues and I guess the quality of the plant is pretty good, so we do not fear that. No special arrangements are being made to please FDA; it is naturally there in the plant.

Purvi Shah: Sir, one more question on the debt front, if you could give us the repayment schedule?

Santosh Varalwar: Repayment schedule, most of the debt other than the IFC debt which is about $12.5 million, we should begin repayment from next year for the next five years but most of the other long-term debt will get repaid in the next three to four years, average about Rs.40-50 Crores repayment every year.

Moderator: As there are no further questions I would now like to hand the floor back to Mr. Varalwar for closing comments. Over to you Sir!

Santosh Varalwar: Thank you very much all of you for patiently hearing the earnings presentation Q1 FY2014. We will be glad to give any further information that we have in the business front and as we said, in spite of uncertain economic situation, in spite of uncertain things I think Vivimed order book is pretty decent and visibility on the numbers going forward in speciality chemicals is pretty evident and API business seems to be on track, so the FDA business is only one thing which was unpredictable over the last one quarter but I think with regulatory clearances coming in it should come back to normalcy. We expect to have the future quarters more interesting and promising in terms of numbers. Thank you very much for all your support and for being with us.

Moderator: Thank you. On behalf of Vivimed Labs Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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