Vivimed

Vivimed Labs Limited

Q2 FY2015

Earnings Conference Call

Management:

Mr. Santosh Varalwar, Managing Director and CEO

Mr. Vaidyanathan Mahadevan, CFO

Mr. Saurabh SG, Director, Corporate Strategy

Moderator Ladies and Gentlemen, Good afternoon and welcome to the Vivimed Labs Limited Q2 FY2015 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. Joining us on the call today are Mr. Santosh Varalwar – Managing Director and CEO; Mr. Vaidyanathan – CFO, and Mr. Saurabh S.G. – Director of Corporate Strategy.

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

Santosh Varalwar Good Afternoon everyone for joining us on this call today. Hope you have had a chance to go through the earnings presentation and financial results which are also available on the Company website.

Moving to discussion of performance of the quarter, I will start by providing the overview of our financial performance and strategic initiatives. Then I will pass on the call to my colleague, Saurabh, to provide you a detailed operational overview.

Q2 FY2015 has been a mixed quarter for us in terms of operations and financial performance. While there have been some one-time items impacting our financial performance and dragging our growth down, we are pleased to see how our overall operations have moved during the last quarter.

Revenue growth in Q2 FY2015 was impacted due to slower growth across both the businesses; Healthcare segment growth was impacted due to (1) lower capacity utilization in Mexico facility on account of planned maintenance and preparation for the FDA audit. However, Spain reported 23% Y-o-Y growth (2) slower than expected ramp up in the CIS markets due to the ongoing geo-political scenario. Specialty Chemicals segment growth was impacted by prolonged approval periods for some key products.

EBITDA for the quarter was Rs. 518 million, which is relatively flat compared to the same period last year. EBITDA margin was 16.3% driven by significant improvement in the Specialty Chemicals margins. Healthcare segment margins were impacted due to higher cost of production and overheads allocation over a lower sales base.

Finance costs increased 14.8% on Y-o-Y basis to Rs. 197 million and 7.0% on Q-o-Q basis. There was a tax credit during the quarter of Rs. 8 million on account of excess provision created in the earlier quarter and deferred tax impact at subsidiary level. This positively impacted our net profit. PAT for the quarter was Rs.16.4 crores or Rs.164 million which is same as Q2 FY2014. Our net debt as of September 30, 2014 was Rs.7,578 million vs. Rs.7,606 million as of March 31, 2014.

Recent successful completion of FDA audit at our Mexico facility will give a fillip to our outlook for both the CMO and the Generic businesses. We hope to capitalize on this meaningfully with results evident in the next 12 to 18 months. On the Formulations side, although volumes in CIS were impacted by the current geo-political scenario in the region, we have moved aggressively to finish scale up activities and are ready to launch even at a short notice. We expect this to start making meaningful contribution from Q1CY15.

In the Specialty Chemicals segment, we see significant growth opportunities across Home and Personal Care and the Industrial segments. Our order book is strong and we expect to gain momentum in the second half of the year.

Half way through the year, we are confident of meeting our year-end goals. With this, I would now hand over to call to Saurabh. Thank you, Saurabh.

Saurabh S.G. Thank you Mr. Santosh, and good afternoon again to everyone who have joined us in the call. I will start providing the overview of the Healthcare business which is the larger segment of our business today and makes up about 69% of our sales as far as the Q2 was concerned. Within Healthcare, in the API segment, manufacturing volume has shown consistent improvement over Q2 FY2014 based on the current Generic pipeline. Within the API business, as you would be aware, we have operations spread over Spain and Mexico. So, growth in Spain was pretty strong and we grew nearly 23% Y-o-Y. This is however offset by the lower capacity utilization in Mexico facility as we were carrying out some plant maintenance and preparation activities for the FDA audit which went off smoothly and we got through without any difficulty. Normalized for this shut down period due to the maintenance and preparation of the audit, the growth for the API business would have been 15% on revenue basis versus reported 6% which has been shown by us.

As Mr. Santosh said, the successful completion of the audit is a testament to the quality of our manufacturing facilities and regulatory framework which we have managed to sustain over the years. This build upon the trust and confidence our customers have in us and we look forward to capitalizing on this further in the coming quarters.

Within Healthcare, in the Formulations business, growth was driven by higher utilization of our contract facilities in India. Due to the current situation in the CIS region, ramp up was slower than expected as far as export is concerned. However, we have worked hard to be future-ready and can deliver in short notice once things normalize, which we expect will start begin to happen from the next couple of months. At Alathur, which is our US FDA approved facility for formulations, Vivimed has been focused on filling for new products during the quarter as well as third-party high value Contract Manufacturing. We are on track to meet our target number of filings by the end of the year which is March 2015.

The Branded business which is in India, the performance was pretty strong, given the new launches and a broader portfolio. We expect to perform better in H2 of the fiscal year as it is seasonally a better period and also we have some new launches which we expect will start to contribute to the overall branded portfolio which we are having.

In the Specialty Chemicals business, the total revenue was flat on a Y-o-Y basis close to Rs. 99 crores. However, our EBIT margin has significantly improved and we are now close to 24% on profitability. This has happened mainly as we have discussed over the last couple of quarters due to portfolio rationalization which we have carried out and also better product mix which happened in the quarter. We had better revenue from higher margin PhotoChromics and Imaging which has contributed to the increased profitability for this part of the business.

In the Specialty Chemical business, as Mr. Santosh alluded to, Q2 was impacted by some prolonged approval periods of some of our key products and orders which were moved to the second half of the year which is pretty much given nature of the business which is a long gestation period especially on the Personal Care side of the market, so, we expect the volumes to gain momentum by end of the fiscal year.

Within this Spec Chem business, Personal Care, Skin Care, and Hair Care have driven the growth and where most of our order book is also lying, and we expect this business to pick up momentum in the next couple of quarters.

In the Home Care segment, Antimicrobials revenues have declined due to reformulation by large players, but one would need to appreciate that with the sort of portfolio, we have built for Specialty

Chemicals business, it is now more focused to Personal Care and we expect that our relationships with customers will help us pickup the growth in the next couple of quarters as far as Spec Chem is concerned.

On both the businesses, the strategic initiatives which we have been pursuing with key customers and new product launches are in place, and we believe this will lead to continued growth over the next 12 to 18 months, and overall, we are satisfied with the way things are moving in the direction for both the businesses, and we expect to start translating into significant improved financial performance and improved return ratios over the next 18 to 24 months.

With this, I would now like to open up the floor for an interactive Q&A. Over to you, operator.

Moderator Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kunal Sabnis from VEC Investments. Please go ahead.

Kunal Sabnis A couple of questions. In terms of the Mexico shutdown, if you can give some more clarity in terms of how long was the shut down and when it did end? And what was the basic use of the shut down – was it pertaining to some product filing from Mexico or something?

Saurabh S.G. The shutdown happened actually over a period of two months, half of each month, so there are roughly around 3 to 3.5 weeks. This was more which we use for preventive maintenance which happens on an annual basis but this time it got a bit extended because we also had an impending audit. So we used that period and we added one more week extra to make sure that we were in full preparedness for the audit. So, it was more on a preventive maintenance sort of objective and obviously, that went off quite well because the audit was successful for us. But, in terms of revenues, if you would ask me, we probably missed out billing $2 to $2.5 million.

Kunal Sabnis And this shut down was entirely in Q2 or…?

Saurabh S.G. It was totally in Q2, as I said pertains to the month of August.

Kunal Sabnis So production has already started and much beyond?

Saurabh S.G Yes.

Santosh Varalwar Adding something what you said is the Q2 we have another issue that the Spain goes on vacation, however, we registered growth in Spain by 23% Y-o-Y. Even Spain was shut for about 3 weeks. That is the annual kind of holiday. But a good thing is that, we use this 3 weeks shutdown in Spain also for adding up few additional reactors, increasing capacity of one or two key products which we were expecting sales to come in the next half year. So, I think we used diligently. But again, we obviously, normal run rate of about €6.5 to €7 million in a month, in a month like August we end up just doing half of that or even less than half of that. So, the impact of Q2 is this time double one, in Mexico, as Saurabh said, and in Spain it is a natural impact.

Kunal Sabnis So your second half looks a lot better than your first half in terms of the Healthcare revenues, is that correct?

Saurabh S.G. Yeah, if you see, typically, with Q4 being the strongest quarter seasonally also for the API and Formulations business, so, typically, the second half is stronger even otherwise, but more specific for this year looking at the projects which we were executing and looking at our order book pipeline, it seems that the trend will continue, because we are seeing a decent amount of traction as far as Custom Manufacturing business is considered in Spain whereas Mr. Santosh mentioned we have grown nearly 23% on Y-o-Y basis, which is pretty decent for API business. So, the Custom Manufacturing pipeline is quite strong which we will continue executing. And even on the Generic side, we are seeing some decent market share gains in our older products also as increasingly we are seeing interest for second sourcing and third sourcing opportunity. That plus the Formulations business which we expect that especially export component of the Formulations business which we expect will pick up in the second half. If you add these 2-3 things together, the second half for the Healthcare business should be better than forecast.

Santosh Varalwar Maybe I should add on Specialty Chemicals also. The Sunscreen season for Specialty Chemicals business typically takes off from August, and August-September in an ideal year will start receiving lot of orders for Sunscreen but this time it is a one off situation where that is very slow when we go back to customers like L'Oreal and P&G and ask them, it is mainly because they had a bad summer last year, so there is spillover of certain stocks which probably would continue till September. At the October, we start seeing the orders, but even that is one which impacted in our top line in our Sunscreen business and that is one thing. And as Saurabh already mentioned, we still had a huge order for anti-dandruff ingredient from Unilever, yes, order has been given to us, but local or regional approvals which we need to get from Asia, particularly from Vietnam, Thailand, and a few key areas where the volumes are large, that got significantly delayed, we were expecting that to get started in probably July by or something, but they were nowhere in place, and we lost the full quarter and we just got one approval from Vietnam now, and maybe next month, we should have most of those things in place. So, very clearly, we lost the advantage of what we gain business but due to the regional approvals, the whole cycle you know, the business is not lost but they have got deferred by some period which we have to patiently wait for all these things to get back on time.

Kunal Sabnis These recent approvals are just a matter of time, what has just got delayed, or anything on the product side?

Santosh Varalwar No, not product side, normally, what happens, the process that is involved is that there is a central approval that happens, where the product is approved and then the large contracts given to the customer and then they sign the contract, but after that, the regional approvals particularly, country wise approvals, they quickly do that, but in normal case they would take about 2 to 3 months to do that, but in this case, it would be all priorities or what priorities they have got, it got really pushed off and we are expecting a takeoff of particularly that Dantuff-Z which we got about 1000 tonnes last year, that got really impacted by the volumes off take. Only silver lining is that, yes, as you said, the business is deferred, not lost because it takes years to get the center approval and regional approvals are just mere formality, but yet they have to go through and we have to go through the process. So, yes, whenever it happens, we start supplying to those countries. That is one thing. Then the good thing about amidst all these things is that, Vivimed is also struggling to get some business on this ZPTO front from Lonza, which we have been working for more than 3 to 4 years right now and Lonza business have visibility of about 300 to 400 tonnes, in terms of revenue close to about Rs. 12 crores to Rs.15 crores. So, that business got started off. So, we got the first order in September which is executed in October, to begin with 20 tonnes order, but that is again something which was not accounted for, that got started a little early than what we anticipated.

Kunal Sabnis Spec Chem EBIT margins have been on a upwards at 24% and with current issues what you mentioned, so is this kind of a base that at least Spec Chem business can maintain in terms of EBIT margin?

Santosh Varalwar Basically, as Saurabh mentioned product mix sometimes, products like ZPTO and certain sunscreens and antimicrobials, they are pretty matured in the lifecycle and there the margins are not so high unlike what we talked about Photochromatics, where we really have a good margin. So, in a quarter wherever we register a good Photochromatics business sales, that is significantly shown one-off in terms of improved EBIT margins. So, it all depends upon how much we sell Photochromatics because even it is a small volume but margins are too good which will impact the overall take. So, my guess is that, expecting anything beyond this during this year is unlike but going forward surely because as the Company is moving from B2 to a little more Specialty in the next coming years with a product pipeline that we have, we can definitely look to see the EBIT margins going up in the near future. But, in the short term, I do not think any greater impact will happen on that.

Kunal Sabnis On the Formulations front, if you can give some sense on the product commercialization that is in the pipeline say over next 2-3 quarters and are there any other triggers for the healthcare apart from the ramp ups in Mexico?

Saurabh S.G. On the Formulations business, there are two aspects; one is of course if you look at markets like CIS and Ukraine to be more specific, we already have portfolio where we have already done tech transfer, etc., and we are ready to launch in the market, we are only waiting for things to stabilize a bit more than what they are today. So, that is more near term I will say. So, once we have that confidence which we believe by Q1 CY2015, things will settle, it should start to get to see billing from that market. The second aspect of course is on our own ANDAs for the US market. So, as probably you know we have 5 ANDAs for the US market, of which we have begun to do commercial sales right now only two, and we expect that as we move towards the end of the year which is towards March, we will start to tie-up decent sales for the other products also. So, that will also start to kick in. Overall, over the longer term of course, we have a filing pipeline which is underway even as we talk. So, we will file for all the products which we are looking at and we will be able to commercialize them whenever we get approvals. So, there are three steps and three timelines we would say. So, Ukraine is something which you can expect very soon, and by end of March, at least small sales to US market you can expect, and over a longer time period, you will see our own ANDA fillings also, as we get approvals, we start selling them. So, that is how we would ramp up.

Kunal Sabnis Two commercial products I assume are Losartan, Donepezil. So the sales are as you had projected?

Saurabh S.G. Losartan, we are happy with what we are seeing. Donepezil, we expect to do a bit better because we have been trying to get a more competitive API source and it is a part of the process. So, once that happens, we will be able to pick up more business in Donepezil also. So, Losartan, we are okay, and Donepezil, we could have done better, but we are waiting for a more competitive API, so that we can go and ramp up market.

Moderator Thank you. The next question is from the line of Arvind Bothra from Religare Capital Markets. Please go ahead.

Arvind Bothra I have two questions actually. One, on your expansion project in Alathur, what is the status of that expansion? And on that expansion, what kind of volume growth can we see? Second question is on our plans for debt reduction, I believe we had certain non-core assets that we were looking to explore options of divesting. So what is the status on that, what are we doing about it?

Santosh Varalwar Giving you a little bit on the expansion, Alathur, as we mentioned in the last concall also, idea is that today we have capacity for capsules and tablets. But capsules in general requirement is not so huge. So, the granulation facility was left. So, we were trying to add the balancing equipment and also the stability chambers and all those things. So, from about a billion capacity of Solid Oral Dosage would go to 2 to 2.2 billion, and the status is that the civil building construction is completed and all the equipment is in place, and now the internal work has started and we expect most of the handling systems to be in place by end of March, and by end of March, I guess this will be practically function with all the required capacities and all. This will give us the substantial capacity in terms of Tablet manufacturing. We are retaining the same capsule manufacturing facility. But other additional thing that we have also done is that, we have seen some demand coming from Northern America on certain sachet and other things, so we have also installed some capacity for sachet filling which we expect in a short term that business to come in. So, that area sachet capacity creation and all those things also in place now. So, that business should take off by December I guess.

Arvind Bothra Would you say that your current capacity utilization at Alathur would be above 50%?

Santosh Varalwar As of last month, the answer is, yes, because we had ongoing contract with Actavis where we were still manufacturing some of their products. But, as we speak now, the contract is over and however they have an option to come back to us which I guess, they will like to revert back again. In terms of capacity utilization is concerned, right now it is below 30% but the filing capacity which is right now taking the exhibit batches and pilot plant and all those things for new products, that is being utilized fully. So, it is like factory is running full time, but we are in terms of output of Solid Oral Dosage is less, but exhibit batches are a continuous process and practically, all the 6 days or 7 days maybe we are working on that.

Arvind Bothra So that is the bottleneck you mean to say in terms of scale up of our Formulations plant?

Saurabh S.G. But capacity is being added up, so, I do not think it is a bottleneck.

Arvind Bothra That should be addressed in a quarter's time?

Santosh Varalwar Yeah, you are right.

Arvind Bothra On the debt part, what is our strategy?

Saurabh S.G. On the debt part, as we have mentioned, we will be looking at a couple of things; one of course is looking at the lands of SEZ which we have and classified as non-core. So, that is the work-in progress and we are looking at a couple of options as far as that is concerned, and once we have more clarity on that in the timing of that, I think we would be more comfortable to talk about it. There is another initiative also which our CFO would just like to mention that on the export guarantee.

Vaidyanathan Yeah, Arvind, that is not a debt reduction but that is more of an interest reduction strategy. Our export performance guarantee with RBI has come up in the last quarter. So, we are trying to take benefit of that, and with the export performance guarantee bring our debt from both overseas and use that to reduce the debt in India by bringing that as an export advance, because we do a lot of sales to our subsidiaries, mainly in the Specialty Chemicals business like our subsidiary in the US and Europe. So, that is we expect that to get competed in the next quarter. So, that can save about Rs. 15 crores to Rs. 20 crores on an annualized basis. That is the kind of savings we are anticipating from that product once it gets completed. So, things are going well so far. As far as even the bank also is concerned, it was a new regulation. The banker also taking a bit more time to understand how the structure works and all. So, we are also partnering with good bankers and also involved like good audit firms also to make sure all the regulatory part is tied up. So, that is what we are doing as far as the cost optimization of the debt is concerned, because we have rupee debt which we have taken for acquisitions, so that is something which we want to try to address by this refinancing.

Arvind Bothra Just on your US Formulations commercialization strategy. You said that Actavis contract is almost complete or behind us. How are we going to commercialize the ANDAs that we have got and what kind of visibility you have in terms of getting your front-end and all those processes in place getting distributor relationship, etc., what is the game plan over there?

Santosh Varalwar Basically, I will tell you the Alathur game strategy; Actavis contract is behind us, but we see in a medium term that we need to still depend on some Contract Manufacturing which will really give us revenues which also helps us in terms of ensuring the costs are paid out from the plants. So, we continue to propagate that kind of a business. So, we have signed agreements with a couple of large pharma companies at this point of time and I do not want to disclose, once comes into production I will do that. But, that business will probably see much earlier in terms of commercialization. Probably, we are guessing issue come by January 2015 this year, so which would see roughly of about Rs.60, Rs.70 crores revenue coming from that, which would really help us in a medium-term. And we are also finalizing certain contracts with a large generic pharma company for Contract Manufacturing, which will again is a medium-term strategy, but as you know very well, that Vivimed is still filing its own ANDAs and by the time it will really coming to the fore, it will be probably another 4 quarters or 5 quarters now. So, this is a medium term strategy.

In terms of our own filing, as Saurabh said, we have basically got 5 ANDAs out of which only one is commercialized and another four remain to be commercialized, and our guess is that by March we should have most of them ready to get commercialized. So, our strategy in the initial year is we are not going and appointing any distributors or something, we are just working with large generic companies which already have an existing marketing base. For example, for a product like Losartan, we stand with a company down in Texas for distribution. So, they are responsible for distribution of our product and we have a fixed contract pricing with them. And similarly, for other few products wherever we see a strong partner who has an existing market share, we are trying to tie-up with them, so that initially we do not intend to be on our own and appoint our own distributors because the kitty is not good enough. Unless we have a reasonable size of kitty, I do not think Vivimed will experimentally do that. So, we will be selective on our basis and wherever required, we will be non-exclusive on the basis, and we are trying to partner with somebody who has an existing generic share in the US market, and that is what is going to be our strategy in the next 12 months to come. Yes, once we have a clear cut kitty with most of the products, 50% of them at least from our own API source, where we know we can be cost-competitive in going forward, then that is the time when we will look about getting into our own distribution model.

Arvind Bothra On your API strategy, essentially, you have facilities in Spain and Mexico whereas your Formulations plant is in India. So, to what extent does it affect your cost competitiveness? And second is where is Vivimed investing in its product pipeline in the DMF or the API portfolio to make it distinguishable or to have some sort of competitive advantage?

Saurabh S.G. If you look at from Formulations perspective, at least the initial list of filing which we are targeting at least 40% to 50% of where we want to use our captive API. So, that would possibly be coming from the products which are already commercial for us in the API side. As far as new products from API side are concerned, so we are looking at mix of antianginals is an area we are focused on and some new generation products also which are there, because historically if you see, our API business is pretty much known for its Specialty Omeprazoles and Cardiovascular, etc. So, we are trying to build on that, but I would not really say that we are focused on one particular therapy area or indication area. So, we have had always a well-diversified portfolio and we will try to keep that in place. But, if you are asking what are the new filings? You can expect, yeah, Anti-Diabetes, EVS and Antianginal, those are the areas where we are all set to file.

Moderator Thank you. The next question is from the line of Ashok Shah from Labdhi Finance. Please go ahead.

Ashok Shah My question is regarding the fund raising plan by the Company by issue of further equity shares. Is it going to be over by within next six months or it will take more time?

Saurabh S.G. What we have done is we have just taken approvals. So there is no specific timing as such, as we are looking at though CFO can probably add to…

Vaidyanathan Our target is to do it as and when the market is little bit better, but then our results also start to improve. So we are going to start the exercise probably in the next quarter and be ready and since the approval is valid for the next 12 months, we have to obviously complete in the next 12 months, and we are planning to start the work say in the next quarter, say we are actually taking to the investors, talking to the bankers and see what is the right time and all. So, to answer your question, it could happen any time in the next 6 to 9 months.

Moderator Thank you. The next is a follow-up question from the line of Kunal Sabnis from VEC Investments. Please go ahead.

Kunal Sabnis Just wanted to understand the timeline of the warrants issued and the infusion of capital in the Company by the promoters?

Saurabh S.G. In respect of the timelines, currently, we have filed to the stock exchange for getting the approval. So, as soon as the approval comes in, we expect part of the funds to come in. As you know, this money can come in the next 18 months, that is when it is expected to convert a portion this year and a part in the next year. That is what in terms of the planning we are looking at. So, out of the Rs. 60 crores, roughly Rs. 30 crores should come by the end of this financial year and the balance in the next year.

Kunal Sabnis Just to ask about the previous question of the additional dilution in equity, is there more money required apart from this to go ahead with the business in terms of investment in to facilities or product research and development? Is the approval from the shareholders in that regard?

Santosh Varalwar May be to answer your question, basically this is an enabling resolution that we have taken for raising funds once we have a few quarters of good results coming in and things good. But, this primarily would only help us bring down the debt. As far as the business is concerned, we have in the last one year and even prior to that, created enough capacities at the Specialty Chemical level, and also we discussed about capacity integration formulation, and we also talked about investments we have made in Spain and Mexico. So, I really do not see that business needs any more money now, other than filing ANDAs and DMFs.

Moderator Thank you. The next is from the line of Rajesh Saha from Pragya Securities. Please go ahead.

Rajesh Saha My question is our PAT is Rs. 164 million vs. finance cost of Rs. 172 million for this quarter. So how working capital increase with reference to increase in sales in future years is to be finalized?

Vaidyanathan: I mentioned this we are looking at time to reduce the finance cost by some borrowing through the EP route. So, that is something we are already working on, the interest reduction strategy. If you see this number which you are talking about should come down on a quarterly basis, therefore roughly about by Rs. 4 crores. In addition to that, in your question on working capital, we believe that the working capital in terms of the number that has already peaked. Now, we would be working down, now since some of the plants would start working at full capacity level, the production will be over. This economic of scale would also help in the working capital. So, we do not expect the working capital level to go up substantially from the level as to what it is now.

Moderator Thank you. Our next question is a follow-up question from the line of Ashok Shah from Labdhi Finance. Please go ahead.

Ashok Shah My question is regarding this debt reduction in next one year. So what could be a debt reduction the promoter or the Company is planning to reduce debt?

Santosh Varalwar Ideally, the timelines on the QIP, we are not yet finalized, but in terms of this fund raising side, we believe about roughly about Rs.150 to Rs.200 crores of debt reduction would be ideal in terms of maintaining the ratio. So, that is what the number which you we targeting in terms of the debt reduction from any fund raising which we would do in the future.

Moderator Thank you. As there are no further questions, I would now like to hand the conference over to the management of Vivimed Labs for closing comments. Over to you.

Santosh Varalwar Thank you, Gentlemen, thank you for this thing. As I said compared to last quarter, this quarter has been down in terms of revenues, but some segments like Specialty Chemicals definitely showed promise. But as I just mentioned in the previous comments, there are a lot of things that are in the pipeline. Specialty Chemicals again has an interesting product pipeline which we will see them coming in the next 4 quarters, effectively some of new sunscreens which are going off patent, that is a good sign and then there are a few products which we got approval from automotive manufacturers. I think we started getting commercial orders in a small way, but we will see the ramp up of volume again in the next few quarters.

So, from our perspective, Specialty Chemicals business is definitely looking progressive and we should catch up speed in the few quarters. There has been a laggard in terms of approvals, but nothing is lost, as I said, this business takes a lot of time but it grows stronger once the client or customer supports you on that front, they also invest quite a bit of time along with us in terms of getting product approval and also the businesses are never going to vanish away, that is my belief last 15 years of my experience here.

Coming back to Healthcare business, the excitement of Ukraine PIC/s approval that we had got a little bit bungled up with the geo-political situations that existed in Ukraine. But again, we have about 7 or 8 products registered, so we have not seen the numbers coming up, and once the situation slightly mellows down, I am sure this 7-8 products worth a lot in terms of top line, bottom line, and we will see those things happening. And yes, we also invested in filings in Eastern Europe, particularly in Russia and other places, which we are expecting though the approvals to come in the next few months. Once that come, we will see some traction on sales coming from those areas. Again, they are all high value products. So, we will definitely see something happening at that front.

The Domestic Pharmaceuticals business in Ophthalmology is strong and it is growing, and with addition of a couple of new products, new brands like Colinol and Metropine which have recently come in, which particularly in the Pain Management side anti-spasmodic, we are expecting a ramp up in terms of volumes and really expecting those business to do substantially well in the few quarters to come.

US Generic business, it is as per our plan, the opportunity in front of us, right now the Company is going through a phase where we are spending money in terms of filing, spending money in terms of ramping up capacities, but this is not going to last too long, another couple of quarters, we will start seeing the traction in revenues.

Overall, it is going to be an exciting journey for us and we are a little patient and management of Vivimed is all geared up, focused and trying to do the best. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Vivimed Labs Limited that concludes the conference call. Thank you for joining us. You may now disconnect your lines.

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Note: This transcript has been edited to improve readability