Laurus Labs
Q1 FY18 Conference Call Transcript
August 11, 2018

Siddharth Rangnekar:Thank you. Good Afternoon, everybody. I welcome all of you to Laurus Labs Limited Q1 FY'18 Call for Investors and Analysts. The call has been hosted to discuss the "Financial Performance" and share "Operating Highlights" of the company with you.

Today, we have with us, Dr.Satyanarayana Chava -- CEO and V.V.Ravikumar - Executive Director and CFO; Monish Shah -Senior Manager, Investor Relations.

We will commence the call with comments from the management team. Post that, we shall open the call for a Q&ASession where the management will be glad to respond to any queries that you may have.

At this point, I would like to highlight that some of the statements made on this call could be forward-looking in nature. The results may vary significantly from the forward-looking statements made. A detail statement in this regard is available inLaurus' Q1 FY'18 results presentation which has been shared with you earlier.

I would now like to invite Dr. Satya to commence the call by sharing his thoughts on the company and the strategic progress made so far. Over to you, sir.

Dr. Satya: Good Afternoon, Siddharth and Good Afternoon, everyone, and warm welcome to today's call.

My agenda is to share the perspectives on operating and strategic progress thatwe made at the firm and also broad sense ofthe outlookfor this year.

I will commence with the financial highlights. Our revenue grew about 16.7% year-on-year to Rs.491 crore despite some challenges like transition to GST. This shows how we continue to make progress in a Generic API business and higher contributionfrom the Custom Synthesis. We also reported an EBITDA of Rs.104 crore with ~20% increase YoY. That was result of a better product mix in Generic API and also better utilization of new and expanded capacities. You should also know that our PAT also increased significantly from Rs.23.6 crore to Rs.38.9 crore,~52% YoY increase, and our EPS today at Rs.3.7 which is not annualized.

We are on a journey of transformation where our strengths in APIsis being leveraged to create a leadership position in FDF business. For some of you who followed us very closely,we continue to pursue products where opportunity for substantial growth exists. We always believe if the product is not growing and we

are growing,that means it is the cannibalization,we look at product growth where we can play a significant role.For us FY'18 stands out as a milestone year because of our various initiatives will come into use.One is our validation ofUnit-5 and expected ANDA approval in our Finished Dosage Form business.

We are banking on our R&D skills and also manufacturing excellence to augment our product profile. So while we constantly and continuously evaluate already commercialized products,whichis our strength. If you look at many of our portfolio products, many people thought those are very old products, but we made significant progress on those.

We also work on adding additional products in our new Therapeutic areas. Given our strong financial performance year-on-year and with strengthened balance sheet, we believe we are in a good position to steer the business to newer heights.

I would like to briefly underline some of the achievements that we are looking at:In the Finished Dosage Form business, we have filed four ANDAs and we expect two of them will be approved during this financial year.One in Diabetic and the other in Anti-retrovirals.Which we expect to launch during this year.We also have very strong pipeline where we are focusing on leveraging our API strength. We expect to file based out of successful exit batches and successful bio studies, we look to filesix more ANDAs this year and few more depending on the new validations that will happen.

Our focus is to develop products globally, not only look at filing in US, but we also file across the geographies -- We filed some of the products what we filed in US, into Canada, in Europe and we also filed in WHOand in South Africa. We want to make sure we develop products and maximize the strength of the product by filing across the geographies.

While we commissioned Unit-5 late last year, we started validation of products, and we expect to complete validations of the 4products during this year.

We are also building a dedicated capacity for a group of products which are in clinical phase for a customer in Europe. We will be making validation batches in Q4 of the financial year. That will significantly improve our margins and revenues in our Synthesis business.

Our API business is growing as per our plans, especially ARV's as the market expansion happens by enrolling new patients and giving access to the new patients which is happening at close to 2 million patients per year, which is about 11%-12% growth in the patient enrolment and we expect our ARV business will also grow similar to that number.

While we are also focusing very significantly on Hep-C,we supplied large quantities for a new combination product to our partner and which is doing very well.We are also working on few other APIs which we will supply and partner will launch in the same segment.As and when our partner gets new markets approved and they will do very well in the segment.

Oncology grew significantly and it has performedbetter than our expectations.Synthesis and Ingredients business also grew significantly.

Whereas our present model is delivering as per expectations and we are changing gears as I mentioned,from a pure API manufacturer and providing Custom

Synthesis services, we move into a full-fledged pharmaceutical company by launching our Finished Dosage Forms.

We are confident that our role and strengths in quality, capacity, cost competiveness and our research first focus will definitely help us to reach next level of business. Thank you.

V.V. Ravikumar: Thank you, Dr.Satya. Good Afternoon, everyone. I warmly welcome to the Laurus Labs Q1 FY'18 Earnings Call. So Dr.Satya gave insights into the operational performance.

You are all aware that GST has created in some issues, so all our facilities were EOUs. So the clarification or a notification from the Government of India came in the last minute in the fagend of June which created some kind of supply disruptions even in our API supply. Despite of that, we could able to perform at~17% growth in the top line;especiallyoncology has grown by 83%. The ARV is maintained at the level asa growth, but this is in line with our expectation.

In Hep-C also we have grown because of our API supplies with our partner and others.Our Synthesis and Ingredients have done a fantastic job this quarter. EBITDA was higher by 20% and the EBITDA marginshaveincreased by 50 bps. So this is on account of the higher volumes relating to the enhanced operating leverage and some of the Oncology and then Synthesis business, where you are all aware that the gross margins are higher. So because of this, these two things actually we wereable to achieve these numbers. This is again despite of spending substantial amount on the Formulations development and Formulations OPEX which we have done.

The EPS has gone up from Rs.2.6 to Rs.3.7 per share on fully diluted basis.As you all aware US FDA cleared our Unit-2,i.eour Metformin API block without any 483s. Of course, we have not received any formal document from there.Similarly,we have also received USFDA inspection noticea couple of days back, to conduct an USFDA audit from the beginning next week for our Unit 1 & 3in the next week and we will also have WHO inspection scheduled in September.And we also have an European inspection for our Formulations business in the month of September.

All of the three divisions are doing well and for Formulations also we are on target. For Formulations, we already created 100% subsidiary in UK and 100% subsidiary in US. We are going to create a 100% subsidiary in Germany for theFormulations business.

So with this, I request operator to open the forum for Questions. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen,we will now begin the question-and-answersession. The first question is from the line of from DheereshPathak from Goldman Sachs (India) Securities Pvt. Ltd. Please go ahead.

DheereshPathak: Your Presentation Slide #12 has the revenue breakup for Q1 FY'18.But for comparable purposes, if you can share Q1 FY'17 numbers,so we will have year-over-year numbers for the various segments.

V.V. Ravikumar: In Q1'17 on an average we have done Rs.2.6 billion, and Hep-C was Rs.688 million, Oncology Rs. 241, other API Rs. 234, Synthesis is Rs. 176, Ingredients is Rs. 78.

DheereshPathak: You said Metformin API, it was unit #2 which was successfully inspected. Which is the formulation plant that will make this?

Dr. Satya: We make Metformin Formulations also in the same plant. Initially, FDA thought these two are different facilities. So they scheduledtwo inspections for the FDFsas well APIs, both were cleared by FDA.

DheereshPathak: Is it the same facility which at the time of IPO had some observations?

Dr. Satya: Yes,our Formulations facility we had one 483 which was answered and we got the EIR for Formulations facility, and for API facility we had no 483.

DheereshPathak: Sir, within Synthesis, can you break it up further between the Aspen partnership and the normal clinical trial materials?

Dr. Satya: We are not giving the breakup,broadly, you can take maybe one-third Synthesis and two-third Aspen.

DheereshPathak: What about the ARV Formulations business that is linked to WHO inspection, right?

Dr. Satya: Yes, that was linked to WHO inspection,it was done successfully. Our Formulations facility right now had four inspections -- one from Europe very early in the operations and then USFDA for Formulations, USFDA for APIs and WHO for Formulations and we are also expecting another European inspection because the first inspection is done almost two years back,so another European inspectionis scheduled in end of September.

DheereshPathak: Lastly, on ARV value terms, it is almost flat. Can you just talk about the volume growth and the different molecules that we have like where are we seeing? I think last call you had mentioned that you were seeing problems in Emtricitabine and Efavirenz was still doing okay. Can you just talk about why value growth is flat and where exactly are you seeing volume growth and where you are not seeing that?

Dr. Satya: When you are comparing Q1 FY'18 Vs FY'17, at that time we had good run on ARV APIs. Even today, our order book is very strong for ARV APIs. So we are running all our ARV capacities to the full and we are also expanding capacities. So, as I mentioned in my commentary, about 2 million new patients are being enrolled every year, which translates to several hundred tons of new API per year, roughly 600 tons of new API required to treat 2 million patients. So we are expanding our capacities in our key molecules and also we are building additional capacity,with new production line for one of the key components of the triple combination. We are about to completeour validations for APIs in the second line and we expect commercialization will happen during the next financial year.

DheereshPathak: But why are we not seeing value growth? Are we seeing volume growth for API because year-over-year value growth is flat?

V.V. Ravikumar: There is a volume growth here but the value growth is affected by the product mix, and again, in the second quarter we expect it to show good growth on ARV portfolio.

DheereshPathak: What is the volume growth in the ARV business?

Dr. Satya: It is based on a product-to-product, I can say it is in the lower teens.

Moderator: Thank you. Next question is from the line of Shatayu Mehta from Tata Investment Corporation Ltd. Please go ahead.

Shatayu Mehta: In terms of your Formulations capacity which you all have created, how large a turnover you expect that can generate in the next couple of years? Another question I had was regarding 45 patents you have. Are these patents would be licensed or will you be able to encash any products from these patents which you all have been able to get registrations for?

Dr. Satya: First, I will answer your question on FDF capacity. Initially, when we constructed the building, we installed capacities to cater to our validation products which is about a billion tablets per year. Right now expansion is going on which we expect to complete before the European inspection begins in second half of September,this will increase our capacities to about 5 billion tablets and capsules per year. How much revenue we generate from thatdependson what product mix we do. Suppose, we do only Metformin, we will get a different value. We do ARV triple combination, it will be different value. But we expect by FY'20, we will be able to utilize all 5 billion in capacities,that much we can confirm.

In terms of patents, we have 45 patents granted and about little over 200 still pending, or filed. These are all our own patents,we do not license any patents to anyone. Majority of the patents we are utilizing internally to improve our cost efficiency or circumvent product patent for us to help companies to use our API for P4s. We have not licensed any patent to third parties as yet.

Shatayu Mehta: Lastly, I have a finance question. Your debtors' position on 30th June'16 and the debtors' position on 30th June'17, I know you do not give the figure in detail, but can you tell us if it has gone up and to what extent in percentage terms?

V.V. Ravikumar: It has not gone up, the number of days had decreased in '16-'17.Same number of receivable days will be there even for then in the next 2-3 quarters.

Moderator: Thank you. Next question is from the line of CharulataGaidhani from Dalal&Broacha. Please go ahead.

CharulataGaidhani: I have two questions -- One is that the gross margins have come down in the first quarterVsQ1 FY'17.

V.V. Ravikumar: When compared to the year-on-year, it is the same, ~48% gross margin for both the quarters. If we compare with the sequential quarter, then yes,there is a reduction in the gross margin as we indicated in the last earnings call,we made lot of supplies of ARV to the European market and those quantities were for the launch. So that is an extra gross margin we have received in the fourth quarter of last year.

CharulataGaidhani: So for the full year, you expect gross margins around what level?

V.V. Ravikumar: We are not committing anything but we are expecting the same trend to continue.

CharulataGaidhani: What has resulted in the growth in Oncology, and do you expect to sustain this for the future?

Dr. Satya: We expect to sustain this kind of sales quarter-on-quarter,it is because of two reasons -- One is one of our key customers,they changed inventory policy which resulted in lesssales last year and we are back on the inventory for the customer,so

the sales resumed to normal; Second, one of our customers has regulatory challenges earlier. He is not buying any Oncology APIs. Their facilities were cleared by FDA.They started buying. So these two resulted in significant growth in Oncology APIs here.

CharulataGaidhani: So what kind of a growth you expect in Oncology for the full year?

V.V. Ravikumar: As we told before, FY'17 there was a reduction,we will be going back to the FY'16 levels.

Moderator: Thank you. Next question is from the line of Ranvir Singh from Systematix Shares & Stocks (I) Ltd. Please go ahead.

Ranvir Singh: One is related to ARV. Recently I have seen that some new generation drugs are getting approved andMylan has also got that combination of drug. What I wanted to understand that going forward how do you see the outlook in this segment if you can see the 4-5 years perspective there?

Dr. Satya: The combination was approved but there were no tenders that will be floated in the near future. The reason being, the Dolutegravir single is not approved forMylan, and also TB patients, they have to take single tablet regimen of Dolutegravir as well as triple combination of Dolutegravir, Lamivudine and Tenofovir.So the regimen how much uptake will happen? We have to wait and see.But as a company, we are confident even whatever be the regimen, we are fully prepared to take the opportunity in Efavirenz as well as Dolutegravir. In Dolutegravir, we have a very cost-effective and highly commercially viable process,and for which we have also filed the DMF and we have supplied commercial quantities to good number of partners.

Ranvir Singh: My question is that for combination drug like DTG plus other combination in case some client launches, so in that case, we will have a chance to supply API for combination drugs? Other combination, in case some client launches, in that case we will have a chanceto supply API for combination drugs?

Dr. Satya: Yes, absolutely,we have supplied already.

Ranvir Singh: For example, like DTG plus Tenofovir and in case we have strengthened Tenofovir, so normally what happens commercially that they can procure Tenofovir and DTG from others,that arrangement is possible?

Dr. Satya: It isquite possible,they can buy three APIs from three different parties.

Ranvir Singh: For Formulations, the fourth ANDA, can you indicate which therapy or which products you have filed for?

Dr. Satya: The fourth ANDA we have filed is in CNS segment.

Ranvir Singh: May I know the name?

Dr. Satya: We have not revealed yet, but maybe very soon, we will tell you the name.

Ranvir Singh: So, is it in P4 filing or…?

Dr. Satya: It is day one launch,it is not P4,there is no P4 opportunity in that molecule,we will be launching on the day one.

Ranvir Singh: In your commentary, if I heard correctly that you said that one new facility is going to come in Q4?

Dr. Satya: New facility was inaugurated in Q3 last financial year and we expect another facility will come in operationsin Q4 this financial year.

Ranvir Singh: So this is other than unit-5 or unit-4?

Dr. Satya: This is unit-4 where we are building capacities in APIs as well as natural product extraction.

Ranvir Singh: What is the debt position right now?

V.V. Ravikumar: So we have Rs,750crore debt.

Ranvir Singh: CAPEX for FY'18?

V.V. Ravikumar: This includes the further loan what we are going to take. Actually current debt is not Rs.750 crore,current debt is around Rs.650 crore.But as we communicated, we are availing an another Rs.100 crore long term loan at a very competitive price,that will be used for the capacity expansion.

Dr. Satya: Initially, we thought we will invest about Rs.300 crore because there is an opportunity for us to expand capacity for a few products. Our CAPEX will be close to maybe Rs.350-375 crore this financial year.

Moderator: Thank you. Next question is from the line of NehaAgarwal from Edelweiss Securities Limited. Please go ahead.

NehaAgarwal: Sir, I would like to know on the Synthesis business. What is the contribution of Aspen and is the commercial supply sales or it is the early stage supply?

Dr. Satya: We have one manufacturing block which is dedicated to Aspen in our Unit-1,and that unit is also supplying products for commercial use to Aspen facilities.Whereas unit-5 which is a dedicated unit to Aspen again,we are doing validation products right now,we expect commercialization will happen in Q4 this year or early next year. So we have planned validation products throughout this year.

NehaAgarwal: So you are saying the dedicated plant for Aspen will have validation product, but this block that you have in unit-1, from there commercial supplies have begun, right?

Dr. Satya: Yes,already commercial supply started from that.

NehaAgarwal: So what kind of annual numbers can we expect from the Synthesis business overall considering that ex of Aspen also, I assume the number of products and where we are progressing with a large number of them currently in Phase-1,so what kind of growth are we estimating from there with respect to shifting from phase-1 to phase-2 as well?

V.V. Ravikumar: We are not giving any guidance there, but I can tell you that as far as the Aspen business is concerned, whatever be the facility, we just inaugurated in November 2016,that facility started giving commercial supplies only in FY'19. So FY'18 is only fixed cost billing we are going to have,we are already doing validations.Coming to the other side of the Synthesis business, so there also we are not committing any numbers. You know that there are some interesting projects going on.

Moderator: Thank you. Next question is from the line of NimishMehta from Research Delta Advisors. Please go ahead.

NimishMehta: Two questions; one is when we are talking about Finished Dosage formulations that we are leveraging our capability with API. Are we going to find only those finished dosage formulations where we already have an API approved or we already have it in the market?

Dr. Satya: Just to give you overview, our current finished dosage capabilities consist of only Oral Solids, Tablets and Capsules. We have more than 20 products under development,of which some are validated and filed. As we mentioned, four products were filed and six validated. Our Formulations portfolio strategy depends on our chemistry and API capability. We have projects which are already genericized,we have some projects which are for day one launch,we have some projects where we are partnering or we are doing first-to-file and P4,it is a combination of these three.

Nimish Mehta: But it will not necessarily be only those formulations where we already have an APIdeveloped, it might be outside of those API as well, right?

Dr. Satya: Interestingly, all our Formulations what we have in our portfolio, we have our own APIs. So far in our portfolio, current or in the near future,we are not anticipating that we will buy third-party API and do Formulations.

Nimish Mehta: The other thing I wanted to know is that since we already have the capabilities in Capsules, are we likely to target the Formulations portfolio through the WHO tender market, something similar to what Mylan has done and supplying the products to WHO?

Dr. Satya: We do not have any strategy at this point of time, but we are evaluating.

Nimish Mehta: As of now, we are not targeting Hep-C in Formulations, right?

Dr. Satya: ForWHO market Hep-C we are planning and we will do validations during this financial year.

Nimish Mehta: So your target to launch the entire range of Hep-Cproducts right from Sofosbuvirto allthe combination?

Dr. Satya: Absolutely, you are right,we are currently in the phase of method transfer and tech transfer from Natco to us. So we will file forWHO from our facility.

Nimish Mehta: Any timelines expected in terms of approval? I guess that the facility from where you are likely to launch is already WHO approved, right?

Dr. Satya: We are going to file in this financial year and we expect approval maybe end of 2018

Moderator: Thank you. Next question is from the line of Ramakrishna from PRK Investment Advisory Services. Please go ahead.

Ramakrishna: I need a little clarification. Today, compliance on quality issues by US FDA and WHO are actually causing terrible ripplesin the pharma industry. In light of that, can you please elucidate a little bit on your proposed USFDA inspection for unit-1 and 3 API which is scheduled for August 2017 and WHO inspection for unit-1 which is scheduled for September '17,what do these inspections account for?

Dr. Satya: For Unit-1 and 3,USFDA is coming for a routine inspection, this is the fourth inspection for those units, nothing specific for a particular product. WHO inspection for Unit-1 and 3 is also scheduled. They inspected two years back. WHO is very good with us. Otherwise, they inspect every product, every approval. Because of our track record, they said, we are going to give a blanket approvalfor next two years, we are not going to inspect. So their inspection happened in April 2015. Now, they are coming for inspection after close to 2.5-years. That is also routine inspection.

European inspection for our Formulations unit is also scheduled,as our facility was inspected and approved by German authorities in November 2015, so almost two years, so it is a re-inspection by the European authorities.

Moderator: Thank you. The next question is from the line of DheereshPathak from Goldman Sachs (India) Securities Pvt. Ltd. Please go ahead.

DheereshPathak: Sir, I just wanted to continue asking on the ARV Formulation tender market business for which WHO inspection is expected this year. So can you just walk us through what could be the opportunity because at the time of IPO, you had mentioned that incrementally, one or two million new patients are coming and per patient it is $100, so given our backward integration, this could be a very large opportunity for us and we have 5 billion tablets capacity?

Dr. Satya: Our first dossier we filed with WHO wasfor Tenofovir for which WHO inspected and they approved our facility. We also filed Tenofovir in South Africa. We are developing some combination products for WHO and PEPFAR markets. We expect to file those by February-March next year.

DheereshPathak: Participating in the African tender business for ARV, has it been slower than what you earlier envisaged because you have not filed and I was under the impression that it would have progressed much further ahead till now,?

Dr. Satya: We have not given any schedule. Based on the current filing and approval pattern, maybe we will be in a position to participate early FY 20, it all depends on the approval. But as we mentioned, opportunity is very big and we are well prepared for that.

DheereshPathak: On DTG, like you said you filed the DMF but you have not got the approval, right?

Dr. Satya: I think DMF is reviewed by USFDA as part of our partner approval. DMF is from a USFDA approved site. They may not come for inspection.

DheereshPathak: Can you just help us understand like how the DTG would impact the EFVvolumes and what is your current understanding of how the market share would shift?

Dr. Satya: What we are hearing from the regulatory authorities as well as the WHO medicine patent pool(PEPFAR), if a person is having serious adverse events with Efavirenz, he may switch to Dolutegravir base regimen because efficacy is same for both, there is no difference inefficacy between Efavirenz and Dolutegravir. If a person is intolerable to Efavirenz, they may switch to Dolutegravir. There is another challenge, if they switch to Dolutegravir and if the patient is co-infected with TB, then he has to take one more Dolutegravir tablet, though cost of therapy will go up significantly. Butefficacy wise both are same. The market is watching carefully. Right now, there is no significant proportion of patients in any country on Dolutegravir regimen.

DheereshPathak: Where is it being used currently -- in the developed markets?

Dr. Satya: In the developed markets.

DheereshPathak: There has it taken a large percentage of the share from Efavirenz?

Dr. Satya: Absolutely.

DheereshPathak: But like Efavirenz is mainly used as a combination, right, the FTC and TDF or 3TC and TDF. So DTG will also be used in combination with these products or will be used alone?

Dr. Satya: DTG in advanced markets is being used in combination with Abacavir and Lamivudine and as a single, whereas in emerging markets, the Abacavir and Lamivudine again will be a cost advantage and also is not well tolerated in many populations. In the emerging markets, the most preferred combination will be Dolutegravir, Lamivudine and Tenofovir; Dolutegravir,Emtricitabine and Tenofovir.

DheereshPathak: But at least for us Tenofovir is also a large part of our current ARV volumes, is that correct?

Dr. Satya: Yes, they are in the 1-2-3; Efavirenz is one, Tenofovir is 2, Emtricitabine is 3 and we are also building a large capacity for Lamivudine. So maybe Lamivudine will be #3 and Emtricitabine will be #4 in the next financial year.

DheereshPathak: But the risk that will remain is that largest product which is Efavirenz would get replaced if DTG is successful in emerging markets?

Dr. Satya: Very-very unlikely replacement. The volume may not grow.

DheereshPathak: But whenever the emerging markets opens, do we have confidence that our filing of DTG also would be ready and we would be participating?

Dr. Satya: Absolutely, if you take summation approach, our franchisee of Efavirenz, Dolutegravir today and three-four years from now, we will have maybe increased share of that franchisee, we are very confident.

Moderator: Thank you. The next question is from the line of C Srihari from PCS Securities Limited. Please go ahead.

C Srihari: Firstly on the API front, I would like to know of the Hep-C how much goes to Natco? Secondly for ARV, as a whole, are you giving any top line growth guidance? On the

Synthesis side for the Oncology NCE, could you throw some light on that… on what stage of clinical trial is the molecule?

Dr. Satya: I will take the third question first; it is in Phase-2 right now. We supplied Phase-2 and we are preparing to do Phase-3 batches in Q4 this financial year.

C Srihari: So commercialization maybe at best two years down the road?

Dr. Satya: Our sponsor will get expedited review because it is an oncology molecule. If he gets then it maybe little early, but otherwise you can take broadly two years from Phase-3 supplies at least.

C Srihari: Do you foresee this as a blockbuster product?

Dr. Satya: We do not want to comment on behalf of our partner.

C Srihari: Then regarding Hep-C and ARVs?

Dr. Satya: ARVs, I think market will grow 11-12%. That is based on 11-12% of new patients are added into the pool and we expect to grow in the same way. For Hep-C, we are supplying all the APIs required for the portfolio – one is made by Natco. So majority of our API sales in Hep-C goes to Natco.

C Srihari: Was there any profit share in this quarter?

Dr. Satya: We mentioned in many occasions. We supply API and we get 50% of the profits on the brands.

C Srihari: Yes, so was there any profit share in the results in this quarter, will you be divulging the figure?

Dr. Satya: No.

C Srihari: Is it significantly higher if I take YoY or QoQ basis?

V.V. Ravikumar: We want to defer our comment on this.

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

CharulataGaidhani: When do you plan to launch Metformin?

Dr. Satya: We have a target action date from USFDA in November and our DMF and ANDA reviewprocess is ongoing, we expect to launch maybe in Q4 this financial year, depending on approval.

CharulataGaidhani: You are doing this on your own, right?

Dr. Satya: This we are doing on our own in Europe, Canada, and we are doing with a partner in US.

CharulataGaidhani: What kind of revenues would you see from Metformin going forward?

Dr. Satya: We will be in a position to answer maybe once we get approval and we discuss with our launch strategy with our partner. It is too early for us to comment on what volume we can do. But we have an API capacity of 250 tons a month.

Moderator: Thank you. The next question is from the line of GaganThareja from Kotak Mahindra Capital Co. Ltd.Please go ahead.

GaganThareja: Sir, if and when the shift happens to Dolutegravir, in terms of tonnage, point-to-point movement from Efavirenz to Dolutegravir will not lead to a similar amount of API requirements, could you give us some idea of how they would change in Dolutegravir?

Dr. Satya: As you are aware from the dose, Dolutegravir is 50 mgs and Efavirenz is 600 mgs. The amount of API required is one-twelfth. We are calculating based on non-TB infected patients. So it will be one-twelfth of Efavirenz requirements.

GaganThareja: As of now, the price point differences between the two APIs on a unit per Kg basis, what could be the difference, I know it could change over a period of time.

Dr. Satya: Based on the current market information, the Dolutegravir is available more than 12x price of Efavirenz. So even if there is a switch right now, the regimen cost will be more if the people use Dolutegravir.

GaganThareja: I was going through some article on EFV that there is a proposal to reduce dosage from 600mg to 400mg and it seems that in terms of the requirement of efficacy even 400mg would suffice, is this a correct understanding?

Dr. Satya: Your understanding is in same direction. But this reduced dose of Efavirenz is not tested in TB co-infected group, it is not tested in children, it is not tested in pregnant women. So there are a lot of ifs and buts whether which one will lead to the significant dominance in the treatment.

GaganThareja: But for a patient pool of normal youth and adults, this transition could still be done or you feel that even that needs to go through some…?

Dr. Satya: People think it can be switched but the problem is how of monitor, who is co-infected, how long co-infected with TB and when a woman is in child bearing age, so there are so many things. The results will be expected in next 12-18 month's time on these sub-groups, then more clarity will emerge, whether the entire groups will be switched to 400mg regimen or not. The problem is now there are many alternatives, people are thinking to continue with Efavirenz 600mg, 400mg or switch to Dolutegravir. So there are a lot of debates going on internally with the decision-making authorities.

GaganThareja: In last week of July, WHO sort of flagged out a warning about HIV drug resistance to the current protocols. Do you see this also sort of hastening the process of transition to Dolutegravir or maybe other regimens in the coming future?

Dr. Satya: The first line other than Efavirenz 400mgand Dolutegravir, there is none at this point of time.

GaganThareja: But given the WHO sort of flagging out a warning, you feel that this will expedite the transition?

Dr. Satya: You cannot comment based on the current available data when the transition will happen and how far the transition will happen.

GaganThareja: In terms of your competencies in Efavirenz, you are able to garner a very significant market share based on the cost efficiency of your process, you feel there is a reasonable possibility for you to replicate that with the newer regimen?

Dr. Satya: With the new regimen also, we have a very cost effective novel process. So we do not make by the innovator reported and patent, we make our own proprietary process. We believe we have advantage and we are not in a position to comment. We have a similar advantage like Efavirenz because we have not made significant quantities of Dolutegravir.

GaganThareja: On the Hep-C portfolio, you supply the API for Velpatasvir to Natco?

Dr. Satya: Yes.

Moderator: Thank you. We take the last question from the line of Ranvir Singh from Systematix Shares & Stocks (I) Ltd.Please go ahead.

Ranvir Singh: Sir, you just mentioned that this quarter we had some GST transition related impact. What could be that impact…can we expect the same coming back in subsequent quarter?

V.V. Ravikumar: We have not quantified what is the real effect of the GST in the last quarter but the sales have been restored from July.

Ranvir Singh: In Oncology segment in this quarter, whatever sales we lost in the Q4, that has been bunched up in this quarter or this is a normal run rate we are seeing in this quarter?

V.V. Ravikumar: I do not think it was a bunched-up result. It is a normal course, similar to the FY'16 numbers.

Ranvir Singh: What I understand that last quarter we had disruption in supplies to one of clients who were under probably acquisition process. So the same client we retain or we have…?

V.V. Ravikumar: Yes, same client we restored.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would like to hand over the conference to the management for their closing comments. Over to you, sir.

Dr. Satya: Thank you for active participation. Some of the questions werevery interesting. I am sure we will take insights from your questions, and then if at all any course correction required we will be happy to do that. Thank you for your support.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Laurus Labs,that concludes this conference call. Thank you for joining us and you may now disconnect your lines.