Syngene International's Q2 FY2018 Earnings Conference Call

October 26, 2017

Key Participants from Syngene International

- Mr. Jonathan Hunt: Chief Executive Officer
- Dr. Manoj Nerurkar: Chief Operating Officer
- Mr. M.B. Chinappa: Chief Financial Officer
- Ms. Chanderlekha Nayar: Investor Relations Team

Moderator: Ladies and gentlemen, good day and welcome to the Syngene International Limited Q2 FY'18 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Chanderlekha Nayar from Syngene International. Thank you and over to you, ma'am.

Chanderlekha Nayar: Thank you, Janice and good morning, everyone. This is Chanderlekha Nayar from Syngene Investor Relations Team and I welcome you to Syngene International Earning Call for the Second Quarter Fiscal Year 2018. We have with us Mr. Jonathan Hunt – Syngene's Chief Executive Officer, along with Senior Management Team to discuss the Company's Performance. Before we proceed with this call, I would like to remind everybody that this call is being recorded and a replay will be available for the next few days immediately after the call. The transcript of this call will be made available in a week's time on the company's website. I would also like to add that today's discussion maybe forward-looking in nature and must be viewed in relation to the risks pertaining to our business. The Safe Harbor clause indicated in our 'Investor Presentation' also applies to this conference call. After the end of this call, in case you have any questions, please feel free to get in touch with me. Over to you, sir.

Jonathan Hunt: Thanks, Chandra, and good morning, ladies and gentlemen. Thank you for joining us on this call as we take you through the Q2 FY'18 Earnings and Business Update. I will start with the "Quick Summary of our Quarterly Financial Performance" and then move on to the "Business Update." Mr. Chinappa, our CFO, will then give you more flavor on our "Financials" in his comments.

Overall, the second quarter has seen revenue growth pick up pace; both on YoY basis as well as on quarterly sequential basis. Q2 revenue at Rs.352 crores was 10% higher than the previous year's quarter. This is the second consecutive quarter we recorded accelerating revenue growth. After the negative growth of (-6%) two quarters ago, we reported positive growth of (+6%) last quarter and now stepped up against 10% this quarter. This in line with our expectations and we look forward to building upon this momentum during the second half of this fiscal year.

EBITDA for the quarter grew 7% to Rs.130 crores and PAT was up 3% to Rs.77 crores.

We continue to see good cost control across the business and that plus the beneficial impact we continue to get from the interest income has delivered a good margin performance.

So let me now turn to some of the "Key Business Highlights for the Quarter:" As you know, Syngene's business operate broadly in three verticals – Dedicated R&D Centers, Discovery Research Services and Development and Manufacturing Services. Overall the performance across all the business verticals were solid, in particular this quarter saw sustained growth in our Dedicated R&D Centers as well as a pick up in the growth rate of chemical development within our Development and Manufacturing Services vertical.

So let me turn to some of the "CAPEX Investment Programs" we have ongoing across the business: As you know, we are making a number of important investments in building new infrastructure and developing new capabilities. Generally, the programs are progressing well; to time and to quality. In particular, I would call out the investments we are making within Biologics Manufacturing and within Clinical Development as both of these programs now reached their next key next milestones this quarter. The new biologics manufacturing plants in its final stage of fitment, testing and is scheduled to be operational during the next quarter.

The new Biologics Manufacturing Plant is in its final stage of fitment and testing and is scheduled to be operational during the next quarter.

As you recall, we see Biologics being one of the long-term strategic growth drivers in the company. It is estimated that by 2020 biologics will make up close to 30% of the total pharma market revenue globally and close to half of the research pipeline for the industry. The facility will have three single use bioreactors, each with the capacity of 2,000 litres as well as upstream and downstream suites.

During the quarter, we also strengthened our Clinical Development business by expanding our bioequivalence study capabilities by setting up of an additional 76 -bed Human Pharmacology Unit here in Bangalore.

The HPU facility serves to conduct Phase-I and bioequivalence studies in human volunteers. It has got the ability to support early stage as well as translational research that helps make faster clinical decisions. The facility has a strong regulatory compliance track record. We successfully cleared six USFDA inspections; three EMA and ANVISA, the Brazilian regulatory inspection.

With this expansion, the total capacity of the HPU increases to 190-beds and the additional capacity of the HPU really will help Syngene see some growing demand for these types of services.

The second quarter also saw a setting up of Syngene's first international subsidiary, Syngene Inc., in the USA.

With the expanding business and also the high concentration of our clients in the US, we felt it is beneficial to have a local presence there and which will really facilitate easy access and easy interaction with our teams.

So let me sort of sum up: Investment programs progressing well - with two important areas; Biologics Manufacturing and Clinical Development reaching some key project milestones.

Cost management and margin performance were in-line with our expectations and Syngene's revenue growth continue to pick up pace in the quarter which sets up a good platform for further revenue growth development through the rest of the year.

With that – let me turn the call over to our CFO, Mr. Chinappa.

M.B. Chinappa: Thanks, Jonathan and good morning, everyone. Let me begin with the commentary on the Q2 FY'18 Performance including Impact of Interest Income and FX and also appraise you of our Ongoing Investment Program, the Status of our Insurance Claim, the Impact of the Currency Movement and end with a Broad Outlook on H2.

In Q2 FY'18, we have registered a revenue growth of 10% at Rs.352 crores compared to Rs.319 crores in the same quarter in the previous year. The growth is mainly on account of the sustained performance in our Dedicated Center Vertical. In addition, our development and manufacturing Vertical, which represents about 40% of our business, has also rebounded this quarter.

The EBITDA at Rs.130 crores is up 7% as compared to Q2 FY'17. The profit after tax is Rs.77 crores, is up 3% as compared to Rs.75 crores in the same quarter of the previous year. EBITDA and PAT margins for the quarter are at 37% and 22% respectively.

During the quarter, we have recorded an interest income of Rs.17 crores. Associated with the interest income is finance charges of Rs.5 crores and income tax of Rs.6 crores. If we exclude the impact of interest income, the revenue growth for the quarter is at 11%. Adjusted EBITDA and PAT margins for Q2 FY'18 are at 34% and 21% respectively.

In constant currency terms, our adjusted revenue growth is 3% higher at 14%. Average realization against US dollar was at Rs.64.8 compared to an average of Rs.66.8 in the same quarter in the previous year.

With regard to the cost elements, our material and power cost as a percentage of revenues have decreased from 27% in Q2 FY'17 to 25% in this quarter owing to the sales mix. Employee cost as a percentage of revenue is up 24% in Q2 FY'17 to 27% this quarter, reflecting an increase in headcount and the salary increments.

The other expenses in Q2 FY'18 is up by 19% reflecting a ramp-up in facility cost and increase in expenses account initiatives in business development, safety and compliance. During the quarter, we had hedging gains of Rs.12 crores compared to Rs.6 crores in Q2 FY'17. These gains are credited to other expenses. Effective tax rate is steady at 18%, similar to what we reported in the last quarter and we expect to end the year at this level.

Moving to Balance Sheet Items: We have committed a total spend of $102 million against ongoing $200 million CAPEX program. This includes $72 million for expansion of facilities here in Bangalore and another $30 million towards the commercial manufacturing API facility in Mangalore. The site in Mangalore is being mobilized and we expect to start construction shortly. We remain committed to commissioning the facility in FY'20. The net cash position as at end September 2017 is Rs.131 crores compared to Rs.280 crores as at March 2017. As regards the insurance claim related to the S2 facility, we have completed assessment of the total assets damage on account of the fire incidents at a gross value of Rs.210 crores. We have received the first tranche of Rs.20 crores from the insurance company and expect to receive the second tranche of Rs.60 crores in this Q3 FY'18. The balance insurance proceeds are expected to be realized along with the refurbishing of the facility which is scheduled to be completed in Q1 of FY'19.

Turning now to the Impact of Currency: As you know, while we report in rupee most of our contracts are denominated in US dollar. Consequently, changes in the dollar/rupee exchange rate are an important factor and something we watch closely. The rupee strengthened by about 5% in the first quarter of this calendar year and have since remained largely flat at Rs.65/US$ during the last six months. Our hedging policy progresses near-term protection against the rupee appreciation; however, if rupee appreciation persists, we may have to look to revise our pricing and improve our efficiencies.

In my closing remarks, I would like to state that we expect to continue accelerating our growth into the second half of FY'18. We expect a good momentum in Biologics as well as our other business verticals to help deliver this growth..

With this, I would like to hand over back to the operator and would be happy to take any questions.

Q & A Session

Moderator: Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Viraj Pare from KR Choksey. Please go ahead.

Vijay Pare: My question is more on the industry per se wherein I would like to know our future plans and outlook especially with respect to the Chemical Development vertical as well as the Dedicated R&D vertical what should we expect with Syngene and the kind of business it is expecting in the coming quarters of the financial year?

Jonathan Hunt: In general, we are seeing at a global level continued investment in Research and Development, resultant from both rising global population, aging demographics and an increase globally in the consumption of human medicines. Majority of our clients are in the pharmaceutical or biotechnology sector. So we see the demand driver for them continue to grow and in doing that increasingly many-many clients predominantly in the west that is where the majority of that industry is headquartered are considering for more cost effective and efficient ways of delivering those products through to patients, whether it is on the Research side which is what our Discovery Services business does or whether it is on the Product Development and Manufacturing side which is what our other verticals do. So I think the fundamental demand driver in our client industries is very solid, which drives good demand from the sort of services we have got. So I think that is a fairly positive outlook driven by some fairly strong fundamentals that we are seeing across the world.

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

Amish Kanani: Sir, two questions; one is our employee cost is rising a little bit ahead of our revenue growth which we know that is because of the slow pick up following the fire incidents. The question is do we see trend of revenue growth that we used to have in the past coming back and no need to worry on that side? What are the

plans to kind of correct that in the context of rupee which is stronger than what we would have liked to? So in the medium-term, the outlook on the employee cost versus the revenue growth line up, one in dollar terms and in rupee terms?

Jonathan Hunt: There are two elements to the questions; do you want to talk a little bit around what we see in the near-term in terms of the demand drivers. I would go back to my comments, I think certainly the fire back in December of last year quite clearly has an impact on the business because it took a quite large proportion of our capacity, particularly in some of our Discovery Services vertical, so Discovery Chemistry was quite impacted by that, which we quite quickly we moved back to make it up and running. But in doing that, it consumes some of the headroom growth in the organization because we moved people into that growth facility which we were just commissioning in anticipation of huge demand. I think that sort of explain some of the revenue growth we have seen over the last couple of quarters of (-6%) and then swinging that to (+6%) and then (+10%) this quarter. So sequentially, there is a lot of hard work gone on to it, but I am quite pleased with the progression we are making. The point also leading into is that is a good platform, continued growth in the second half of the year. That is all about execution. Those things take hard work in delivering. But it is a better place to be. So if you look at our overall revenue, we are actually marginally ahead of where we were pre-fire. Having had that impact, we bit bounced back pretty quickly I think over a couple of quarters, we are slightly ahead actually where we were pre-fire and I think that is a good position to be for the rest of the year. Things like the new capacity coming onboard in the Biologics manufacturing is a step change in our capacity. That is not going to make a difference overnight because that is a new area for us. But it is a good long-term driver and I think a very exciting area of the industry. So we look forward over the next couple of quarters to see them getting up and running and starting to contribute to the top line. Chini, I just wonder were there any elements of the questions that you want to comment on?

M.B. Chinappa: On the employee cost which is higher as a percentage of revenue, part of that will come off in H2.

Amish Kanani: The dollar depreciation vis-à-vis our hedge position, how do you see that panning out?

M.B. Chinappa: As I indicated in my opening commentary, we have a hedging policy which gives us protection in the near-term which is really in the 12-18-months period, and beyond that if rupee appreciation persists, we would need to look at revising our pricing.

Amish Kanani: So till now, how well are we covered largely… is it safe to say that this full year we are covered and maybe some part of next year?

M.B. Chinappa: Yes, we are covered for the next 12-18-months. The policy is a conservative policy where we look to give us a flow rate protection of 100% for the first 12-months and 70% of the next 12-months.

Amish Kanani: How do we account for the insurance claim that we are receiving?

M.B. Chinappa: As of now, against the value of the assets damaged we have recorded insurance claim receivable to the equivalent amount that we have recognized as assets damaged on account of fire because we believe we will be able to realize the full amount from the insurance company. When you go to the full replacement of the assets, we expect that there will be an accounting gain because of the fact that we have insured all assets of the replacement value. So we will receive funds to cover for the replacement value of the assets and we will write off the net book value of the assets. The difference between the two will largely be accounted as exceptional gain when the amount is realized from the insurance company.

Amish Kanani: That will be happening in the first quarter of the next year, right?

M.B. Chinappa: The timeframe I cannot say for certain because it is linked to the insurance proceeds being realized.

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 the breakup of revenue from Discovery Services and Dedicated Centers for this quarter?

M.B. Chinappa: Our rough split of where business is 25% into the Discovery Services, a third of the business in Dedicated Centers vertical and 40-42% in the Development and Manufacturing vertical, we generally provide the detail breakup on a full year basis because during the quarter there is a swing which is not really meaningful.

Charulata Gaidhani: My second question pertains to the increase in capacity beds for bioequivalence studies. How much is the CAPEX involved for this and why are we getting into this?

M.B. Chinappa: We do not really disclose the financials around expenses of the HPU center because we have made modification to the existing facility and move certain other labs around. So difficult to quantify the actual investment. Manoj, if you can comment?

Dr. Manoj Nerurkar: Charulata, from increase in the capacity perspective, we are seeing quite a bit of momentum in the bioequivalence type of studies, in fact, the center that we had before this growth was filling up quite nicely. If you look at our compliance track record in this, it is quite impeccable. With six USFDA, three EMA and Brazil's ANVISA inspection, all these are without any observations or 483s. So given that and some of the issues that other providers are facing, we see this being a competitive advantage in terms of growing the business. Adding these beds will only help us add that capacity to serve the growing need of bioequivalence studies which a lot of companies come to India for. That is the driver for the growth.

Jonathan Hunt: Just one additional comment; maybe just sort of reflecting on your question. It is not something we are guessing into, it is the business that we have been in for a long time and therefore it is an expansion of the existing capacity, capability. While it is not a major component of the overall Syngene business, our Discovery Services on the Chemistry and Biology side and some of the Product Development and Manufacturing, Dedicated R&D Centers are much bigger, but it is a very high-quality operation. We are seeing some step up in demand, some of that actually is just customers really seeking quality, it is around the quality of the new infrastructure as well as how we operate, set up of a very-very good regulatory compliance and I think overall a high-quality service. So we are happy with the HPU business expansion and 190-bed unit that is quite a good size I think in the marketplace.

Charulata Gaidhani: My third question pertains to the progress of the rehabilitation of the facility that was damaged?

Jonathan Hunt: Very happy to give you an overall comment on that and then maybe I look at Chini if you sort of remind people of the progress we are making particularly around the insurance, which I think you covered early in your speech. I think the fundamental notion is that we get reimbursement from the insurance company as we finish and complete the restoration of the facility, but it is progressing well, it is quite a big building task, it is quite a big facility, but it is all progressing to time and to budget and it is looking very much that we are going to meet our project timeline. So it will be back up and running by the first quarter of the next financial year.

Moderator: Thank you. The next question is from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Sir, just trying to understand guidance that you had given is in constant currency 18-20% for fiscal'18?

Jonathan Hunt: Actually the guidance for the year we said was more a business commentary and outlook than specific guidance because as a policy we do not actually give growth rates or revenue numbers. We are very happy to talk about how the operational sides, where we see value in the market, where we see us delivering value to our clients and then we are leaving the modeling of the business to the experts in the financial markets. So it is more really to give you sense of what we see as the drivers. Going back to the sort of sequential growth rates we saw, as I said, (-6%) two quarters ago, (+6%) last quarter, (+10%) in this quarter, we are looking to build that sequentially throughout the year. Really with an ambition to get back towards the sort of growth rates that we had seen historically in the previous two or three years, which was towards high teens around 20s, but is not a point estimate, it is just a direction to travel.

Prakash Agarwal: The growth that we are mentioning is obviously rupee terms growth. So the constant currency growth would have been higher given there is an opposite direction in the currency. Can we have the constant currency growth?

M.B. Chinappa: Actually if you take off the impact of interest income and look at constant currency growth of the core business, it is 14% for Q2 FY'18.

Prakash Agarwal: So you are already up to mid-teens?

M.B. Chinappa: We are looking at accelerating in H2.

Jonathan Hunt: But just the specifics of the quarter, I think your math and your analysis is in intuitively right which is that 10% growth that we saw is rupee denomination, if we had done that in the constant currency would have been a few percentage points higher. We have 14% if you strip out the interest income.

Prakash Agarwal: The initiatives we have taken in the last 12-18-months which is a couple of announcements that you made, a) expanding Amgen facility. So are these operational now or my understanding was these are yet to kick in, may be in December?

Manoj Nerurkar: The expansion of Amgen will happen next year. It is something that we are preparing for. Facility is being put together as we speak. So we would not see any positive impact of that this year. It will be more visible next fiscal year onwards.

Vipul Shah: What is the annual wage inflation?

Jonathan Hunt: But maybe to help you with the premise of the question, that is a specific expansion project across the whole of the dedicated centers, we continue to see gradual growth within some parts of work and the volume of work we do for existing clients. We might not call them out as a specific expansion project but they are underlying growth and you evident in Chini's and my comments that as one of the things that we were pleased with was the progress we made in the second quarter.

Manoj Nerurkar: Just to be clear on what I said about Amgen, the real growth that you will see in terms of impact on the revenue will only come next year, that is what I meant because it takes some time to ramp up those numbers and get the facility going and so on.

Prakash Agarwal: I am just trying to understand the series like how you have gone from (-6%) to (+6%) and now (+14%) in dollar terms, so what are the moving parts ahead, how much of the 20% lost sales is back and how much is growing on the base that we had 80% if that can be given, that is really helpful?

Jonathan Hunt: I am not sure if we can break it down with that level of forensic data plus also you do not directly replace like-for-like, there is a business mix evolution in that, but I think at a high level, the point we are indicating is that overall revenue is back at a level above it was pre-fire and we are starting to see that momentum in the top line to reestablish itself. That is a good platform for the second half of the year. There is still lots more to do, we have some drivers coming on board; we highlighted a couple already including the expansion in the Biologics capacity that is a growth area for us and also the expansion in the HPU.

You can see that in the cost line as well if you look, again Chini made some comments today, the additional investments we made in business development, sales and marketing and we are just pushing a little bit harder in there and you can see that investment going in, maybe we are seeing the first signs of getting some benefit from that extra work.

Prakash Agarwal: Last question on the Mangalore, when do we see that operationalize and commercialize?

M.B. Chinappa: In FY'20.

Prakash Agarwal: So we start seeing revenues coming in FY'20 is what we are saying?

Jonathan Hunt: You will see a brand new factory being opened and then like anything you do not fill it on day one. There is a parallel business development process that needs to start. Of course, those two things from a client point of view are always related which is the uniqueness, build the facility before people can do things like inspected in order to get them comfortable when you build to their high-quality. So of course, the revenue will lag the building project. As announced, we will commence it on quarterly calls a number of times, Mangalore is on track, progression is as we expected, no change in the outcome timelines or the overall project. FY'20 and for now it is much more of the building element of the project. Given the season and the time of the year, the rain affected with delay in building but we expect the work to be completed in time.

Prakash Agarwal: Just to add up here, we have sufficient manufacturing capacity for the high single digit molecules that we have in advanced stage, just wanted that clarification.

Jonathan Hunt: Yes, again, no real change there, that is exactly as we discussed in the past.

Moderator: Thank you. The next question is from the line of Sapna Jhawar from B&K Securities. Please go ahead.

Sapna Jhawar: Chini sir, my questions to you about the insurance claim that you mentioned of Rs.20 crores received in this quarter. So in the P&L where are you accounting – have you asserted with the other expenses or you have included that in the other income?

M.B. Chinappa: Sapna, we have not passed it to the P&L. The net book value on assets damaged is Rs.85 crores that we have recognized and that we are showing

Rs.85 crores of insurance proceeds as receivable, it does not impact the P&L at all, so we are showing a loss of Rs.85 crores and potential claim of Rs.85 crores. As we receive the money, it is adjusted against Rs.85 crores receivable and only post that will we start to record the profit/loss in FY'18 which we will disclose separately.

Sapna Jhawar: Secondly, sir, just taking forward the question from the previous participant about the Amgen contract, now if we were to increase the scientists from 100-185 and go on doubling the capacity, I understand that we are going to do it from 4Q onwards, but the hiring that you mentioned specifically in this quarter, was it related to Amgen or something else, so this additional hiring is pertaining to what?

M.B. Chinappa: It is across the business in all the verticals, it is not just specific, headcount has increased by over 10% supporting all our business verticals.

Sapna Jhawar: You also mentioned that this will taper off in the second half. So would it be a substantial tapering off?

M.B. Chinappa: Sapna, let me just clarify; the effect of the employee cost being higher as a percentage will come off a bit as the sales pick up.

Sapna Jhawar: Also, how is the newer additions of Herbalife doing in our overall numbers now – have that picked up traction?

M.B. Chinappa: Herbalife is an important contract in the sense that it shows our ability to offer our services across the whole life science industry including nutrition, but in value terms it is not significant and we have always projected it to be small contributor in the overall scheme of things.

Sapna Jhawar: Are we running a target internally that we need to add at least two or three or at least one long-term dedicated business R&D center or a customer to the segment every year?

M.B. Chinappa: No, but it would be a wonderful outcome. We would not share the specific target on that. I think you have seen by our track record adding one or two in each year more recently as well as grown those in terms of breadth of service offerings that we do with many of our clients. But I would not say a specific target for that, partly because I would not want to inhibit the organized management by thinking it was appointed which we could declare victory and say that the job was done. So we will be very happy to see both continued work and continued expansion as well as add new ones, but I am not going to limit that by setting a specific public target.

Sapna Jhawar: My last question would be regarding the Japanese multi-year contract that we entered last quarter for an NCE product, when do we start commercialization and how do you see this ramping up, if you could give some more clarification on that?

Manoj Nerurkar: Sapna, this is Manoj. It will be sometime next year. It depends on how they receive the approval for the molecules that they have filed with the Japanese FDA. Based on that the demands will start coming in. So we do not have full picture yet. It is something that a little bit uncertain because they do not know how that approval and when that approval will exactly come.

Sapna Jhawar: Will it be a substantial portion of our revenue pickup that you have built up in FY'19 in your projections obviously subject to Japanese contract commercialization?

Manoj Nerurkar: As you know when NCE molecules are first launched, there is always a bit of lag time before the requirements actually pick up and therefore it will take a little bit time before we see the demand picking up. Frankly speaking, there is uncertainty around it, because some molecules take off really fast depending on what the competitive landscape is around there and others do not. So that level of uncertainty will be there and we will have to deal with that.

Moderator: Thank you. The next question is from the line of Nishant Chandra from Temasek. Please go ahead.

Nishant Chandra: My question is around just understanding the customer split. So compared to the 293 clients that we had as of March '17 where we will be as of say September?

M.B. Chinappa: We disclose the total number of customers on annual basis.

Nishant Chandra: The other one, Chini, that in terms of the revenue composition, would you be able to provide some color on concentration profile let us say top-10, top-5 clients in terms of the contribution in the revenues?

M.B. Chinappa: On annual basis.

Jonathan Hunt: Just to put some color on it, in a general sense 2, 3, 4-years, while we continue to grow, we have seen some good top line revenue performances if you look on 3, 4-year view. In the main, the concentration is coming down and that is one of the reasons on an annual basis we give you a factual which is the total number of active clients and you have seen that growth from the low-200s to mid-200s to almost 300 and in doing that it will be coming continually less concentrated we have a view on top-5 clients, top-10 clients.

M.B. Chinappa: Earlier top-10 clients used to be about 70%, that has come off to low-60s.

Nishant Chandra: There is a subsidiary in the US that you created. Strategically what is the benefit that you gain from a subsidization process perspective versus let us say doing the business on a status quo basis?

Jonathan Hunt: That effectively is going to be business development customer relationship set up and it just allows us to be in time zone close to the customer, makes a little bit easy to expand some of our business development activities in the US. It is simple things. If you want a higher US-based stuff, it is much easy to do, if you have a US-based entity to do it through and it gives then extra level of customer service I think in time zone closer and easy to access.

Nishant Chandra: In the current quarter, there is an element of ramp up that we are going through in terms of the business development team. Are we close to steady state or do you think that is still not steady state yet and we are expecting a few more actions …?

Jonathan Hunt: I think we got quite a bit more runway on that. That does not mean to say it is going to make a massive difference to the P&L and change the sort of financial outlook from your modeling perspective. It is less of adding at large scale capacity, it is not about lots and lots of people, it is just about the focus that you put to it and type of execution and hard work which is stepping up the level of activity maybe some of the investments being more visible and being more present close to the customers. It will have some impact in the P&L and it reflects that to you but I do not think you should look for a hockey stick movements.

Moderator: Thank you. That was the last question. I now hand the floor over to Jonathan for his closing comments.

Jonathan Hunt: Thank you very much to all of the questions. I hope we have answered most of them. As I commented, the growth momentum picked up pace in the second quarter, we are happy with the progress we are making there, I think it sets quite a good platform for the rest of the year. The CAPEX investments plans are progressing well as per the schedule. Our chemical development as well as the dedicated R&D center are driving the growth. Coming in to the next quarter we have got a couple of extra capacities that is coming online and would reach in their key milestones stage, including clinical development with the HPU business. So lots more to do in the second half of the year. So with that, thank you once again for joining us on this call. If you have any follow up questions or need any more information, you can reach out to Chanderlekha and she will be glad to respond.

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