Ipca Labs Q2 2014 Earnings Call 25 Oct'13

Operator

Ladies and gentleman, good day, and welcome to the Ipca Labs Q2 FY14 earnings conference call hosted by IDFC Securities. As a remainder, for the duration of the conference, all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. . Please note that this conference is being recorded. I would now like to hand over the conference over to Mr. Nitin Agarwal. Thank you, and over to you, sir.

Nitin Agarwal, Analyst

Hi. Thanks. I have -- good morning and a very warm welcome to everyone for joining us for Ipca Lab's Q2 FY14 post-results conference call hosted by IDFC Securities. On the call today we have, representing IPCA management, Mr. A.K. Jain, Joint Managing Director; and Mr. Harish Kamath, Senior VP Legal. I hand over the call to them to take it forward. Please go ahead, sir.

Ajit Kumar Jain, Joint Managing Director

Good morning, everybody. Overall, for this particular quarter, Q2, our business has grown by around 10%; export business 11%; overall EBITDA margins from 23.28%, it has moved up to around 27.7%; and profit before Forex loss For first half of the current year overall business growth of around 17%; exports are growing by around 22%; there is an EBITDA growth of around 27%; and overall net profit, there is a growth of around 20% overall from the first half of the year. And company has now declared an interim dividend of around INR2.50 to be around 125% as against INR2 interim dividend, which was declared in the first half of the last financial year.

Now I'll come to the overall business break up for the second quarter. In the second quarter of the current year, our domestic formulation business, the growth is around 5% overall and overall domestic business is around 276.17 crores as against 262.78 crore, what we had in last financial year.

Overall, export formulation business is around 262.64 crore as against 239.16 crore. So there is an increase of around 7% in export formulation business and overall formulation business as against 601.94 crore, it has become around 638.61 crore. So there is a growth of around 6% in the overall formulation business.

API business has become 195.46 crores as against 155.58 crore, so there is a growth of around 26% in API business. And overall income of the company for the second quarter has become 746.7 crore as against 768.08 crore, so there is a growth of around 10% in the overall business of the company.

If you see the first half of the year, overall, our formulation business has grown by around 16% as against 1,050.63 crores, it has become 1,219 crore, so there is a 16% growth. API business from 337 crores has become around, almost around 407 crores, so there is a growth of around 21%. And overall the net income from operations from 1,405.69 crore, it has become 1,652.26 crore, so there is a growth of around 17% in the overall business of the company.

If you see overall ratios of the business, that is, in the second quarter, as far material cost is concerned, there is an overall improvement of around 6.61%, so material cost ratio from 40% has come down to around 33.47%. The HR cost continues to remain more or less at the same level of around 14.26%, similar to the first quarter of the current year. But overall HR cost in the first half of the current year is almost moving up by around 24%.

And overall manufacturing and other expenditure, there is a -- is around 24.57% to the turnover as against 23.91% what we had in the same quarter last financial year. So overall there is a 6.6% improvement in material cost but our personnel has moved up by around 1.53% and manufacturing and other expenses have moved up by 0.66%. So overall there is a 4.42% improvement as far as EBITDA is concerned in this particular quarter. There is not much change as far as our tax rate is concerned. We continue to remain overall company.

Having given these numbers, now I request participants to ask questions.

Questions And Answers

Operator

Thank you very much, sir. We will now begin the question-and-answer session. . First question from the line of Ashish Rathi from Emkay Global. Please go ahead.

Ashish Rathi, Analyst

Yeah. Good afteroon, sir.

Ajit Kumar Jain, Joint Managing Director

Hi. Good afternoon.
Sir -- yeah, before I could start the question, sir could you be -- could you please give the break up for export formulation ?

Ajit Kumar Jain, Joint Managing Director

Okay, yeah. Overall, in case of the promotional market the business has become around 84.46 crores as against 75.65 crore. So there is a growth of around 12% in this quarter in promotional business. Overall, promotional business in first half is around 157.52 crores as against 121.1 crores. So there is a business growth of around 30% overall in promotional business.

As far as generic business is concerned, this quarter it is around 176.83 crores as against 133.99 crores in the similar period last year, so there is a 32% increase.

And overall in the first half of the current year, this business is around 349.79 crore as against 252.93 crore. So there is an increase of around 38% as far as generic business is concerned. As far as institutional business is concerned, this quarter we had a business of around 101.35 crores as against 129.52 crores in the September '12. So there is a decline of around 22% and overall in the first half of the year, we had around 185.28 crores as against 189.64 crore. So there is a decline of around 2% in the overall institutional business in the first half of the current year. So if you see, overall including institutional business, our generic business for the first half has become around 535.07 crores as against
442.57 crores, so there is a growth of around 21% as far as the overall generic business is concerned.

Ashish Rathi, Analyst

Yeah, sir, in Europe, US?

Ajit Kumar Jain, Joint Managing Director

As far as Europe is concerned, this quarter, there is a growth of around 19%. As far as US is concerned, there is a growth of around -- US and Canada put together, around 26%, and the balance is from New Zealand and South Africa.

Ashish Rathi, Analyst

Sure. Sir, firstly on the generic business, this decline and lower sales number, what is the reason for that?

Ajit Kumar Jain, Joint Managing Director

Generic business as such has done well, except the institutional generic business where -- this quarter-to-quarter fluctuations in number, it happens because of large shipments, one particular shipment of around -- over 40 crore could not be inspected at the last -- at the end of the quarter and therefore that shipment is going in the current one and therefore there is some fluctuations in the number.

But, overall, as far as our guidelines is concerned, this business will be around 450 crores for the whole of the financial year and we don't see any problem. Order book is very good and as far as the business is concerned, this is a good business.

Ashish Rathi, Analyst Ajit Kumar Jain, Joint Managing Director

See, there is a significant move in the rupee in this particular quarter, it's almost around 13%, so a significant moment . At the same time, let's say, most of the inventories which we are holding, normally if you see our business around our import content in the consumption is around 40%. 40% is import content overall.

If you see my last year's balance sheet, we had almost a raw material consumption of 1,045 crores. Out of this import consumption was almost around 420 crores or so. So account to be almost around 40% of that. But normally -- and this has happened at a very sharp leg, over a very short period of time. And normally for inventory valuation -- otherwise it happens on a gradual period, it has happened in very sharp. So inventories what we were holding prior to this was almost around say at the level of around 54 to 55 level that's the kind of level. Normally, we have two months inventories in the system so and you follow-up for evaluations and you follow a first-in and first-out method. So, normally these inventories are consumption, both at the top line as well as at the consumption level there is a double benefit because you are realizing higher at the same time you're consuming the material, which are having a lower cost. So, if you work out the impact of that, it works (inaudible) almost around 2% on EBITDA, so that's the overall impact, which has come as a result of the sharp moment as far as rupee/dollar is concerned.

Unidentified Speaker

So sir, going ahead for the full year FY14 and say FY15 what kind of margin number should we work with?

Unidentified Speaker

Lets see if you see the last financial year or the third quarter EBITDA number was around 22.5% and I think fourth quarter number was almost around 21%. So, there will be almost around 2% and 2.5% anything number in between there will be improvement in the margins second half of the year, this rupee/dollar remain at the current level here.

Unidentified Speaker

And sir, last question from my side, what is the impact of (inaudible) implementation in the quarter and if you could quantify that and you said on anti-malaria sales also being lower. Sir, how much is the growth in anti-malaria and H14.

Unidentified Speaker

This quarter there were two or three bigger impacts were there, one was I think by initially there was Pioglitazone; we have very good business on Pioglitazone and Pioglitazone combination. There was a decline of almost around 4 crore on the business relating to Pioglitazone kind of businesses. So, that is also impacted our overall cardiovascular (inaudible) that is number one impact, which has come business.

As far as an Indian products are concerned within 45 days, we have implemented everything and whatever products were in the inventories they were redressed and we got some kind of inventories back from the market, there was some disruption, but not a significant disruption and some inventories, which we got from the market was again redressed and overall impact of (inaudible) for the whole of the financial year, which we (inaudible) around anything between 25 crores to 27 crores.
So that impact will come gradually because in this quarter it's an only partial impact of that has come. So, gradually that impact is there and as we have talked earlier, we have already utilized that impact because I think we had a similar kind of price rise on the remaining portfolio. This year, there may not be any kind of price growth in the business this year, so that's the one particular impact. As far as anti-malaria is concerned of I will just give the numbers. Overall, as far as antimalarial are concerned this quarter was a very significant fluctuations, as far as July business was concerned it was almost around 56% up, but in August and September there was a significant decline. My August business has declined by almost around 14% and September business has declined by almost around 50%.

So -- and overall antimalarial business has declined in this particular quarter by almost around 40%. So and that impact is almost around a net impact of that increase in July and reduction is almost around 17, 18 crores -- 17.29 crores. So that's the overall decline in antimalarial business.

Normally, if you see the business, contribution-wise, antimalarial contributed almost around, say, 23% contribution comes in the first quarter, almost around 46% domestic antimalarial sales is in the second quarter, third quarter is similar to first quarter, around 22%, and last quarter is only a 9%.

So almost around 69% business of antimalarial happened in the first half of the current year; balance, second half, it is around close to 30% of . So major impact has -- of antimalarial, domestic antimalarial business is in the second quarter of the current where we had the significant decline of around 14% because of the poor business of antimalarial.

Ashish Rathi, Analyst

And, sir, this is despite good monsoons?

Ajit Kumar Jain, Joint Managing Director

It is because -- see, malaria, it happens when -- if it is a continuous rain, then malaria doesn't happen. If there's rain and thereafter sunshine. So that's the thing. So I think if it was a continuous rain kind of thing and -- therefore July month was very good because July we had almost around 56% growth in -- but the season lasted only for around 20 days. And then in August and September there was continuous rain, so there was hardly any malaria in the Indian market. And we had a significant decline in the business in these two months. And overall antimalarial business itself, for the whole of the year has become negative by around 8%, and this quarter itself it has declined by around 14%. That's the one another impact which has come.

And third impact is because of there is a lot of trade non-corporations was going on as far as this quarter was concerned because of the trade margin issues. So that's an issue which has also impacted overall business. But at the end of the quarter, I think, in the September end there was a good buying overall and we have not seen much impact. Of course, this issue still remain unresolved so far and when it will crop up we really don't know.

Ashish Rathi, Analyst

Sir. Yeah, thank you so much.

Operator

Mr. Rajeev -- question. Thank you sir. Next question from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma, Analyst Unidentified Speaker

As far as our borrowings are concerned mostly, let's say, as on 30th of March 2013, overall loans was around 617 crores. And as of September 2013, overall loans is around 676 crores. So there is a small increase in this and this small increase is by and large because of the revaluation of the dollar liability. So, overall loans are more or less at the same level, there is no increase in the loans figures, yeah.

Rahul Sharma, Analyst

Okay. And

Unidentified Speaker

You must have been seen some specific figure because the

Rahul Sharma, Analyst

Probably the

Unidentified Speaker

Financials are classified in the different manner for the loans, which are repayable in the 12 months are classified.

Rahul Sharma, Analyst

As current liabilities, yeah, probably.

Unidentified Speaker

But I'm talking of overall loans. Overall loan (inaudible) around as on March was around 617 crores and as far as the, as on September it is concerned it was 676 crores. So there is a marginal increase and by and large this increases on account of your revaluation of the dollar liabilities in the.

Rahul Sharma, Analyst

Sir, could you give us the exact numbers of Europe, US and your CIS for the quarter and the six months?

Unidentified Speaker

I'll just (inaudible) as far as generic business is concerned they are -- see, Europe business is around 170.91 crores as against 129.66 crores in the first half of the current year. For this particular quarter, it is around 85.5 crores as against 70.84 crores, so Europe business has gone up by around 19%. As far as US-Canada business is concerned, it's around 60.65 crores as against 48.13 crores. So there is an increase of around 26% and overall for first half of the year the US As far as CIS business is concerned, there is a lot of fluctuation because last year in the first half there was very low business because of (inaudible) issues and inventory there has gone down. So around that time first half of the last year, there was a (inaudible) sorry, first quarter of last year, there was only business of around 13.47 crores whereas in this year in the first quarter we had around 31.83 crores. In the second half, second quarter of the last year we had significant shipments because of the inventory depletions, so that figure was around 42.15 crores. As against that, this year we had a normal business of around 35.52 crores. So the CIS business in this quarter as far as your shipment is concerned that is a negative of around 16%, but if you see overall CIS business for the first half of the year as against 55.62 it is around 67.35, so around 21% growth as far as the overall CIS business is concerned.

Unidentified Participant

And Europe was 85.7 crores in the quarter?

Ajit Kumar Jain, Joint Managing Director

85.5 crores in the second quarter as against 70.8 crores, so 19% growth.

Unidentified Participant

And half, you told 170.91 as against 121.91 right sir?

Ajit Kumar Jain, Joint Managing Director

170.95 as against 129.66, so 32% growth.

Unidentified Participant

Okay, sir. Thank you.

Operator

Mr. Sharma if you have some more questions, I request if you can come as a follow-up question.

Rahul Sharma, Analyst

I'll join back in queue. Thank you.

Operator

Thank you, sir. Next question from the line of Ujwal Shah from Axis Securities. Please go ahead.

Ujwal Shah, Analyst Ajit Kumar Jain, Joint Managing Director

Overall, if you see our numbers, ORG numbers, overall, I have this, right now the figures available of progress of -- our business as far as ORG is concerned is growing by around 18.7% up to August, of course, we didn't factor the -- your decline in anti-malarial business almost by 50% (Technical Difficulty). So and our market share as against August last of around 1.27%, it has become 1.39%. So, overall -- and we are among the, our rank is around 24th as against 26th, and overall, as far as ORG is concerned, we are among the top three highest growing company among the top 25 companies as far as ORG is concerned.

As far the MAT number is concerned, ORG up to August it was growing by around 10.34% overall. So as against 10% growth we are growing by almost around 18% growth. Our growth numbers are good as far as ORG numbers are concerned. As far as our guidelines for the second half of the current year is concerned, since we don't have a significant antimalarial business in the second half of the current financial year. And most of our therapies as such are doing very well, because I'll just come to that. Overall, say, our pain portfolio is continuously growing by around 20%. Our CNS portfolio is having similar kind of growth, our derma portfolio is growing by almost around 32%, urology portfolio is growing by around 40%, and our nutritional business is also -- which are in promotion is going by around 15% or so.

And our cardiovascular business in the first half got hit mainly because of Pioglitazone and some kind of this price issues which are there in some of the -- this issue. But, overall, we see that around, as far as because of the high growth which are happening in the major therapy areas, we see that overall we should be growing around 15% as far as domestic market is concerned in the second half of the year. And we see that -- I think, overall industry growth would remain at by around -- at around 10% or so, 10% or 11%. We don't see much of a revival as far as domestic business is concerned currently.

Unidentified Speaker

Okay, sir. And sorry for repeating the question, but can you just give me second quarter's CIS, Russia numbers again sir, I just missed it.

Ajit Kumar Jain, Joint Managing Director

Yeah, I'll just give. Last year, we had around 42.15 crore business because of -- lot of shipment of first quarter went in the second quarter because of that issue around that time.

Unidentified Speaker

Right, sir.

Ajit Kumar Jain, Joint Managing Director

This year, it's around 35.52. So this business is 35.52 as against 42.15. So there is a decline of around 16%. Overall, for the first half of the year, the business is around -- shipment around 67.35 as against 55.62, so 21%.
Okay, sir. And, sir, lastly, when can we see our Indore SEZ checking our revenue, what is the stand over there, how things are proceeding over -- as we have got the approvals now in place, so how are things placed there?

Ajit Kumar Jain, Joint Managing Director

We will start shipment in the last quarter of the current financial year from that facility. and other activities are currently going on.

Unidentified Speaker

Okay, sir. Fine. Thanks a lot. Thanks a lot for the time.

Operator

Thank you. Next question from the line of Nimish Mehta from Research Delta. Please go ahead.

Nimish Mehta, Analyst

Yeah, sir. Thanks for taking my question. Sir, once again if you can --.

Operator

Sorry to interrupt you Mr. Mehta, if you can just low your volume, because we are getting an echo from your line.

Nimish Mehta, Analyst

Okay, just hold on please. Can you hear me now?

Operator

Yes, sir.

Nimish Mehta, Analyst

Yeah, if you can just re-explain the decline in the material cost, you mentioned that it was because of the change in the INR. So what I'm trying to understand that, now that you would have the import as well as export more or less at the same rate, what is the kind of gross margin that we can expect or we can continue to expect this 2, 3% improvement going forward as well?

Ajit Kumar Jain, Joint Managing Director

All I have already explained that, let's say, our material contain is almost around 40% is import material contain. And if we factor that if it's at the same rate then there is an impact of around 2% on there.
So improvement is not only on account of your exchange itself where the product mix also play a large part of the role and your, say, let's say, in this particular quarter our domestic antimalarial business has not done that well and since there is a decline and that business is also of a much lower margins. So your higher margin businesses are higher, so that also gives you the higher EBITDA margins overall.

Nimish Mehta, Analyst

Okay. Fair enough. And, second, can you throw some light on the domestic trade margin issue that you mentioned. I mean, a lot of companies have actually increased the trade margins. So what is the outlook there? How are we likely to face the issue?

Ajit Kumar Jain, Joint Managing Director

As far as -- a lot of companies have already succumbed to the IOCD pressure and they have given. But as far as your OPPI memberships are concerned I think none of the companies have so far given any letter to the trade on that.

As far as the IPA, which we are the members, except Torrent which has -- because their sales was I think banned for one and a half month and also they have given some kind of ad hoc [ph] some discounts in their business and yesterday we got some letters which are from our, I think, we got the copies of the letters which are signed by Torrent -- not Torrent, sorry, it's Ranbaxy as well as is concerned and they have given some kind of, say, 2% incentive to the wholesales and -- not as a trade discount but as an incentive to be allotted. And I think as far as retailer is concerned they have given one upon 16, that 16 unit for the product which has come new in the NLEM list they will give one unit as a bonus.

I think this is maybe a thinking after the meeting which they had in, I think, committee meeting which has happened, group of ministers meeting at Delhi on, may be on 4th of this month and after that ministry with -- meeting with Secretaries and others where it was clearly told that if you increase the discounts above your level then your (Technical Difficulty) will decline and that will become the basis for the fixation of the new prices whenever the government revise the prices, because your, the price to retailers will decline and that will be the price which we fix up for the average.

So I think these companies have taken a stand to give a separate incentive and others, but we are yet to get the IPA view. So so far -- as far as our company is concerned we have not taken a view still that we will be -- so after we speak with the IPA and other members of IPA maybe that we may have to work out what is most appropriate for us to work out. But, yes, Ranbaxy and Lupin have given the letters and they are one of the major member of IPA and member Torrent has already given that.

So some kind of working may be required to be done now.

Unidentified Participant

I see, okay. And finally if you can just comment on the US outlook for the next year, that will be great. Hello?

Ajit Kumar Jain, Joint Managing Director

US outlook, because now the SEZ Indore is -- will be operational and we should start shipment in the last quarter of the current financial year, overall we see a business of almost 80 to 100 crore in the -- increase of the business in there. And depending on the more number of ANDA approvals, the business will further increase.
How many ANDAs are we expecting to be launching in the next year?

Ajit Kumar Jain, Joint Managing Director

From this facility we have around three approvals here. And we expect almost around six, seven approvals should be approved in the next financial year from those products which we have filed, because current filing is almost around 36 now and almost around 20 approvals are expected and most of the filings have happened from this facility only. So hopefully the approvals will increase and this will help us to increase our business to US from this facility.

Unidentified Participant

Okay, okay. One last question if I can squeeze in. The Forex loss that we have mentioned below the EBITDA line is largely translational, right? I mean it is non-cash?

Ajit Kumar Jain, Joint Managing Director

No, I'll give the break up for that. It's not everything is not translational, there are some losses also. I'll give you the break up. One minute.

Unidentified Participant

Sure. Hello?

Ajit Kumar Jain, Joint Managing Director

One minute, one minute.

Unidentified Participant

Yeah, sorry.

Unidentified Speaker

Overall, I think we had around INR1 crore loss on account of the transaction kind of thing and there is a provision of around 20 crore on account of your exchange -- future provisions on account of your liabilities, your revaluation of their current assets and liabilities in the books. So that's the whole -- so overall there is on trade transaction side, there will be loss of around 21.81 crores provided, which includes, say, the realized loss of around 1.24 crores in the first half of the current year. Unrealized loss which is provided around 20.57 including the loss on account of the forward contracts and higher realization which will open .

So overall on trade account there will be -- the loss provided 21.81 crores.

On account of loans the realized loss is around 16.85 crores and unrealized loss on account of the loans which are there in books is 49.21 crores.

Operator

Sir, Mr. Mehta got disconnected. We'll take the next question from the line of Bino Pathiparampil [ph] from IIFL. Please go ahead.

Unidentified Participant

Hi. Couple of quick questions. In the domestic market we saw this weak growth.

Ajit Kumar Jain, Joint Managing Director

Yeah.

Unidentified Participant

How much of that is attributable to this malaria and Pioglitazone and how much of it is attributable to the trade margin issue?

Ajit Kumar Jain, Joint Managing Director

That's -- I already said that we have a decline on Pioglitazone businesses of almost around 4 crore in the first half of the current year. So Pioglitazone business is limited to around 4 crores.

As far as the antimalarials are concerned, hope you see the absolute number which I already given, I'll once again give that breakup to you. One minute.

If you see the numbers of the -- I'll give the overall numbers which was -- there is a 17.29 crore decline in the antimalarial business in the second quarter of the current financial year. So we had overall business of almost around, Q2 business of last financial year of 55.76 crores as against this Q2 business -- sorry -- Q2 business last year was around 64.75 crore as against this year it's around 55.76 crore, so there is a decline of almost around 17 crore, yeah.

Unidentified Speaker

Okay, okay. So are your products also being, not being taken up by trade sale, the -- products?

Unidentified Speaker

Yeah, that disturbance was there, but -- initially it was in Tamil Nadu then started in West Bengal then some time Karnataka. I think Gujarat was the last state where there was no buying happening up to mid of the September, but end September, Gujarat also started buying.

Maharashtra, I think, they started buying in the -- end of August they started buying -- most, I think, at Tamil Nadu, Kerala -- your -- Kerala also started somewhere in the August end, so except your Gujarat, Gujarat went up to September end, but otherwise almost all states have started buying, but -- was limited because they didn't wanted to have the largest -- because FDAs in various has started going and -- started asking the traders -- wholesalers and -

Unidentified Speaker

Right, right. So now at what margin are you selling? the old margins or new -- some new margins?

Unidentified Speaker

We have not increased so far the margins.

Unidentified Speaker

Okay. Right.

Unidentified Speaker

We are continuing to selling at low margin, but as I said that -- so far no development has happened, but as far as IPA is concerned because IPA and -- would have almost around 70% of the business of Indian market. IPA now says since Ranbaxy and Lupin has given some kind of letters, so probably -- and another company Torrent, so three companies out of IPA has given those kind of letter. So may be -- something others will also have to work out, yeah.

Unidentified Speaker

Right, right. Good. And finally on this institutional anti-malarial business, your earlier guidance was 450 crores.

Unidentified Speaker

Yeah, that will remain same because --

Unidentified Speaker

But rupee has depreciated by 13% after that so will we see that going up by 13%?

Unidentified Speaker

when we talked, around that time may be at the beginning of the year our -- was almost around 450 -- prices average has come around 350 level, so there is a significant change in -- prices -- so similar way, there is a -- there the pricing of the products have also changed in the market because lot of those get pass down in the market, so the prices is also decline, so even after the price decline also we will be able to do around 450 crores that we head and this is in the background that because say, we will doing a significant part of business also with US donations. And this year in the first half of the October because -- has renewed the consign to the US government to buy from others, because the second large in force. So, this year they are not given consign so as against almost around $14 million business what we did in the last year from the US donation, this year in first half we are not done any business with US donation.

In spite of that our business is go down, overall we see that we will be able to achieve around $400 [ph] position is very good, in fact one of the 40 crore shipment could not grow otherwise the business growth would have been very good in

Operator

Mr.-- some more questions requested to come as a follow-up sir.

Unidentified Participant

Sure. Thank you.

Operator

Thank you. Next question from the line of Anmol Janjua from GM Financial. Please go ahead.

Anmol Janjua, Analyst

Yeah, hi. Most of my questions has been answered but just a couple, see one is on the malarial season panning out, we -- than expected, see but we saw much sharper decline as a boost to the market would that we correct to understand? Primarily because of the stockiest issue?

Unidentified Speaker

As far as, we are concerned we had, if you other than the Anti-Malarial business we have done very well as for as the -even in second quarter is concerned compared to the market. So, if Anti-Malarial business would have been good, that only we're growth would have been very, very, very good and compared to the market and continuously we are beating the market growth so there is no reason why we should not have at higher kind of growth, so only Anti-Malarial which have impacted largely at apart from other issues like -- and great issues that slightly was dominating in this particular quarter.

Anmol Janjua, Analyst

Right. And is that -- to the competitive in term setting this --?

Unidentified Speaker

As for as we are concerned and we're not lost the market share.

Anmol Janjua, Analyst

Okay.

Unidentified Speaker Anmol Janjua, Analyst

Okay and my second question was, what explain the sharper growth in API's this quarter?

Unidentified Speaker

Overall in the first half, I think first quarter also we had a significant growth in API and in this quarter we have good growth, it mainly because let say lot of capacities were bid by looking at our US business and because of the (inaudible) and since the US business could not start [ph] lot of our materials we could develop the API business also. But by and large the API business is not our focus and we don't see a large growth to come from API. The growth in API would remain around 10% or so once the US business starts in full pace.

Unidentified Participant

Okay, in the last conference call you had said that you're still in dialog with the government to take further price hikes, you know--.

Unidentified Speaker

On two products we already got the price hikes from the government -- that has also neutralized some of the impact of final year, which was in our main (inaudible) one product there was an increase of around 8% and other product there was increase of around 19% from the (inaudible) and we had two review pending at ministry level and hopefully both decisions would come in the next month. So there will be some more price rise on those kinds of products because according to us they have not given the right price (inaudible) not given us right price.

So we have represented and reviews are pending. Hopefully that decision would come in the month of November or so.

Unidentified Participant

Great and my last question, but given the first half is gone and you've navigated a couple of issues very well, given the malaria and the tender [ph] business, which got postponed, you're already at (inaudible) first half growth. Are we still comfortable with that -- of 16% or?

Unidentified Speaker

We really have overall growth of around 20% plus in the fall of the financial year. Because our domestic business in the second half will grow at around 15% or so and export business, generics momentum is very good, institutional business we see no reason why we'll not be able to achieve our guidelines. We are very confident on that and API business maybe it will be around 10 to 12% kind of growth in the second half of the year because in the first half there is also impact of higher buying by US because of -- no not US, European buyers because there was some issue relating -- some regulatory issues there that whether Indian government will be able to issue them the certificates of and based on that some kind of that issue was there.

So European manufactures (inaudible) extra quantity so those kinds of issues will get a reply. So I think we don't see a large growth coming in as far as API is concerned in the second half.
So just to sum up your outlook, I am sorry (inaudible) so as opposed to 16-17% our expecting last year for the full year on top line, we now expect 20% and we will be safe to assume that around 200 (inaudible) margin boost

Unidentified Speaker

Correct.

Unidentified Speaker

Yeah.

Unidentified Speaker

Yeah. Thank you that's

Unidentified Speaker

Okay.

Operator

Next question from the line of Mr. Krishna Prasad from Kotak Securities. Please go ahead.

Krishna Prasad, Analyst

Yeah. Hi. Sir, just first question on the 505(b)(2) project just give us update on what's happening there?

Unidentified Speaker

That project is perfectly on track, but right now the clinical trials are happening and at the same time now those finding studies are complete so, now we are -- the product on the correct dose. We will be -- that formulation development on that dose is happening right now. So, all these clinical trials are happening and once those development (inaudible) thereafter the filings would happens. So, hopefully it is earnibility from now almost around 15 months or so that the final Indian filing kind of (inaudible).

Krishna Prasad, Analyst

So you think 15 months for the filing from here.

Unidentified Speaker

Yeah.
Okay. Good and you have indicated 10 month review cycle.

Unidentified Speaker

Yeah. I didn't get you yeah?

Krishna Prasad, Analyst

And you have indicated 10 month review cycle earlier right for the 505(b)(2) file.

Unidentified Speaker

Basically, everything is going on on track so because those finding studies has come now so developmental formulations where you need to give 6 month stability and all of the data --. Formulation developmental can happen only after those finding studies are over because earlier we have given the some kind of formulations and of various dosages unless these studies are done and study (inaudible) with expectations there are no surprises there.

Krishna Prasad, Analyst

Sure sir. Can you just the second question on the currency impact say if you look at the current quarter I mean operationally I think because they were domestic (inaudible) currency are sales growth actually looks a bit weak and you have indicated about 200 bps impact at the EBITDA level due to currency. Now for what explains even if I take out the 200 bps you would have still earned[ph] about almost close to 25% EBITDA margin. So what would explain this higher EBITDA margin for the current quarter I mean given that the operational line the performance actually being weaker compared to whether YoY or the last quarter?

Unidentified Speaker

If you see the overall currency realization side lets say as far as the current financial year in the first half is concerned I think was closed around 55 rupee-dollar what we have realizing in the exact number is around 54.71 what we have realizing last financial year. This year in the first half the realization is there is around 59.28, so there is an 8% increase in this realization as far as 5% increase. So these are the major two currencies where the overall billing takes place. As far as the, your institutional business everything is not getting reflected because there is similar way because, their raw material prices has come down so prices of the product has also come down. So entire -- in the because of currency it is not that same will reflect because the prices come down. But as far as this quarter is concerned, we see that currency rates, the overall increase is around 13% in the first, second quarter our regulation was around 54.98 as again this year the sector, the second quarter relation is around 62.31, -- 11% kind of overall increase in the realization.

Unidentified Participant

Sir I got that point sir. So, I think you had mentioned that

Unidentified Speaker

That around the sales, you're overall currency the impact on the sector, overall in the first half of the year is around say 5%. But at the same time, on the large -- of business of institutional there is also the price declined. So, that's the impact so that is the, -- your margins are concerned what we already talk that this would around 2% if the impact on account of the inventory. Because you had a higher realization at the same time you're consuming the inventories which are at the lower level, so that's around 2% kind of impact is there, rest is all is the product mix change and our relation because of dollar rupee. So, that's the overall impact and that the reason the overall margins have moved down.

Unidentified Participant

So, you're seeing 200 bps was just the impact of the inventory?

Unidentified Speaker

That's on inventory, but if we see the number let say almost close to around 40% is the import contents in your consumption. So, if you and because this year were rates are higher so even if take -- 45% in port content, so my overall consumption is around 283 crores in this. So, if you take 45% of that, it becomes almost around 128 crore and 13% currency impact on that becomes around 17 crore, is there inventory impact. So, that if you had to 283 crore the material cost ratio become 35.5 as against 33.5 that's overall number calculation it's not, it's just an overall number calculation, so 2% is the inventory impact for that we are consumption of the materials/

Unidentified Participant

Sir, finally what is our losses that are setting in the hedge resource?

Unidentified Speaker

But there are lot of other cost also which happens like -- material normally say the some kind of impact some said that because of the -- last of the sales one or two months is you see aluminium foil cost has almost moved up by around 10.5%, our patent cost has moved up by around 7%. Your season polymers which are used for SDT[ph] bottle has moved up by around 18%. PAT bottle cost has moved up by around 9%. Your PVC and PVDC which are used for blister foils, PVDC rates are moved up by around 13%, PVC rate has moved up by around 20%. So and we are, you use lot of Shippax[ph] where the craft paper are used. Craft paper rates has moved up so that, net rate has moved up by around 8%.

Then most of the packing material there is a lagging effect around 10%. But normally you have around -- two months to three months ordering cycle. So those procurement happen at --. In the second half of the year when the procurement happens restructurement would happen at a higher price because the already these rates are moved up.

So these impacts are there but when you are consuming that currently the inventory -- or the incoming materials or packing materials charge there because we have orders already in hand which and even those traders or manufacturers they also have inventory in hand.

So normally you give, they supply you the material at the same rate and subsequent orders though there is a higher rate. So some kind of those lagging effect will also come up further and that's why after calculating all that we are given the guidelines that around 2% will be the improvements in the margins overall for the second half of the year.

Operator

Mr. -- just one more question.
Yeah, just -- just one final question sir. How much is the losses that we have in the hedge reserve currently?

Unidentified Speaker

It's around, around 20 crore.

Unidentified Participant

Okay. Thank you sir. That's it from my side.

Operator

Thank you. Next question from the line of Mayank Hyanki from Birla Sun Life Asset Management Company. Please go ahead.

Mayank Hyanki, Analyst

Hi, sir. I would just like to know your CapEx plans for current year and annual CapEx for next two, three years?

Unidentified Speaker

Overall business change as far as the CapEx plan is concerned for the year, current financial year likely to be around a 300 crore to

325 crore . And I think CapEx plan for next two years also would remain in the similar line because we would be expanding our -- the facility. We'll be tripling the capacities so by incremental investment. So that investments are not going to be more than 70, 80 crore but that will be the -- that would be the requirement. I think there are -- lot of bottlenecks are there as far as our storage capacity is concerned for --. We'll be building a new warehouse there so maybe around 20, 25 crore that's the additional CapEx other than what we have talked earlier. So--

Mayank Hyanki, Analyst

So of the 1000 of crore--

Unidentified Speaker

All CapEx are like to be in the region of around 300 to 325.

Mayank Hyanki, Analyst

So of the total 1000 crores which is spending over the next three years would almost half of it will go towards formulation capacities for develop markets?

Unidentified Speaker

It is major CapEx would go for the formulation capacities only as far as the, because we will also be setting up the -facilities that has to get in the next year so that's another line on which they're currently working as far as the, we are already say our -- plans for now hormones is ready. So, now we will start the development of formulations on hormone, so may be at the -- time we will requiring the, for the hormone formulations will be requiring may be down the line may be around one and half year from now so we will be setting up those kind of capacities also. Project plan on that is yet to be formed up but right now, we are willing API and then we will be forward integrating that into formulations on hormones.

Unidentified Participant

So when did you begin with ophthalmic and hormones filing for US?

Unidentified Speaker

No we are not begin so far, that's why, we will be setting our project in our next financial year.

Unidentified Participant

Okay on the research activities side, if you could just give R&D spend for the quarter and your run-rate which you assume would come in this year or next year and the filings rate basically, how many US and year filing and what kind of filings are you doing in the next one, two years?

Unidentified Speaker

Currently the last financial year, we had a spending of around 39.29 crores which is the revenue of expenditure on R&D up to September 12. This year we've spent around 57.16 crore there is increase of almost around 45% as far as the revenue expenditure in R&D is concerned. More or less I think in the second half of the year also there will be similar kind of spending as for as the R&D is concerned.

As far as billing is concerned in the second quarter of the current year, we have already I think had a four -- as for as US is concerned and as far as the -- is concerned, again we had a four volume. So as for as Y-to-D -- we are around 51 and Y-to-D basis -- overall filing is around 36 as for as the US is concerned.

Currently the filing rate is around say 10 to 12, which we are now in -- to form like the plan to have a separate the diabetes facility at right now, we're facing a constraint as for the -- concerned and at Indore we are setting up the separate facility for -- which will take around one year from now, thereafter we are increasing the filing rate some 12 to 18, so, that's what we are currently working so.

Current filing would till the time that -- facility become operational It will be around 10 to 12 and thereafter it will become around 18 to 24 kind of that's what the facility we are developing right now.

Unidentified Speaker

And formerly the -- our guidance for U.S. business is from current $35, $40 billion to $100 million by FY '16 right?

Unidentified Speaker

We have said, I think, -- that in current year only the -- at the end of the year the business would start and next year we should doing almost around 80 to 100 crore additional business. Day after it all depends on when we get approvals, but

Unidentified Speaker

-- sir. Thanks a lot and all the best. Thank you.

Unidentified Speaker

Yeah.

Operator

Thank you. Next question from the line of Nitin Gosar from Religare Asset Management Company. Please go ahead.

Nitin Gosar, Analyst

Yeah. Good afternoon sir.

Unidentified Speaker

Yeah, good afternoon.

Nitin Gosar, Analyst

Just wanted to understand this Pioglitazone issue, has it got resolved or it's still open and --

Unidentified Speaker

Now it's resolved -- whatever stocks you had we were to put additional leaflets in that. Now we have changed the packaging that each unit will have a -- like leaflet is inserted whatever has -- government has given guideline. So those issues are resolved, but what we are seeing at the market place is that now that Pioglitazone related formulation business is not picking up. There are a lot of apprehensions this controversy has already created in the mind doctors so more of other products like -- and all, these products are moving faster compared to Pioglitazone and those combinations. So some kind of impact of that will continue to remain.

Nitin Gosar, Analyst

Okay. And on -- there was one synthetic anti-malarial approval from one of the Indian -- what should take on it, how is it -- your product?

Unidentified Speaker

Our products are all artemisinin -- they have launched as -- synthetic artemisinin and its combination with, I think, -- so that product has not picked up that great, but it has done around 10 crore 12 crore kind of business, so it's not a significant compared to the overall -- market.

Okay. But the -- over a period of five year or 10 year what's going to be the future? Synthetic -- still the one --

Unidentified Speaker

-- we will continue to rule because there are hardly any kind of alternate to artemisinin available in the market --.

Nitin Gosar, Analyst

Okay. And just one last question, keeping in mind current quarter we -- lesser anti-malarial -- business or institution business, which is supposed to be higher EBITDA margin as compared to our -- margin, do we see going forward anti-malarial business to report superior EBITDA margin keeping in mind the raw material is low and even the dollar is in your favor.

Unidentified Speaker

But there are some kind of the price reduction also at the market place because you can't retain everything because there's also a overall an expectational business. So whatever price decline is there which are that to normally get passed on. But there is a time-like between the passing on and because what orders you have in hand they get supplied at the same kind rate.

Unidentified Participant

So over a period of six--

Unidentified Speaker

-- this seems to be a good margins and the good margin will continue to remain above the company EBITDA margins because we are highly backward integrated on that, on these kind of production. Lot of process improvement also keeps on happening like to say recently we have a lot of API improvements which we have already got -- the WHO approved. And that is also giving us some kind of increase in the margins on -- on your formulation business because the new process has much higher yields.

Unidentified Participant

Yeah. Okay, okay. Right, sir. Thank you and all the best.

Unidentified Speaker

Thank you.

Operator

Thank you. Next question from the line of Koushik Pal from Kotak Mutual Fund. Please go ahead.
Yeah, hi. Just, I'm not so -- missed answer earlier, you still would expect to do about 500 crores of antimalarial business on a full year business right, sir?

Unidentified Speaker

Overall sales for around say their antimalarial institutional business will be almost around 450 crore or so.

Koushik Pal, Analyst

Okay.

Unidentified Speaker

That will be perfectly as far as our guidelines is concerned and that we will achieve that. But overall the company has the whole antimalarial business definitely will be.

Koushik Pal, Analyst

No, no I was actually talking about the tender business part.

Unidentified Speaker

So that will be around 450 crores or so.

Koushik Pal, Analyst

Okay. Okay. And you also mentioned that first half for US funded business was close to being negligible, is there clear visibility that second half this is normalizing?

Unidentified Speaker

There is a second -- and now what has not renewed the concern to US government to procure from others. And therefore up to October they could not procure in current from the any other generic producers. Since that's patented now expired, getting expired so hopefully we'll start getting business again from the US based donation[ph]. So that will be -- there will be of course some kind of timeline within there but we will start because we were already doing good business. And the -- are given concern to the US government to procure from others also. We will start getting some part, some part of that business again.

Koushik Pal, Analyst

Okay. And I think in the -- market -- prices have started coming down so obviously are we able to keep on our absolute profit basis we are able to make similar kind of money on a like-to-like topline? As then let say I mean-There is some improvement in margin because of process improvement.

Koushik Pal, Analyst

Right.

Unidentified Speaker

But the pricing decline on point of -- that is passed on

Unidentified Participant

Okay, okay. And finally you know now that you know the new plant in US is -- running and start you have visible to -that's about taking the business toward $200 million, can you share what steps have been taken in the company to strengthen R&D for the line beyond this 200 million and you know may be three four year?

Unidentified Speaker

We have already start that -- that we are in trained to ophthalmic we will be shutting up next year the plant, as far as hormone business is concerned, we have setup facilities or -- now we will be developing the once that commercial -start, we will be developing the formulations and maybe we will take around two, three years time before we come in formulations and approvals and all but -- certainly setting up those kind of facility because the newer area on which company will it be entering, as for as the fermentations are concerned.

We have around five, six candidates which are right now there at R&D level which process administration and good yields are happened now we will be setting up, a five year facilities and when we will be taking up this fermentation product further for plan set up.

So, next year those kind of activities -- at various kind of those issues we are looking at into as far as the expanding the businesses are concerned. As for R&D facilities are concerned, there are current constraints are there so which we are resolving as far as the -- facilities other for concern. We are setting up a again an R&D facility at -- so that we can expect more API side kind of developments and others, as far as Bombay is concerned, where we have formulation R&D, we are practically doubling the space allocation to R&D here in Bombay to recruit more growth standard about the more development activity can happen here.

So, lot of those kind of activities are in pipeline as far as R&D.

Unidentified Participant

Okay, okay thank you sir.

Unidentified Speaker

Thank you.

Operator Unidentified Participant

Hello.

Unidentified Speaker

Hello.

Unidentified Participant

Yeah sir, I have a question regarding the new Indore -- that expansion that we talking about, you have said we have setting up another line for I just missed on that, there was a disturbance in the line. Is could -- that?

Unidentified Speaker

Basically it's the expansion of the same facility because all other infrastructures are available, this more realization and compressions in -- area -- so its incremental investments are not very large but -- increase will be significant as far as the involvement. Those provisions when we set up the facility work at, so now we will be doing some kind of -- work as the business will normally you don't incur all the CapEx to start with, it doesn't make sense as the business increase you should be able to expand the facility and, so we're seeing a good business so we're now looking at a (inaudible) capacity to increase now with the lesser amount of incremental expenditure.

Unidentified Participant

Sir, so the 300 to 325 crore of CapEx that we talking of that would include how much to (inaudible) what will be the rest be?

Unidentified Speaker

Indoor will be almost around 70 to 75 crores, next year on capacity expansion, (inaudible) civil work has always started, so current year it will be around 17 to 18 crore kind of civil work, but most expenditures would happen in next year.

Unidentified Participant

Okay, Sir, thank you so much.

Unidentified Speaker

Yeah.

Operator

Thank you. Next question from the line of (inaudible) securities. Please go ahead.

Unidentified Participant

Just one question on how much of these outstanding hedges we have.

Unidentified Speaker

About $70 million. Yeah.

Unidentified Participant

And at what shape.

Unidentified Speaker

Current year, current financial year about $20 million and next financial year about 50 million. Current year the rate is around 58, next year it is around 63.

Unidentified Participant

So, one more question regarding this institutional (inaudible) business. Do you have some outlook for this (inaudible) current year we're estimating some?

Unidentified Speaker

Yeah the guidance what we're given is current year we will be doing anywhere between 440 to 460 crore, we maintain that guideline. And next year what we're targeting is about 500 crore and a year after that about 600 crores by that time we should be having our (inaudible).

And by 2018 march our guidance is around 800 crore business, so practically they are doubling this institutional business from last year 400 crore to 800 crore by March 2018.

Unidentified Participant

Thank you. That's all.

Unidentified Speaker

Yeah, Yeah.

Operator

Thank you. Next Question from the line of (inaudible). Please go ahead.

Unidentified Participant Unidentified Speaker

Madam out of company margin of around 23% formulation business should be contribution about 25-26% margin and API business domestic plus exports put together may be around 12-13% EBITDA margin.

Unidentified Participant

Okay. Sir weather we earlier sir that is the H1 FY'13.

Unidentified Speaker

More or less same figure I am talking know. This current financial year our EBITDA margin is about 24% for first half.

Unidentified Participant

Yeah, and once again if you could repeat this Forex loss of 87.87 crore?

Unidentified Speaker

No, that we are not including in EBITDA calculation.

Unidentified Participant

No, no not in EBITDA sir, I just wanted to ask what is the business last year and how much used for the loan?

Unidentified Speaker

Loans what is incurred is about 1 crore and what is provided is about 20 crore, rest are all pertaining to loan liabilities here.

Unidentified Participant

Okay, okay thank you. Thank you that's all from my side.

Operator

Thank you. Next question from the line Ranvir Singh from Sharekhan. please go ahead.

Ranvir Singh, Analyst

Yeah, thanks for taking my question. Most of questions were answered. Just one thing, I see in balance sheet investment has gone up significantly, so this is on what account?
What had gone up?

Ranvir Singh, Analyst

Investment.

Unidentified Speaker

No, that is actually temporary surplus funds we have invested in mutual fund.

Ranvir Singh, Analyst

Is it true dricables[ph] has also gone up around 46% or around 190 crore from March level. So, is this of the trend out of this is some unusual type of increment?

Unidentified Speaker

On that basically there was changes (inaudible) this some kind of stiff business. WHO assets gone shifted from South Africa to some other place and the payment got stuck out almost around 60-70 crore was on that account. And others are around 60-70 crore is at lower sales of the bills to the bank. So this is a major impact of that, but we don't see that was going up significantly as far as (inaudible) only a temporarily because of that normally an institutional domain, they are not much related to one particular prevent gone delayed significantly.

Ranvir Singh, Analyst

Okay, okay that's all from my side. Thank you.

Operator

Thank you. Next question from the line of krishnan shah from Quant[ph] mutual fund. Please go ahead.

krishnan shah, Analyst

Yeah, I just have a couple of questions. Whether institution business (inaudible) bit more, we had 440 crores of business with two products we (inaudible) 90% of the revenue. Since I don't understand the risk of it, is it like anti drugs[ph] or some other injectable drugs. If, did the plant from where you are producing has a problem, can you shift production to some other plant or it's-- what is the procedure or special approval is required. Could you please elaborate on that, please?

Unidentified Speaker

(inaudible) approvals at other place also, so it's only about we need to set up the line for this because this was mostly automated packing.
Right.

Unidentified Speaker

You need, what you need is a most kind of equipments.

krishnan shah, Analyst

Okay.

Unidentified Speaker

Leasing this product also particularly I think you require some kind of machines, where there are some and all other are there. Some kind of special machines are required.

krishnan shah, Analyst

Right.

Unidentified Speaker

With the provision of those machines you can produce at other places also we have WHA approvals for other plans also.

Unidentified Participant

So the other one can be shifted to any other (inaudible) or any

Unidentified Speaker

We can shifted to your (inaudible) we can shifted tools

Unidentified Participant

so it's problem than those transfer delay and all that for that

Unidentified Speaker

No. We have the planned approval course you need to develop the, we are, we need to take the some kind of (inaudible) they are on

Unidentified Speaker Unidentified Speaker

Yeah. I (inaudible) regulated product.

Unidentified Participant

So it will take some time to (inaudible) also, that's itself so, two years one year, that's the time period, period of time it could be.

Unidentified Speaker

It's about six months. Not even one year.

Unidentified Participant

Okay. Next question on just from the U.S side, one year, how many products deal have rate of selling in the, what do you called in the market rate now.

Unidentified Speaker

We have applied for 36 ANDA, out of its 16 are approved and we are currently selling about nine products.

Unidentified Participant

So will after this quarter 110 crores of loss, loss H1 for (inaudible)

Unidentified Speaker

Everything is from that 8, 9 products. That is correct.

Unidentified Participant

So is there been a price increase by the partners in the U.S

Unidentified Speaker

No, no. That is the volume increase and product mix also okay. Because every product is not same value.

Unidentified Participant

Right. So it's basically okay for volume and That's whatever currency benefit have also come. You are talking in rupee figure.

Unidentified Participant

Okay. That's (inaudible) was explaining it right.

Unidentified Speaker

Yeah.

Unidentified Participant

And one more thing on the stage of the filing which we have in the U.S. So how older the filings which we have right now?

Unidentified Speaker

The oldest one may be two and half year old that is the outstanding today for approval.

Unidentified Participant

And the latest would be

Unidentified Speaker

___ just filed maybe, this month also we have filed one.

Unidentified Participant

And so let's it the two year old or how many numbers would be the

Unidentified Speaker

out of this 20 maybe six, seven are more than two year old.

Unidentified Participant

six, seven are two year old. Okay thank you. That's it from my side.

Operator

Thank you. Ladies and gentlemen, we are going to take the last question from the line of Manoj Garg from Merill Lynch[ph]. Please go ahead.
Hello _-.

Manoj Garg

Yeah. Thanks for taking question. ___ like to understand the what's the transitivity __ to the margin with every 1% depreciation for __ rupee.

Unidentified Speaker

So far that is the really conclusions we have not done it. __ kind of invest maybe we will do the calculation and coo e back to you.

Manoj Garg

Okay. So _____ rupee remains __ rate, it is even the next year. Then are we maintaining this 24% kind of operating margins added or we still comes operating base further will have further margin expansion.

Unidentified Speaker

Margin depends on one is of course currency and another is product mix change these two,

Manoj Garg

Right.

Unidentified Speaker

These things impact the margin. Is lower (inaudible) lower margin businesses are higher than margin -- little come down as we have talk that in this quarter they are highly we are (inaudible) malaria businesses come down which is having a lower market. But currently we see that US current rupee dollar remains and they will be definitely at improvement in margin by around 2% by India.

Unidentified Participant

Okay. This last question on the with regard to now since you know we are seeing of late -- no but we in terms of revenue [ph] inspection so one in later (inaudible) and have they had indicated tax in our policy will go ahead with, you know surprise kind vigils also. Just would like to how industries preparing the internal how we are preparing yourself in particular to avoid such kind of accidents.

Unidentified Speaker

Basically a cultural issues which is there I think and industry is really worried and everybody is taking actions and we are also equally and ever more proactive [ph] at the aspire these issues are component continuously addressing drowning [ph] and de-drowning [ph] and developing peoples. That's the most important part of the full exercise.
Those kinds of checks and rechecks are also built up in the system.

Unidentified Participant

Okay. And that's also make it all there, if this one stay like you said that you are now looking towards the increment area [ph] incomes of that with regards to Harmon's with regard to (inaudible). So which are the other area where we are messing there maybe next three to five years kind of growth visibilities.

Unidentified Speaker

That in order to fermentation [ph] of I only talked about.

Unidentified Participant

Okay sir that's in the fermentation [ph] is actually means it biology or (inaudible) are you talking about.

Unidentified Speaker

No not biology. Bio (inaudible) is okay. Setting up the R&D labs now here in (inaudible) that's because of (inaudible).

Unidentified Participant

Sir I wish you all the best. Thank you very much sir.

Unidentified Speaker

Thank you.

Operator

Thank you. I would now to hand over the floor back to Mr. Nithin Agarwal for closing comments. Thank you.

Nitin Agarwal, Analyst

Mr. Jain you want to add any last comments or shall we just close the call.

Ajit Kumar Jain, Joint Managing Director

You can close the call now (inaudible) replied everything there.

Nitin Agarwal, Analyst Operator

Thank you. On behalf of IDFC Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.