Syngene International's Q4 and Full Year FY 2019 Conference Call

April 25, 2019

Key Participants from Syngene International

- Mr. Jonathan Hunt: Chief Executive Officer
- Mr. M.B. Chinappa: Chief Financial Officer
- Mr. Karthik: Investor Relations

Moderator: Good Morning, Ladies and Gentlemen, and welcome to the Syngene International's Fourth Quarter Fiscal 2019 Financial Results Conference Call. At this time, all participants are in listen-only mode. Later, we will conduct question-and-answer session and further instructions will follow at that time. As a reminder, this conference maybe recorded. I would now like to hand the conference over to Karthik who will coordinate the call on behalf of Syngene's Investor Relations. Thank you and over to you.

Karthik: Thank you. Good Morning and Thank you for joining us. On today's call, we have Mr. Jonathan Hunt – Chief Executive Officer, Syngene and members of the Syngene management team to discuss the Financial and Business Performance of Q4 FY19 and Full Year FY19. After our prepared remarks, we welcome your questions.

Before we begin, I like to caution you that comments made during this conference call today April 25, 2019 will contain certain forward-looking statements and must be viewed in relation to the risk pertaining to our business. The Safe Harbor clause indicated in our 'Investor Presentation' also applies to this conference call. The replay of the call will be available for the next few days immediately after the call and the transcript will be made available in a week's time on the company's website.

With that, I will turn the call over to Mr. Jonathan Hunt. Over to you, sir.

Jonathan Hunt: Thank you, Karthik and Good Morning, Ladies and Gentlemen. Thank you for joining the Fourth Quarter and Full Year FY19 Earnings Call. Let me start with the high-level overview of our financials both for the quarter and for the full year and then follow it up with the highlights of the quarter before wrapping up with the summary of our full year business performance. Mr. Chinappa, our CFO, will then cover the financials in more details in his address.

So, let me start with the fourth quarter. I think Q4 is an excellent quarter with revenue growth of 30%, reflecting a strong pick up in our Discovery Services business as well as some elements of catch up in Development Services as projects spilled over from the third quarter FY19. Reported revenue crossed Rs.500 crores mark for the first time, taking it to Rs.555 crores, net growth at 30%. EBITDA for the quarter was up 24% to Rs.181 crores while PAT was up 19% to touch Rs.100 crores during the same period, this is the first time that profit was Rs.100 crores in a quarter. Margin performance for the quarter was absolutely in line with our expectations with PAT margins at 18%, that is 200 basis points lower than last year and this really reflects the continued investments we are making in business development as well as improving overall efficiencies which we see as important enablers of future growth.

During the quarter, we enter into the collaboration with Government of India's Biotechnology Industry Research Assistance Council (BIRAC) to set up a Center for Advanced Protein Studies here in our campus in Bangalore. The CAPS facility aims to support biotech start-ups by providing them access to world-class GLP certified facilities at discounted rates. This really has the potential to play a significant role in boosting the development of the biotechnology industry here in India.

During the quarter, we appointed Dr. Kenneth Barr , Senior Vice President - Discovery Services. Kenneth brings with him over two decades of experience in drug discovery, small molecules and has been associated with the range of global organizations including Abbott, Merck, and FORMA Therapeutics and ready in his new role, he will be responsible for bringing together Syngene's discovery services, delivering integrated drug discovery programs on behalf of clients and that's taking programs from target identification and validation all the way through to IND.

Let me turn to our full year FY19 performance and also recap some of the highlights of the year. As I just mentioned, Q4 was an excellent quarter and together with the achievement of earlier quarters help close FY19 on a really strong note. Full year reported revenue came in at Rs. 1,901 crores, that is 28% higher than FY18. Reported EBITDA was up 16% to Rs.612 crores and PAT was up 9% at Rs.332 crores.

During the year, we continue to invest in the business, strengthening the leadership team, expanding our business development activities as well as making further improvements in our quality and compliance system. Our active client roaster grew to 331 active clients and added 15 new client relationships during the year. Alongside that we also continue to expand the scope of engagement with many of our existing clients.

Revenue contribution from the top-10 clients now stands at 66% down from 71% in FY15. This really does reflect the progress we are making on our strategy to continue to diversify our client base and reduce any dependence we have on any single group of clients.

Turning next to some of the operating units, our dedicated R&D center business continue to gain traction in the year with the expansion, extension of our collaboration with Baxter. Under this we commissioned additional lab space for them as well as extended the contract term out to 2024. As announced in the previous quarters, we extended our ongoing collaboration of 20 years with Merck until 2022 as well as signed of new collaborations with emerging biotechnology companies like Zumutor Biologics, Artelo Bioscience and others.

Our Discovery Services and our Development Services businesses continued to invest in building both new capacity and capabilities. Discovery research is really one of our key growth drivers and we have invested in adding new competencies in both large and small molecule discovery. This includes things like yeast display platforms for antibody discovery, sophisticated immuno-oncology assays, CAR-T design and micro sampling PK studies. These investments in future-ready capabilities will enable Syngene to address the emerging client needs that we are seeing.

During the year, our investment in our Biologics business helped strengthen its capabilities in process development. We commissioned the additional high-end equipment like AMBR bioreactors. We also triggered the investment in two additional 2,000 litres disposable bioreactors and these should be fully operational by the end of the financial year.

A quick update on our upcoming API manufacturing facility in Mangalore. Construction activity is on track and the facility is scheduled for commissioning by the end of this financial year, FY20. I am happy to share the projects crossed a significant safety milestone by achieving two million safe manhours of construction. This I think is really good reflection of the company-wide focus we have on safety and providing a very safe working environment.

So, let me sum up FY19 was a good year for Syngene. Our dedicated R&D centers are making good progress on the back of the extension and expansion of key collaborations. Discovery Services and Development Services delivered very solid performances with widened capabilities and increased capacity. Our investments in increased marketing and business development activities helped us reach many new clients. Our focus on safety, quality and operational efficiency is resulting in enhanced delivery across the business.

So, with that, let me turn to Mr. Chinappa to share more of financial performance both for the quarter and for the full year FY19.

M.B. Chinappa: Thanks, Jonathan, and good morning, everyone. Let me begin with the brief on the financial results for the quarter, follow it up with the full year results and finally wrap up with some guiding comments on the directional growth we expect for FY20. Our policy is not to give specific earnings guidance, but I just want to be helpful in terms of giving you all an indication of the directional outcome.

As already mentioned by Jonathan, revenues for the fourth quarter grew by 30% to Rs.555 crores compared to Rs.426 crores in the same quarter of last year. The revenue growth for the quarter was driven mainly by Discovery and Development Services. We also had a benefit of 6% from currency. EBITDA for the fourth quarter was at Rs.181 crores. This is up 24% compared to Rs.146 crores in the same quarter last year while PAT is up 19% at Rs.100 crores compared to Rs.84 crores in the same quarter last year. EBITDA and PAT margins for the quarter were 33% and 18% respectively. During the quarter, we recorded interest income of 21 crores, associated with this our finance charges of Rs.8 crores and income tax of Rs.7 crores. If we exclude impact of interest income, the revenue growth for the quarter is at 31% and adjusted EBITDA margins for the quarter is 30% while PAT margins is 18%.

Moving to the cost elements, our material and power cost as a percentage of revenue has dipped to 29% compared to 32% in Q4 last year. This is largely owing to the sales mix. Employee cost as a percentage of revenue is at 24% which is roughly in line with Q4 FY18. Other expenses for the quarter has gone up marginally by 3%, but it is higher than Q3 reflecting higher consulting fees associated with some initiatives on safety, compliance and recruitment.

Let us now look at the impact of currency movements on the quarter's financials: As you know, our revenues are predominantly invoiced in US dollars, while our reporting currency is INR. During the quarter we had 6% gain in revenues on account of the rupee depreciation while we booked a forex loss of Rs.8 crores. Our hedge rate was at Rs.68 versus the prevailing rate of Rs.70 and the loss reflects the difference between the two. This loss of Rs.8 crores compares with the gain of Rs.31 crores in Q4 FY18.

Moving to FY19 full year performance, we have registered a total revenue of Rs.1,901 crores which is 28% growth over FY18 revenues of Rs.1,485 crores. The EBITDA for the year was Rs.612 crores compared to Rs.527 crores in the same period last year, reflecting 32% EBITDA margin. Profit after tax at Rs.332 crores compared to Rs.305 crores in FY18, reflecting 17% PAT margins.

If you look back at the comments in Q1 FY19, I had mentioned that the revenue was boosted by higher raw material pass-through billings of about Rs.40 crores. If we exclude this item, EBITDA and PAT margins for the full year were at 33% and 18% respectively.

The effective tax rate has increased to 20% in FY19 compared to 18% in FY18. This is due to the unwinding of the SEZ tax holiday benefits in some parts of our business.

Coming to the balance sheet, the cash generated from operating activities were largely utilized towards ongoing capex program, resulting in a net cash position of Rs.340 crores as at 31st March, 2019 as compared to Rs.320 crores as of 31st March 2018. We have spent approximately $85 million towards ongoing CAPEX programs in FY19, taking our total investment and fixed assets to around $350 million. We expect to continue the investment in capex in a similar manner in FY20 and FY21 to take the overall asset base to about $550 million by the end of FY21. This includes the upcoming commercial API manufacturing facility at Mangalore which is scheduled to be operational by the end of fiscal FY20. The second phase of the upgraded S2 facility will also be operational by the end of this fiscal year.

With regards to the insurance claim on the rebuild of S2 facility, we have so far received Rs.81 crores and expect to receive the balance proceeds over the next 12-months.

Before I end, let me give you a directional outlook for FY20. We expect the good momentum to continue into FY20. The expansion of our business with our strategic clients along with healthy demand in both discovery services and biologics, provide a strong platform for growth in FY20. Overall, we expect the underlying sales growth, stripped of currency and one-off pass-throughs, to be broadly in line with the underlying sales growth in FY19, perhaps even a notch higher. The investment in new facilities will lead to higher depreciation and also reduce other income. We will also continue to invest in safety, compliance and business development. All of this together will have a slight compression on margins which we expect to reverse overtime.

With this, I like to hand it over back to the operator. We will be happy to take any questions.

Moderator: Sure, thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: First question on the broad split that you give annually on the dedicated clients, development services and discovery services for the year?

Jonathan Hunt: Happy to do that. Chini, perhaps you want to give a comment, thinking of the balance of those. I think it is a reflect on the year. I think two things to call out. Firstly, our dedicated centers group has done particularly well this year. It is notch higher growth and those things are long time in gestation, often we will be working with clients with the number of years and we build a relationship with them and then transitions through to them thinking, you know let us make a real commitment and we build our own dedicated infrastructure, that is much more integrated and multi-dimensional in what we do. So, they are not quick selling process, you can see the come through. This year we have seen good sort of progress on that as we have seen a number of relationships take that jump. Again, long cycle in terms of selling, but good year for dedicated centers. I think the other area that really has been moving very-very strongly this year is our collective group that we call Discovery Services, it is Discovery Chemistry, Discovery Biology and all of those associated research services. Again, really good demand in the marketplace and I think we are winning a fair share of that. I think the net of that and I will look for Chini to give you some color on the balance. The balance has not changed massively despite seeing some very good growth. We are seeing good growth across all of the organization, but Chini, do you want to put a more color on that?

M.B. Chinappa: Prakash, as Jonathan mentioned, we have seen very-very strong growth in Discovery Services during the year and there has really been the shift in the sales mix where Discovery Services have actually moved up about 400 basis points or 4% in the total mix.

Prakash Agarwal: So, it is about 29, 30% now?

M.B. Chinappa: Yes, it is coming closer to 30%.

Prakash Agarwal: And Dedicated remains around 33% or it has moved up?

M.B. Chinappa: That is just a notch below, it is roughly one-third and the balance is Development Services.

Jonathan Hunt: Prakash, it is sort of one third, one third and one third if you think about the business of Dedicated Centers, Discovery Services and then Development Services. So, it is nicely balanced and that was something over three or four years we talked about saying to get a little bit more balance in the distribution of revenue and also a little bit less concentration on key clients. Now we do keep growing with those key clients and that is a collaborative relationship, but we are also adding new logos to what we are doing. So, it is a nice balance there.

Prakash Agarwal: Secondly, while we have a very strong growth, the cost also have increased and we have highlighted in the past that there is a particular emphasis on increasing the safety, compliance, and even marketing initiatives. So, when do we see the operating leverage to start playing out or we are in a business where these costs would continue to be at elevated levels?

Jonathan Hunt: I think it is a balance of those two elements of your question. We have signaled over the last 18-months that we were going to step up these investments. And it is really from a position of strength from our point of view because what we are seeing in the marketplace is those are leading to clear differentiation, we are standing out in comparison to our competitors in the Asian part of the world but I think we are standing toe-to-toe with the best CROs anywhere in the world and our investments in safety and in compliance and in process efficiencies, really are something that resonates with the clients. They are looking for certainty of delivery and they are looking for you to do it in what is a very regulated industry and high-quality way that is sustainable and predictable. I think that is one of the elements. Those investments are actually leading to differentiation and that is one of the reasons why you are seeing the revenue line, sales line accelerate. So, from that point of view, if you are seeing success from the investments you are making, you continue to make them. It is not as if it is one and done. We are getting good returns, from the investments we are making in business development, marketing activities, safety, quality assistance and strengthening some of the operational processes. So, I think we are likely to continue to do that. Precisely because you are seeing that step up in the top line. At some point those things start to level off and that is when you see the operational leverage. But for now, I think we are much more focused on can we continue to drive good revenue growth and gain share. Hopefully that is an enough comment you can predict.

Prakash Agarwal: We saw this BMS-Celgene closing out on the deal. Just wanted to have some sense, have we heard more business because it is the BMS who has an upper hand is what I believe in the acquisition. So, would we get the additional Celgene business?

Jonathan Hunt: I think it is way too soon to have an insight into that if you have ever been through merger, acquisition of that scale, firstly, you put a different time course and you work hard every day but things play at over a year or so. So, I think it is much too soon first to have a read on that. I would be much more focused just on where we are with our relationship with BMS which is a flagship relationship for us, it is one of our longest most enduring one. It is very collaborative. We are delighted to have them as a major strategic partner. And I know that we are creating real value for them. So, I see that as an opportunity rather than threat, but much too soon to read the rooms on what is going on the BMS side of the house.

Moderator: Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal Securities Limited. Please go ahead.

Ashish Thakkar: Is it comfortable for you to give a breakdown of your revenues between Biologics and the Chemical entities?

Jonathan Hunt: It is not the way we look at it. I think the previous question was more in line with the way we look at the business. We tend to think of it is three broad groups or verticals. Our dedicated centers business is unique, nobody else that of our competitors to do that, but that is about a third of our revenue. If you wanted a collective grouping of all our discovery research services, biology, chemistry, safety, toxicology, bioinformatics, you can put them under the umbrella of discovery services, that is about another third of our revenue. It is growing very nicely. We are seeing a real pickup in demand globally for those partly from large pharma clients, partly from emerging biotech's and it is nicely distributed from around the world and then the other third is that manufacturing development group. Now in reality today, that third of the business is mainly development services with a little bit amount of manufacturing. The next strategic evolution for the company but it is not there yet, it does not start until next financial year, to start to become commercial CMO manufacturer of some scale. And we are going to do that in two ways – first one is the Mangalore API plant. But we are still building that, the build is going well, it is on time, it is on budget, maybe a little bit better than budget and then we are doing that in a high-quality way, we went through 2 million-man hours of safe construction work which again is a reflection of those investments in safety. So, happy with the construction phase of that bit of a strategy. But it does not operationalize until the beginning of next year at the earliest. So, it is not really a revenue driver for FY20. On the Biologics side, we are 18-months or so into being small scale biologics commercial manufacturer. We have a handful of clients. We see really good demand globally for those services and there was a comment in my remarks telling you that we are going to add two more lines. So, by the end of this financial year, we would have gone from two 2000 litres scale bioreactors on the campus here in Bangalore to four, so doubling of that capacity. But again, that would not operationalize till the end of this fiscal year. So, I think it is more in FY21 driver. Hopefully there is enough in that answer give you sense of how we look at that.

Ashish Thakkar: Would it be fair to assume that in the Discovery Services part of the business, your productivity per scientist would be the highest compared to the rest of your businesses?

Jonathan Hunt: No, I would not necessarily call that out. If you think about what the scientists do, the teams that work within the dedicated centers and the teams that are working within the discovery services group pretty much do the same sort of work. They are looking to really use their skills in biology, chemistry, bioinformatics to push forward research projects for our clients. So, the nature of the work is not any different. Who they do it for and how they are organized is the difference. But the productivity matrix across all of those groups and that is a large proportion of our workforce are pretty much aligned. So, I would not call out one group being meaningfully more productive than other. I would say they are all very productive and we look very good on a global basis. There is some real talent in India and you can ally that to good infrastructure, investments in capability that we made as well as an operating cost basis is advantageous and whether you measure it on scientific output per scientist or return per dollar invested by our clients, Syngene is very-very competitive on those measures.

Ashish Thakkar: So, like next two years, we are planning to do CAPEX of $350 million. Is that a fair understanding?

M.B. Chinappa: Our current balance sheet both from fixed assets capitalized and the capital work-in progress, sums up to about $350 million. The ongoing investments can take us up to about $550 million by the end of 2021.

Jonathan Hunt: The increase, the delta is not $350 million. The delta is the gap between the $350 million and the $550 million spread over the next two financial years.

Ashish Thakkar: Once this API manufacturing plant is ready in Mangalore, then what would be the sustainable CAPEX or the high CAPEX would continue even after FY21?

Jonathan Hunt: I think if it is okay we go back to sort of the answers we have given on that previously which is I think the time to really have a discussion and some detail around Mangalore facility, its outlook, sort of client base and services is when we built it and we want to complete it that till the end of this financial year. So, I think maybe a better time to revisit those issues would be in 12-months from now.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Just a clarity: So, $220 million of cash outflow in CAPEX over FY20 and FY21, that is what you said in the last question, right?

M.B. Chinappa: Yes, about $200 million.

Dheeresh Pathak: When I look at the balance sheet, the CWIP of Rs. 273 crores for 31st March 2019 ending, so that is primarily the Mangalore asset, right?

M.B. Chinappa: Yes, a significant part of it would be the Mangalore facility.

Dheeresh Pathak: The balance was supposed to be Rs.600 crores project or Rs.650 crores project. So large part of that balance would happen in this year because you expect to commission by the end of this year, right?

M.B. Chinappa: The first phase of commissioning would not consume the full $100 million, but largely about $75 million would be spent on the Mangalore facility.

Dheeresh Pathak: Can you just refresh the understanding again in terms of how you expect the scale up, the revenue potential of the Mangalore asset?

M.B. Chinappa: As Jonathan just mentioned, we will cover that really by the end of this year once we have completed the build and have a better visibility around the business.

Jonathan Hunt: I think at a high level the comments we made previously, one sort of intuitively obvious, if we have not commissioned it till the very end of FY20, it is not a revenue driver in this fiscal. So that is one of the easier modeling problems in terms of revenue prediction at Mangalore. In the past we have sort of talked about, new facilities like this really have to be up and qualified before you can expect to start winning client work in the open market, because it is not until it is built and people can come and see, touch and inspect that you really get that early client engagement. So, I think that lead you to conclusion that at least from new logo with FY21 is largely a start-up year. It is an opportunity to showcase that facility to clients and get them to come in, in order to and then decide whether or not the right place of that project. So, these things are played out over the lifecycle of the asset not over the first sort of fiscal year of their existence. So, if you think about it that way, you are heading in the right direction.

Dheeresh Pathak: But there is no indication from an existing customer in terms of using the asset or waiting for the asset to be commercialized or there is nothing in pipeline that will show up for the asset once it is ready, is that the right understanding?

Jonathan Hunt: Plenty of conversations, plenty of ongoing engagement but you just would not get people to comment until the facility is up, running, qualified and they can touch and feel and test it. I think that has been clear from the very outset of this project and perfectly normal.

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

Charulata Gaidhani: I wanted to know how much was the spend on repairs and maintenance in FY19, this is about the other expenses because whether this will be kind of new base for other expenses going forward?

M.B. Chinappa: Other expenses on a full year basis roughly average about Rs. 60 crores per quarter and Rs 74 crores was spent in this quarter.

Jonathan Hunt: If you look at that number, I think one of the obvious things you can look at is that as our asset footprint increases, as we continue to make investments and expanding, our capacity, capabilities of bringing on line new laboratories, bringing on line new manufacturing facilities it is just implicit within that, the cost of repairs and maintenance will track that as your asset base increases. I see that as a healthy indicator for future growth because we put those capital investments in to bring capacity on line precisely because we are seeing optimistic demand for those services.

M.B. Chinappa: In FY18, we spent Rs.236 crores in other expenses. That has gone up to Rs.242 crores this year. It is about Rs.6 crores increase. Within that if you are going deeper, the total repairs and maintenance spend has gone up from Rs.65 crores in FY18 to Rs.85 crores in FY19 and this Rs.20 crores really reflect increased expanded asset base.

Charulata Gaidhani: My second question pertains to the capex. Can you give a breakdown of the capex? You said USD 75 mn for the Mangalore plant. And what about the balance, that is for setting up what facilities?

M.B. Chinappa: It captures both the expansion of the biologics capacity that I just spoke about, we are looking to take it up to four lines by the end of FY20. So, that is one of the bigger investments and we are looking at setting up new research center at Hyderabad and another new research center at Bangalore site. These are some of the big-ticket items.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: Large part of the question regarding CAPEX breakup is addressed. But if you can also just remind us in the last three years, the presentation says we have invested in dedicated facility and the new formulation facility and the biologics plant, so if you can also give some broad breakup in some percentage terms, if not the absolute amount of how much was in last three years spent in the dedicated facility versus the new formulation and biologic facility?

M.B. Chinappa: You want the breakdown of the $350 million?

Amish Kanani: Yes, in the last three years, large part of the spending that we have done.

M.B. Chinappa: I need to get back to you.

Amish Kanani: Okay, then we will take offline sir. Another question was about the hedging part of the story, where I think this year fourth quarter specifically there was a good increase in at least the gross margin part of line item on YoY basis. The question is how have we hedged for next year, what is your view? Second about how do we kind of take the investment decisions vis-à-vis the FOREX gain that we might have from time-to-time? You have mentioned about EBITDA margin being slightly compressed but the rupee was to be slightly stronger vis-à-vis what it is now, then how do we look at it?

M.B. Chinappa: We have mentioned this over our calls in the last year. We do have hedging policy that looks to hedge out one year forward net exposure.

Amish Kanani: What is that amount if you are sharing that number as of now?

M.B. Chinappa: FY19 we were hedged close to 69 to the dollar. In FY18 we were at 67 and 65. About our hedge rate give us about Rs.2-3 increase in each fiscal. And as we go into FY20, our average hedge rate is at 72 to the dollar.

Amish Kanani: So, our margin guidance incorporates are exaggerated and you are saying there will be a slight dip in the margin at an EBITDA level mainly because of the increase in investment that you are looking at?

M.B. Chinappa: Yes, really the way we look at it is we actually add back what is shown as other expenditure, the forex difference net, which is shown in other expenditure, we actually add that to revenues. So, then it normalizes at the hedge rates and all our margin calculations are based on that.

Amish Kanani: If I were to kind of point out question in terms of guidance, this year we have grown at 28% and I am presuming maybe we have grown 6% in FOREX, so the point is in terms of constant currency kind of a growth, what was the growth rate this year and are we seeing a similar growth rate next year?

M.B. Chinappa: So, pointed towards the underlying sales growth, we take off the currency thing of 6% and then 2% impact which came from the one-off pass-through. So, the underlying sales growth for the year is actually 20% for FY19 and the guidance we are looking to say we can actually come a notch higher than that in FY20.

Moderator: Thank you. The next question is from the line of Mehul Sheth from Phillip Capital. Please go ahead.

Mehul Sheth: One small number like CAPEX breakup, can you give, like for Mangalore you did 75, in Bangalore, I miss out that number? Can you give that?

M.B. Chinappa: Mangalore facility as at the end of FY20 would be about $75 million. The current spends of $350 million we have about $50 million in Mangalore and $300 million in the Bangalore facility.

Mehul Sheth: Specifically, for Q4 can you give a breakup for Mangalore and Bangalore?

M.B. Chinappa: I need to get back to you. I do not have the exact for the quarter.

Mehul Sheth: One additional CAPEX of $100 million for capacity expansion that you are doing, any progress on that one, out of which how much you have spent or anything?

M.B. Chinappa: I will get back to you with the detail questions on capex. But just look at the business as a whole. Today we are looking to actually spend about by the end of FY21 a total of $550 million. This would be distributed between $75 million in Mangalore, and the new facility coming up in Hyderabad, we got expansion of the Biologics and further expansion of labs in the Bangalore facility. So, all combined will take $550 million.

Mehul Sheth: One question on your Biologic manufacturing plant that you have commissioned I guess in Q2 FY18. So, is there any progress on that front means are you validating that plant or you are commercializing it or any update can you give on that plant?

Jonathan Hunt: Let me give a quick summary on that. That is up and running, it is operational and we made a comment earlier in the call saying that we intended to double the capacity of that and that is what we would be doing that during the course of this year. So, by the end of this fiscal, capacity of that Bangalore biologics plant will double from two 2000 litres to four 2,000 litres. The two that are there are up and running and we have clients for them.

Mehul Sheth: One question on balance sheet. Inventory is almost half means from Rs.86 crores to now it is Rs.43 crores. So, any specific reason behind it?

M.B. Chinappa: This reflects some of our initiatives on improved safety, reduction of the load, more off-site storage and those aspects. There is a lot of operational excellence program underway looking at better working capital management, lowering cost, etc.,

Moderator: Thank you very much. Well, Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Karthik for his closing comments.

Karthik: Thank you, everyone for joining today's call. Hope we have answered your queries. If you have any questions, please do get in touch with us. Have a good day.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Syngene International, we conclude today's conference. Thank you all for joining. You may now disconnect your lines now.