"Neuland Laboratories Limited Q1 FY18 Earnings Call"

September 11, 2017

MANAGEMENT: **MR. SUCHETH RAO - VICE CHAIRMAN & CEO, NEULAND LABORATORIES LIMITED**
MR. SAHARSH RAO - JOINT MANAGING DIRECTOR, NEULAND LABORATORIES LIMITED
MR. KUMAR GUPTA - AVP (FINANCE), NEULAND LABORATORIES LIMITED
MS. SARADA BHAMIDIPATI - COMPANY SECRETARY, NEULAND LABORATORIES LIMITED

Moderator: Good day, ladies and gentlemen and a very warm welcome to the Neuland Laboratories Limited Q1 FY18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, sir.

Diwakar Pingle: Thanks, Ali. Welcome and thanks joining the Q1 FY18 earnings call of Neuland Laboratories. Please note that we have emailed out the press release to everyone and you can also see the results on the website as well as the stock exchange. To take us through the results of this quarter and answer your questions, we have with us from the management Mr. Sucheth Rao, Vice Chairman and CEO; Mr. Saharsh Rao, Joint Managing Director; Mr. Kumar Gupta, AVP Finance and Ms. Sarada Bhamidipati who is the Company Secretary. We will be starting this call with the brief overview by Saharsh on the performance of the company, which will then be followed by Q&A session.

I would like to remind everyone that everything said on this call which reflects any outlook for the future or which can be construed as a forward looking statement must be viewed in conjunction with the uncertainties and risks that we face. These risks are unpredictable but are not limited to what we mention in the prospectus filed with SEBI and subsequent annual report which you can find on the website. With that said, I will now transfer over the call to Saharsh. Over to you.

Saharsh Rao: Thank you, Diwakar. Good evening friends. Warm welcome to all of you joining this call. I will first touch upon the standalone numbers for the quarter and then follow it with business highlights.

Total income was Rs. 120.1 crores for Q1 FY18 compared to Rs. 152 crores for Q1 FY17, represents a decrease as 21%. EBITDA stood at about Rs. 13.3 crores compared to Rs. 25 crores during the same period for the previous year which is down by about 47%. EBITDA margin is at 11.1% for Q1 FY18 as against 16.5% for Q1 FY17. Net profit was at Rs. 2.24 crores compared to Rs. 9.45 crores in the corresponding quarter, a decrease of 76% and basic EPS stood at Rs. 2.59 as against Rs. 10.7 in Q1 of FY17.

So let me get down to highlighting the key issues that have had a bearing on the numbers for this particular quarter. One of the key issues for this quarter was related to a mismatch between order inflow versus capacity constraints, while we as a company prepared specific execution plans for the quarter, the order inflow did not match this plan. This was a one-off quarter where our plan did not play out according to the script. We had stronger than usual orders for products like Donepezil, Olanzapine, Sotalol and Levofloxacin, but these are where we had some capacity constraints. Products like Salmeterol, Entacapone, Dorzolamide and Brinzolamide which are from our niche category showed a decline in order inflow. This had a direct bearing on our operational efficiencies and hence the topline numbers took a severe beating as you may have observed, while the above was a completely internal issue, we also had some extraneous factors working against us in this quarter. GST was one of the factors as you may have guessed. You would understand that about 25% of our products go to domestic customers and hence given the uncertainty around GST, shipment was curtailed by some of these customers. Also Forex in terms of translation losses of approximately Rs. 5 crores added to the headwinds. Our average FX conversion rate for the last quarter of the previous year was 67.3 compared to 64.98 in this quarter.

In our last earnings call in May, I had mentioned about the US FDA inspection that was conducted. This was also followed by an EDQM inspection also immediately after that. The good part of the inspection is that for the US FDA inspection we have already received the EIR and for the EDQM inspection, there were no critical or major observations. The downside of the inspection was that products had to be kept in operation for proposed inspection and that had impact again on our scheduling and therefore had an impact on our overall delivery performance for the quarter. Having said all that, we are confident of what the future holds for us. We are seeing a good traction in the CMS business in terms of new projects. There is a high customer interest in Peptides and we have completed significant milestones in two peptide projects in the recent quarter. Our process engineering lab which was commissioned recently is enabling us to work on quality by design for new chemical entity projects and this is already helping us both across GDS business as well as the CMS business. Also, the update on the status of the merger is that, we are almost in the final stretches of all approvals being received and we will update you as soon as the same is completed.

To summarize, it has been a tepid quarter even by our internal standards and we take cognizance of the same. The good thing is that we exactly know the issues behind the drop and are taking steps to address the same for the future quarters. We are confident and hopeful that we will see momentum developing forward and we should end the year on a strong note. I would now like to throw the floor open to Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, I was quite perplexed because Q4 you said that there was spillover of orders to be executed, not delivered at the end of quarter 4 which was, my guess is announced around June, so just wondering this topline number. So if you could throw some light? Second with Neuland over years we have not seen any consistency on the delivery of the revenue or execution side. So how do you wish to strengthen it, that is the second question and my third question is when I look at your mix this quarter, you know the mix has also deteriorated far too much which is niche and CMS seems to have fallen much higher than the revenue fall itself. So why is it that way when some of the molecules itself are moving towards commercial stage?

Sucheth Rao: So Pritesh, it is a good question. It is actually 3 different questions. So we will attempt to answer every one of those. So I think you are absolutely right, as far as Q4 of last year was concerned, there was a spillover into Q1 but independent of that as Harsh mentioned during his opening remarks, we did have an impact on Q1 because of the appreciation of the rupee as well as the unscheduled inspections including the change in product mix and the capacity match. So obviously all of these factors impacted it equally and that is why Q1 is where it is. Having said that, I think one of the steps that we are taking is to ensure that we are building adequate buffer capacity with Neuland to ensure that these kind of variations whether it is spillover from the previous quarter or any rescheduling because of either inspections or an unfavorable product mix can be handled without significantly impacting the quarter in the future. However, aligning our capacities creating a 20% buffer capacity can't be done in a very immediate turn. It will take us about one or two quarters to the point where enough capacity is created so that these kind of variations can be taken care of. Having said that, I think in the past we have been clear Pritesh that we do expect quarter-to-quarter variability given that…

Pritesh Chheda: But sir the variability is far too significant in your case even we understand quarter-to-quarter variability.

Sucheth Rao: So having said that I think we do expect this quarter-to-quarter variability to continue. Our CMS pipeline obviously is being built up. We expect that it will get to a point where the CMS pipeline is mature enough where this kind of variability will actually reduce, but currently we are building the CMS pipeline to a much larger level. We executed about 11 projects in this quarter which is very similar to the number of projects that we have executed in previous quarters. So having said that I think our primary message right now to this variability is to make sure that we have adequate capacity, adequate buffer capacity as well as work on further strengthening the pipeline so that we don't see so much of a quarter-to-quarter visibility. Thanks.

Moderator: Thank you. We take the next question from the line of Ashish Rathi from Spark Capital. Please go ahead.

Ashish Rathi: Just following up on the previous participant itself. I mean, how many months in advance do we have the order book visibility? I mean, it is again little difficult to understand this because all the products which have gone up and down we would generally have some client contracts already in place for them. They would generally not been new contracts, may be some incremental orders would have come. But this sort of a variation, just want to sense how far do we have a order book visibility, say standing today what is our order book and how far visibility do we have?

Sucheth Rao: So typically Ashish we work on what we call a rolling plan. Earlier we used to have about a 3-month rolling plan whereas sales and business development people work on forecasting the orders and requirement from the customers. We have extended that rolling plan period to a 6-month rolling plan, so that we are able to preempt any potential issues that can come up because of variability. However, for a 3 to 6 month rolling plan, at any point in time, let us say the rolling plan period starts from the 1st of September to the end of February, so it is a six month rolling plan. Typically we will only have about 30% to 40% of those orders actually confirmed and punched into the system. Rest of the rolling plan becomes concrete as time goes by. So as customers keep coming and telling us in placing orders based on confirmed requirements and by the end of the quarter that rolling plan actually becomes a firm rolling plan which is completely converted into POs**.** But typically at the beginning of the rolling plan period, we have about 30%-40% of the orders actually confirmed and rest of the orders which will actually flow into the system.

Ashish Rathi: So now what happens, I mean we have not been able to deliver what was asked for and we have possibly surplus capacities of a drug which were not required. So going forward in say the second quarter, will this mismatch be corrected? So should we see incremental sales for the orders we have missed?

Saharsh Rao: So I think one way for us to ensure that this mismatch is minimized is I think there are actually two ways for us to address this mismatch Ashish. One is to be more flexible on the manufacturing side, so that changes being made to this rolling plan by our customers are something that we are able to accommodate on short notice. I think in context of that, one of the things that is happening is that customers give us certain estimate forecast over the next 6 months or 9 months, but sometimes they are either preponing these requirements or they are postponing these requirements and our ability on the manufacturing side to have buffer capacities and to be agile enough to cope with the requirement is one action that we need to take. Second part where we can do a much better job of working with the customers to get more detail about specific delivery dates etc. is one area where we need to work.

Sucheth Rao: And the other specific actions going back to your question Ashish, so what we have done in the last 3 months is some of the products where we feel that we need to create any buffer capacity because of volatility, because of a mismatch between sales and capacity we have actually qualified our other manufacturing side or an alternate manufacturing side for the same products. So what we have done is in order to make sure that we can actually overcome some of these changes from the market, same products that we manufacture in unit I, we have qualified unit II as an alternate side so that one it gives us additional capacity and second it also enables to manage any mismatch between sales and the capacity planning. So those things, so that is one of the things I was referring to earlier is that, those are the concrete steps we have taken, so that if this were to repeat we have an alternate side qualified and we can supply from both sides.

Ashish Rathi: Right. So obviously we have lost out in the higher margin product as we say the niche products which are basically Dorzolamide and Brinzolamide and maybe Salmeterol, So for your sense and understanding for the year, do we actually see EBITDA margin being able to maintain from say last year or will it be difficult having seen the kind of first quarter we have seen?

Saharsh Rao: So I think Ashish with regards to the sales revenue, if you try to understand, I think this is also question asked by the earlier gentlemen, you see this quarter sales are largely driven by the prime products and obviously a lot of the degrowth has come because many of the niche products and to some extent CMS orders which we originally would have anticipated to come in Q1 didn't happen. But the reason why we are not exceedingly concerned about is because many of these products whether it is Dorzolamide, Salmeterol etc. what we have understood from the specific customers and the specific products is that none of these customers are actually either dropping the product or buying from other suppliers. Their timelines for the placing of the orders has changed and that unfortunately for us has come and impacted us in a significant way. So I think specific orders like Dorzolamide, Salmeterol etc. on an overall basis our plans for these products over the year and over the future remain intact and that is why we are not exceedingly concerned about the fact that they have not been punched in. But yes, they have impacted the overall mix and that is why prime products are dominating because these two segments have been muted in comparison to the previous quarters.

Moderator: Thank you. We will take the next question from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.

Rashmi Sancheti: Can you just quantify like, due to this order mismatch, how much CS we have lost and also if you can quantify how much impact is due to GST as well as the Forex translation?

Saharsh Rao: So I think with regards to quantification of these factors Rashmi, as I have mentioned in my opening remarks, I think that for Forex we have approximately lost 5 crores just in terms of the realization between 67.3 and 65. For the other factors, while I do not have exact quantification they are all approximately in the same range.

Sucheth Rao: So just to build on that Rashmi, we estimated that the impact of GST at the minimum is about 5-7 crores, however, when we have conversations with our customers it is not like they are going to tell us that they are postponing the shipments, delaying the shipments because of GST, right? And we cannot really expect the customers to tell us exactly what is impacting the decision making. So that is why we haven't really quantified because we can't be accurate about something we are not sure off. We know that the GST implication has been in the range of 5-7 crores. It could be slightly more than that, but it is based on the information that we have.

Rashmi Sancheti: And on order mismatch, I just want to understand properly. So you all said that the products which you all manufactured that got postponed and the order inflow was for some other products, right?

Saharsh Rao: So order mismatch essentially means that for the first quarter Rashmi, we had envisaged a certain mix of business to happen and as a result of that visualization, we had planned our manufacturing. What happened was that we got more orders for products where we had capacity constraints and we got less orders for products where we didn't have capacity constraints. So that is what we mean when we say the mismatch.

Sucheth Rao: So therefore Rashmi, just I am going to repeat this is that in order to balance that out in a way that doesn't impact us significantly during the quarter, we are taking two steps. One, is we have qualified the other side for some of these products where we expect a higher increase in volumes so that we are able to supply these products from both the sides, so that this kind of a constraint can be taken care of. We are also making a conscious effort to build in some buffer capacity so that when we have a little bit of high rate capacity, it might increase our expenses temporarily but it will ensure that we are able to service orders and reduce this volatility. Going back to Ashish's question earlier, for our products, our customers literally buy from us exclusively. They either have one source or even if they have two sources typically Neuland gets about 80% of the volumes. So for these high value products such as Dorzolamide or Salmeterol, we expect that it is a more a quarter-to-quarter impact and the long term business is more or less intact because our customer has to buy that API from us unless they have lost the market share which is highly unlikely and if they did, we would be aware of that. And that is the reason we think that this is a more of a short term impact rather than a long term implication. I hope that makes sense.

Rashmi Sancheti: Sir then in Q3 FY17, you said that some of the orders got deferred which will be coming in the subsequent quarters, so at least for those products where there are no supplies during the quarter Q1 FY18?

Saharsh Rao: I think largely speaking I think many of those orders they have split over on to these quarter and some perhaps into the next quarter as well, Rashmi. I think what we are doing is we keep active track of all those orders that got deferred, many of them have been already factored in and I think our results for Q1 represent factoring in some of those and some of these orders are also may be filled into the subsequent quarters as well. But the answer is yes, they have been factored in.

Rashmi Sancheti: Okay. So on annual basis can we see 15%-16% kind of growth in the niche segment or in the CMS segment more than 20% for annual basis, that is for FY18, if I consider the next 3 quarters, all your orders coming in and the order mismatch getting corrected?

Sucheth Rao: See it is not inconceivable, Rashmi. Because I will tell you, though from a revenue point of view, the prime products are still about 50% or more of our total revenue mix. I would say most of our effort today is on the contract manufacturing business as well as the specialty API business which is what we referred to niche business. So therefore since our effort is focused on that area we do expect that those areas will continue to grow strongly and how that will impact from a quarter-to-quarter that we cannot be certain about, but we do expect that those areas will grow.

Rashmi Sancheti: Okay. Now I am talking on annual basis, that is FY18 over FY17?

Saharsh Rao: No. I think as Sucheth has indicated, we think on an overall basis what you said is not inconceivable, but I think from a more specific point of view I think we expect that our second half to be reasonably strong. I think Q2 will be definitely a path towards recovery. So what we have seen in Q1 is an extremely disappointing performance and I think we have very clearly acknowledged that in our opening remarks and I think we have also clearly indicated the reason and I think also mentioned in the opening remarks that we are focused on addressing all these reasons. I think Q2 itself will create that break away from what we have seen. But I think H2 will really represent a strong growth for us. I think it will kind of put us back in terms of the momentum that we have had. And I think on an overall basis, I think posting a small reasonable growth in FY18 or FY17 is something that is definitely not inconceivable.

Moderator: Thank you. The next question is from Ranvir Singh from Systematix Shares and Stocks. Please go ahead.

Ranvir Singh: Can you just indicate performance of the research unit which is getting merged in this quarter?

Saharsh Rao: So Ranvir, I think the process itself is in a very advanced stage. Right now, the case is up for hearing at the NCLT bench in Hyderabad, from what we understand the bench has already reviewed the case and we believe there are no further outstanding questions or queries. However we have not received any kind of formal verdict or anything like that from NCLT. So I think in terms of the process itself, may be hoping that in the next couple of weeks we should receive formal merger order from the NCLT subsequent to which we will initiate the process of getting the stock of the companies listed and then the completion of the merger. So I think everything put together maybe we are still looking at about 6 to 8 weeks for the entire process to go through, but right now we seem like we are on course.

Ranvir Singh: No. My question was performance, what was the sales and profit in this quarter?

Saharsh Rao: So I think as of now for the NPRPL, the finalized numbers are not with us right now, Ranvir. But we will share them as soon as they are ready.

Ranvir Singh: Just, it was positive, negative, if you could highlight some?

Sucheth Rao: Ranvir, the numbers have not been audited yet, so better not comment on it before an audit, they are not reviewed. Once they are reviewed we will make that information available.

Ranvir Singh: And the reasons which you gave for weaker performance in this quarter also impacted your CMS business, CMS business is also considerably down, so what might be the reason?

Saharsh Rao: So I think with regards to the overall business, you are right. The CMS business also has been impacted this quarter largely because we did not get adequate number of orders on the CMS molecule. I think that has been one reason. We have executed a lot of CMS projects this quarter, but they are all on the small scale and they are more at the NPRPL level. But commercial CMS orders for this quarter were low. Honestly speaking, there is no real issue or concern on that side, but it is more in terms of the timing of the requirements. So many of our commercial CMS customers have placed orders for later in the year. We didn't have many of the orders in Q1, but again as I said the overall outlook for CMS, we are very excited now because today we have a very strong pipeline of CMS projects. I had indicated in my opening remarks also, now in terms of peptides also we have got two exciting projects from Japan. We are also looking at couple of interest projects that just came into our way from the US market as well. But yes, I think in terms of commercial, see what matters when it comes to looking at the revenue salience at the NLL level is what is the commercial CMS revenue coming in and that component was low in Q1, but the overall CMS business is represented also in terms of the number of projects executed or the projects initiated which is looking quite positive for us.

Ranvir Singh: So in terms of number of projects, it is not too much different. It is 11-10-12 I think, but the revenue line is very… So is it like some commercial projects have been discontinued and mix has been changed, so what is the reason?

Saharsh Rao: No Ranvir. So all the commercial projects in CMS that have been initiated are continuing to grow. So we have actually no concerns in terms of either discontinuation or even de-growth. So in fact all the projects continue to look strong only. What you are seeing in terms of the number of projects contributing 11 projects for the year, that number itself may not seem positive because lot of CMS projects have been initiated and they are still only in NPRPL level. The salience number that has been shared is about how many CMS projects have been manufactured in the plant. But the projects that are initiated today are still at NPRPL eventually come into the plant probably in the next 2 or 3 quarters. I think that pipeline is what is very encouraging to us.

Ranvir Singh: And so, net-to-net for FY18, to your internal ambition of revenue is to be revised now after Q1 session?

Saharsh Rao: So I think one tangible area where we have relooked at our revenue, Ranvir, is on the Forex front. I think for us if you look, you know majority of our income is in US dollars. When we look at FY17 versus FY18, our realization for FY18 was much higher. So there itself we are making a revision in terms of the number. Other than that, I think there are some minor adjustments which we are doing. But most of the revenue loss that we have seen in Q1 is not permanent in nature. They are all either mismatches or due to lack of buffer capacities for certain product line and those are all actions which are taking up. So we do not see any long term loss of revenue.

Sucheth Rao: So just to add to that Ranvir, where we feel the impact is more permanent in nature, such as the Forex or anything else, there we are definitely going and recalibrating our revenue, our projections, our budget for the whole year where we feel it is related to delivery or a mismatch in capacity where eventually those orders will get serviced, where unit II has been activated, deliveries have started from unit II, where inventories have been made but we are waiting for a license to be able to dispatch that product. So that will not be reflected in our sales, right? There we have not had the need to calibrate our budgets or projection, but where there is an impact which we feel, we have been dispassionate about going back and saying, listen, let us not assume this and we have calibrated based on that.

Ranvir Singh: Fine. So in this quarter increase in inventory which we have seen in raw material is mostly related to prime or niche?

Saharsh Rao: It is largely related to prime only.

Ranvir Singh: Okay. For CAPEX requirement, what CAPEX you are planning in this FY18?

Saharsh Rao: With the existing facility we don't require any additional CAPEX except for maintenance of around 15-20 crores we are incurring towards CAPEX.

Sucheth Rao: So the total CAPEX budgeted Ranvir for this year is about 61 crores. Out of that 61 crores, 25 crores is budgeted for one specific project if it comes through. So it is a conditional CAPEX, it will only get spend if the project that comes in will actually be commercialized. So notwithstanding that, so you remove about 61, you remove about 25 crores that is the CAPEX that we budgeted for replacement CAPEX as well as increasing our capacity, upgradation of the facility, staying up-to-date with the FDA as well as the EDQM standard is that 61 minus the 24 crores.

Ranvir Singh: So sometime back we talked about acquiring API facility, so this budget is for that?

Sucheth Rao: No. This budget doesn't include that Ranvir. Those plans are still intact. At this point, we haven't finalized plan on exactly how we are going to fund that expansion, but the expansion, whatever our strategy is for that, that is still intact and we still continue to move forward with it.

Ranvir Singh: And this 25 crores you have said for a specific projects, so that will require per month CAPEX, it is for fixed asset or it is for some inventory making or something? This is for CAPEX only?

Sucheth Rao: Fixed asset.

Ranvir Singh: Okay. So can we expect any commercial supplies for any NCE this year?

Saharsh Rao: I think we have couple of projects initiated and I think the pipeline of our current CMS projects are also looking strong Ranvir, in fact we are seeing good traction for some of the projects, molecules which we launched in the last couple of years, we are seeing our customers come back for additional indication and actually reaffirm the forecast that they have given. So actually today where we stand, I think our next two years outlook on CMS business is only strengthening because of certain additional quantities, additional forecast coming, I think in addition to that we are seeing a good traction from the Japan market also. As I think our shareholders and analysts are aware, we have been focusing in the Japan market for the last 10 year or so. But I think in the last 6 months in particular we have seen good traction from there specifically in the area of peptides and we have two CMS projects that we initiated again from the Japan market which are actually in fast track, one of them is in a fast track clinical trial. So I think some of these molecules are looking very promising. So we see commercialization possibilities from them. But even because of the high value nature of some of these projects even prior to commercialization just supplying clinical trial later this year and early next year will also be extremely attractive. So I think there is lot of effort by the team to increase the pipeline of CMS project and I think one of the points that I would like to reiterate is that today we still believe that we are very nascent in the CMS business. We have hardly 8 to 9 molecules which are giving us stable commercial revenue. For us, one objective is to make sure that we manage those 8 to 9 molecules so that they give more revenue which is by working very carefully with the clients and also making sure that we are supplying them the increased quantities for the new indications etc. The second objective is to work on more CMS project. I think that is where the infrastructure we are creating like this QbD lab etc. will help us create better alignment with our customers and commercialization of new projects will also happen. And I think as that continues to happen, our revenue growth I think will just start to accelerate further and I think some of these volatilities that continue to bother us will eventually get behind us.

Moderator: Thank you. We will take the next question from the line of C Sri Hari from PCS Securities. Please go ahead.

C Sri Hari: Now talking about a CMS pipeline again, you have mentioned 4 projects in particular, 2 from Japan and 2 from the US. I presume one of the Japanese projects is in Phase-III. So could you please highlight about the other one? And when you mention 2 projects from US, does one of that includes the Teva molecule? Thank you.

Saharsh Rao: Thanks for the question C Sri Hari. With regards to the molecules that are currently we are excited about, I think two of them I mentioned are from Japan. I think the two are actually, one of them is a fast track molecule, but just to clarify it is not in Phase-III I believe, it is somewhere in the earlier part of the clinic, but it is on the fast track. Again I think, not to get too specific but just to give you a sense it is in the metabolic diseases area. So it is a diabetes drug and it is a large volume high value product. The reason why we are engaging with that customer is because there are certain technical areas where we have established some credibility and the customer wants us to apply those technologies for this molecule. Although it is a Japanese customer, the drug is being developed for worldwide consumption and perhaps in 5 to 7 years their plans go as per their vision and it could potentially be a new class of a diabetes drug. But again it has got a lot of clinical milestones ahead of it. So we don’t really factor a lot of revenue coming in from it unless it overcomes the clinical milestone. But the reason why I explained this molecule in detail is because every quarter we are trying to add such molecules, not just in the early part of the clinic but also sometime in the later part of the clinic. With regards to the US pipeline, I think our pipeline continues to be strong, we are adding more molecules. We don't specifically and I mentioned this before as part of our confidentiality agreements with our clients, we don't acknowledge or discuss specific CMS candidate only because of our confidentiality agreement with them. So would not be able to comment anything specifically about Teva or any other specific CMS customers that you would ask. But again just want to reiterate that the pipeline from North American CMS business is also looking positive. I think most of our clients in North America tend to be smaller biotech companies and I think that is where we are working more on Phase-I, Phase-II molecules.

C Sri Hari: So for the 3 molecules that are left out, can you highlight in which place they will be?

Saharsh Rao: So one of the molecule is from Japan and the second molecule which we didn't talk about is in Phase-II. I don't have too many detail about it because we have just initiated that project. The two US projects I can share one of the molecules is actually in the area of sexual dysfunction and the other molecule that are working on is actually a peptide.

C Sri Hari: So this sexual dysfunction, will that be an analog or separate line altogether?

Saharsh Rao: Good question. Don't have too much information about it because these are all new projects, C Sri Hari.

C Sri Hari: And the Phase-II of Japanese?

Saharsh Rao: I believe that is in the area of pain, but again I have to double check on that.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Saharsh Rao: Thank you everyone for participating in today's call and thank you for all the people who asked us all the questions. I want to acknowledge the interest of all our shareholders and analysts who have been following the company. We really appreciate your interest and concerns. As closing remarks I would like to reiterate that it has been a tough quarter for us but nonetheless as management, we think it is very important to be transparent and disclose fully the factors that are affecting the performance. I believe in today's call we were able to suffice and explain a lot of those issues. Again we are very aware of all the factors that have affected our performance. We feel strong and we feel in control in terms of this, on how to address these factors. We believe most of these, barring the Forex are issues which don't really have a permanent impact on our business and we are constantly working on addressing them. We continue to have a very positive outlook on our overall business, the CMS pipeline that we have as well as the future of our GDS and niche product and we believe that over the midterm to long term we will continue to have a robust and strong growth path. Thank you again for everyone who has joined this call and hoping to be in touch with all the investors over the several months to come. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Neuland Laboratories Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.