Alembic Pharmaceuticals Limited Q1 FY19 Earnings Conference Call"

July 27, 2018

MANAGEMENT: MR. PRANAV AMIN – MANAGING DIRECTOR,
MR. R. K. BAHETI – DIRECTOR – FINANCE & CFO,
MR. JESAL SHAH – HEAD - STRATEGY
MR. MITANSHU SHAH – HEAD - FINANCE

Moderator: Ladies and Gentlemen, Good day and welcome to the Alembic pharmaceutical Limited Q1 FY19 Earnings Conference Call. We have with us on the call today Mr. Pranav Amin – Managing Director, Mr. R. K. Baheti – Director - Finance & CFO, Mr. Jesal Shah – Head- Strategy and Mr. Mitanshu Shah – Head-Finance.

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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. R. K. Baheti. Thank you and over to you sir.

R. K. Baheti: Good evening everyone. Thank you all for joining the first quarter results conference call. Most of you would have received the result by now. However, let me briefly take you through the numbers for the quarter ended 30th of June 2018.

During the quarter, our revenue grew by 33% to Rs. 863 crores, EBITDA at 151 crores is 18% of sales. Pre-R&D EBITDA is at 31% of sales. The net profit after tax went up by 50% to 98 crores.

EPS for the quarter is 4.8 per share versus 3.54 in the previous year.

CAPEX in the quarter is 156 crore and additionally Rs. 55 crore was funded by us to Aleor Dermaceuticals**,** our joint venture.

The gross borrowing stood at Rs. 904 crores and company had about 100 crore cash in hand. The debt equity ratio considering the gross borrowing is 0.35.

I would now hand over the discussion to Pranav for the International business.

Pranav Amin: We grew our international business well in this quarter Q1. During the quarter, we received the EIR for our Panelav Formulation Facility as well as API 3 which is located at Karakhadi**.** With this all our facilities for the international markets are FDA compliant.

In the 1st quarter our R&D spend was Rs. 122 crore which was roughly 14% of sales.

We filed 3 ANDA 1 included of ALEOR and 1 DMF during the quarter.

The AlEOR JV filed its first product from its own manufacturing facility.

Our efforts to add capability is a progressing well.

The oncology oral solid dosage facility is ready, and the exhibit batches are in progress.

The oncology injectable as well as the general injectable facilities will be ready for exhibit batches in the second half of this financial year.

The new oral solid dosage facility at Jarod will be ready in the second half of this year.

We received 3 new approvals during this quarter. With this we cumulatively have 73 ANDA approvals which include 9 tentative approvals.

We also launched one product in the quarter.

Coming to numbers the International formulations business grew by 25% to 352 crores for the quarter compared to 282 crore last year.

The US business grew by 7% to 226 crores for the quarter while the API business grew by 37% to 180 crores in the quarter.

I would now hand over back to Mr. R. K. Baheti for a brief on India Formulation Business.

R. K. Baheti: As was expected we did pretty well in the India Branded Business. Growth however is not strictly comparable because last year was a low base year due to GST led disruption of trade channel. We recorded sales of 331 crore in this quarter versus 236 crore in the previous corresponding quarter that is a growth of about 40%.

We will open it for question and answer

Moderator: We will now begin the question and answer session. We have the first question from the line of Prakash Agarwal from Axis Capital. Please go ahead.

Prakash Agarwal: Just wanted to check on this other expenses line item there is a sharp spike if you could just help us elaborate that?

R. K. Baheti: I would not call it a very steep hike. It is in line with our budgets and expectations. Even if you compare with March 18 the preceding quarter, the general increments and the performance pay payment actually come in first quarter. So, they are generally in line. It also includes some part of the R&D expenses. These days R&D gets clubbed with each of the expense like employees, material and other expenses.

Prakash Agarwal: It is a 51% YOY and 23% Q-on-Q, that would be the new run rate?

R. K. Baheti: YOY would not be a real comparison because last year we had a poor domestic sales and I think I had explained at that time also, that we had also limited our sales and marketing expenses to not to allow the money to go down the drain, that is one. Second is, since then we have progressed on manufacturing, at least for the international business unit. For the manufacturing facilities, people have been added, expense have been added, capacities have gone up.

Prakash Agarwal: So, the new capacity which is getting commissioned now I am sure those expenses are not getting captured here?

R. K. Baheti: true.

Prakash Agarwal: So, this is the new base with a little bit of say may be the promotional expenses back on track, but Q on Q it is 20% up so that is why I was checking that this is the new base you are talking about?

R. K. Baheti: This is the new base minus some one-off like performance pay etc. which gets paid during the first quarter.

Prakash Agarwal: Second you mentioned on the India business that we have to practically look at the first half is real growth matrix, so if we see that perspective and given that there was some in the Q3, Q4 we had some disruption in India sales, but now looking at first half full year we are good for a mid-teen growth on a like-to-like basis?

R. K. Baheti: I hope so, but I again I do not know, for last 10 days we had this transport strike which is affecting movement of goods. This is very unfortunate that something or the other keeps coming in our country, but anyways it is part of life you cannot help it. But if it gets resolved quickly we are hopeful of good numbers.

Prakash Agarwal: Lastly on gross margins, so we saw India sales coming back and YOY also we have not seen the gross margin movement parse it has actually gone down. It is marginally improved Q and Q so with India sales coming back which is typically higher gross margin business would there have been a significant raw material spike is that fair way to look at it or what has really happened?

R. K. Baheti: The raw material prices are moving up but that has not really affected us as much in Q1. Probably some effect we can see in subsequent quarters, but the fact is the material prices are little up. I did explain last time also that this change in gross margin scenario is also because of higher US sales and higher US sales at more competitive prices.

Moderator: The next question is from Charu Latha Gaidhani from Dalal & Broacha. Please go ahead.

Charu Latha Gaidhani: Sir can you give me the breakup of domestic sales?

R. K. Baheti: Broadly about 65% Specialty and 35% is acute.

Charu Latha Gaidhani: In US there is a growth of 7%, how much is the volume growth and how much is price?

R. K. Baheti: There is a volume growth definitely if there is a small price erosion, but this quarter non-US generic business has done much better in terms of numbers.

Charu Latha Gaidhani: The reason being.

Pranav Amin: US we have not disclosed the unit growth and volume, but there is a huge unit growth but there was price erosion from some of the older products that is one and the new products have been less volume. The reason why we have growth in the other market is more supply related. As you know on the other market we work through partners and they have done a good job taking market share.

Charu Latha Gaidhani: Further new filing has you got any target dates?

Pranav Amin: For the new filing we get target action dates from the FDA per filing, but as you know we filed 26 ANDA last year and we file 3 in this quarter. So, this happen we are seeing generally about 18 months plus approval times of the FDA.

Charu Latha Gaidhani: This year whatever you filed in 17 should start showing up.

Pranav Amin: Yes, its off-patent product then generally about 18 months to 24 months is a fair period.

Moderator: The next question is from Bharat Celly from Equirus Securities. Please go ahead.

Bharat Celly: So, I just wanted to understand have you launched any new product in the domestic market during the quarter?

R. K. Baheti: It is a regular phenomenon, we would have launched about 6 new products in domestic market including some line extensions**.**

Bharat Celly: And how much will be the very first product in the market like first time in the Indian market?

R. K. Baheti: Not really, I do not think we are in that.

Bharat Celly: Sir just to talk about the US market we have seen growth in US for sequentially as well. So, I was just trying to understand is there any increase because of our own frontline is there any product which we have added to our own frontline during the quarter vis-à-vis last quarter?

Pranav Amin: So, actually last quarter to this quarter there is nothing new that we have added last year to this year yes as we have taken products on our own label. There is one of the reasons we had a modest increase about 7% over last year and on a sequential basis I mentioned on the last quarter we had a onetime pay off so net off that has been a decent growth that is what fetched in there.

Bharat Celly: So, how we should look at US growth going forward, is there any big product which we can look out for in the coming three quarter or the next year you can name any?

Pranav Amin: No, we do not disclose any of our upcoming launches because we do not know about the approvals. We have estimated approvals all I can say is we should launch at least 10 - 15 new products in the US market in the whole of current financial year.

Bharat Celly: And out of that is there any pending approval which you already have not launched, how many would that be in case if?

Pranav Amin: There is about 9 tentative approvals that we have those are the ones that go off patent at various stages of over next 5 years or so and there is about 5 or 6 launches that we will do it we have not launched as yet which will happen as well in the next few quarters.

Bharat Celly: And why there was a delay is it because of is there any particular reason?

Pranav Amin: There are multiple reasons. One is the we got the approval faster than we anticipated and we were not ready for launch and number two is the supply chain aspects is getting ready to ensure that we can launch with the full launch quantity.

Bharat Celly: And sir last one before I get back to the queue, so I just wanted to understand you mentioned that there will be increase in the raw material prices because of the sharp increase in the intermediate cause, so just wanted to understand how much that would be and if you have to compare the key raw material prices increasing so how much that would be on a year-on-year or sequential basis?

R. K. Baheti: Not significant in this quarter. Going forward we can see some increase in raw material cost.

Bharat Celly: Okay but just was trying to understand how much increase you are seeing in the key raw material prices which you are getting from the vendor is it like very significant?

R. K. Baheti: It varies product to product is very difficult for me to give a broad number, but we are witnessing our increase between 5% to 20% probably.

Moderator: The next question is from the line of Megha Hari Ramani from Pi Square Investment. Please go ahead.

Megha Hari Ramani: I just wanted to know what is the growth aspect going forward, how much do we anticipate to grow and what margins do we have outlined for the next year and year after that?

R. K. Baheti: We do not give guidance. We try to explain to what we are planning to do, but beyond that we do not give number guidance.

Megha Hari Ramani: Based on the margin front, do we see more pressure coming in or we think that done away with now that we are given to?

R. K. Baheti: We hope to maintain between 18% and 20% margins post R&D at EBITDA level.

Megha Hari Ramani: Our CAPEX plan that is growing as planned or is there any furthermore update on that?

R. K. Baheti: CAPEX plan is moving as per plan. As Pranav said in his opening statement, in two projects we have already started taking the exhibit batches and two other projects should be completed by end of this financial year.

Moderator: The next question is from the line of Sriram Rathi from ICICI Securities. Please go ahead.

Sriram Rathi: Just two questions : one is what was coming back to the other expenses part excluding R&D the increase that we have seen on sequential basis, the normal run rate it used to 130 to 140 crore and despite being on the similar revenue line I think this quarter expenses is almost 170 crore so I believe performance appraisal and everything comes in the staff cost if I am not wrong, so what could have been the reason for that and basically there is more clarity on that front?

R. K. Baheti: I have explained Sriram and I think beyond this there is no other direct explanation.

Sriram Rathi: And you mentioned that 19% to 20% post R&D EBITDA margin is something which is sustainable and this quarter it is close to 17.5%, so we believe that in the coming quarter there will be more cost?

Pranav Amin: Around 18% to 20%.

Sriram Rathi: Secondly on the non-US exports I mean the growth is significant YOY and sequential both any specific reason for that?

Pranav Amin: As I mentioned earlier this was a business through our partners. One thing is there were supply backlog and we could not supply lot more. We could debottleneck of facilities and hence we could get more throughputs so that caused a more supply. Number two our partners have done a good job getting market shares and the various markets that is present in

Sriram Rathi: So, that will get normalize in the coming quarter?

Pranav Amin: We will still see another quarter or two of similar level of sales, this should be base and then let us see if things will get normalize after that.

Sriram Rathi: Lastly on the US I mean on sequential basis there is some dip even after excluding the one off that we had in Q4 to 4.5 million is it because of largely pricing or any product specific thing?

Pranav Amin: No, it is just largely pricing on some of the older products. Q1 last year also had some contribution from Aripiprazole and then there were one or two products where you have seen some price decreases.

Sriram Rathi: So, if I just look I mean how had been our portfolio in terms of pricing this quarter on sequential basis QOQ basis what kind of erosion we would have seen?

Pranav Amin: By and large sequentially I do not think there has been much. It really depends on the new entrant comes and they start dropping prices, but I think sequentially we have been okay and it has been largely flattish in my opinion.

Moderator: The next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka: Just one question on this product theophylline – Thyronorm, do we have any understanding of when the competition could come any competitive intelligence there would be helpful?

Pranav Amin: No, to be honest I have no idea. The only thing I know is what I have seen in the FDA website which is on public domain, but no other competitive intelligence over there.

Aditya Khemka: The other question I had was on the non-US revenue as you said, so there was some supply backlog which you would have supplied this quarter. Going forward Q2, Q3 also you said you expect some of the supply backlog to continue or rather if you would fulfill some of the supply backlog still, but what would be a normalized growth rate after you set the base for FY19, what would be a normalized growth rate for ROW business for your company?

Pranav Amin: No, we do not give a growth guidance because with ROW market lot of it is not in our own hands and there will be a certain lag because we are supplying to our partners and then they are building up their inventory then selling to the market. So, I do not have that much visibility on it. Overall of course I believe entire international generic business will grow over the next three, four years, but it is very tough to give the market specific. They all are very small market. One big launch can really impact you here or there.

Aditya Khemka: When it comes to the US dollars, do we hedge our position or receivables or sales or do we remain unhedged?

R. K. Baheti: we hedge our position to some extent. At any point of time we would like to hedge about 30% to 35% and keep the balance position open.

Aditya Khemka: So, this is 32%, 35% of our net exposure export minus import?

R. K. Baheti: Yes.

Moderator: The next question is from Tushar Manudhane from Motilal Oswal Securities. Please go ahead.

Tushar Manudhane: So, just to check on some media article in terms of the fixed dosage combination ban by some reports submitted to the government authority any thoughts on that?

R. K. Baheti: We were just anticipating, it is not coming as a surprise to us. Overall, we had 12 products in this list all of which I think we have reformulated 11 out of them and we are now compliant, so I do not see a big problem.

Tushar Manudhane: So, the remaining one would that would be as a contribution to the overall domestic formulation sale?

R. K. Baheti: For the division, for the team which sells their product the number would be material, but on an overall context, it is very minor.

Tushar Manudhane: And just on the non-US side the business is institutional or branded or if you can just throw some light on that?

R. K. Baheti: This is general market business all generic.

Tushar Manudhane: The non-US.

R. K. Baheti: All even non-US is all developed market, generic business.

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

Prakash Agarwal: Just one more on margins actually, so we did about 17.5 with obviously one-time higher other expenses so with that normalizing you mentioned that full year we are looking at 18% to 20%. I am just trying to understand is this the only variable or we are expecting some big bump up in US, so what is really moving the margin really going forward I mean if I take 19% as an average we need to do much more than 19% to achieve for the full year because of 17.5 this quarter so apart from this other expenses normalizing you mentioned raw material is little higher going forward. So, is what should really improve going forward?

R. K. Baheti: I have just given a broader indicative number. Everything should contribute. If we do good sales in domestic business, cost as a percentage of sales goes down. It is a marginal improvement, essentially it does not come from any single factor, it would be from multiple factors.

Prakash Agarwal: And one of the slides on the presentation that you mentioned R8D pipeline, dosage form transition from oral solids to now various dosages, just trying to understand so we are currently into development and some of the filings have also started so which year do we see you know the start of approvals and launches to start with and with a normalized run rate which year would be the normalized run rate?

Pranav Amin: We have to break this up into two separate. Now for the new thing with derm and the injectables are the new ones that we are going to file and the derm we filed the first product. You have to realize this time with the facility they will come for approval, so we need to get FDA approval for our facility. For the injectables the exhibit batches will start in the second half of the year. So, we are not going to see the filing until next year so once the filings happen then you have an FDA inspection shortly after that would be 18 months. So, I am assuming FY21 would be when we will see the start of the injectable approvals and the derm will be in FY20 from our own facility.

Prakash Agarwal: The derm product will come in FY20?

Pranav Amin: The derm product will come in FY20

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

Dhiresh Pathak: Sir the non-US market which you said partners took a good market share which market is this?

Pranav Amin: So, predominantly non-US I am talking about Europe, Australia, Canada and Brazil.

Dhiresh Pathak: But in all markets you see this thing or there was one particular market?

Pranav Amin: What happened we had some launches just as I mentioned partners supply pipelines, in certain cases they won AOK tender, so it is a combination of factors, but the growth was across markets.

Dhiresh Pathak: So, I think in Derma and Onco facility where you are taking exhibit batches Onco oral facility you might be capitalizing certain operating cost, or you are running everything through P&L?

R. K. Baheti: All plants together it would be about Rs. 45 crore 50 crore a year.

Dhiresh Pathak: This is mainly coming from this quarter right, it was not there in the last quarter?

R. K. Baheti: It was there in the previous quarters also. It did not hit the P&L. In Balance sheet you will see some preop numbers.

Dhiresh Pathak: What I wanted was that as more plants are getting operationalized there will be the magnitude of capitalization that you are doing. So, I wanted if there is a major change in that number I wanted to know that, but you are saying this it has not changed a lot?

R. K. Baheti: Not significantly.

Dhiresh Pathak: Will it change by the end of the year as two more plants get operational?

R. K. Baheti: Plants will get completed, plants will get into exhibit batch mode, but none of the plants will be ready for commercial production up to March '20 or so. So, till that time, all the expense pertaining to the new plants and will be capitalized as pre-operative.

Dhiresh Pathak: I am saying as more and more plants start taking exhibit batches you start manning them you will be magnitude of this capitalization increase from a 50 crore run rate to let say a 100 crore?

Mitanshu Shah: Dhiresh most importantly all the exhibit batch cost is actually getting expensed off as its R&D cost and you know all the exhibit costs is any way which was getting into R&D so that is not getting capitalized.

Dhiresh Pathak: So, this 50 crore that sir mentioned is basically X exhibit batches which is all the other overheads of the plant is what we would be capitalizing right?

Mitanshu Shah: Predominantly salaries and other administration cost.

Dhiresh Pathak: US business is last quarter you had that 5 million of one-off pay off so x of that it has declined, and the reason would be just that erosion of pricing that we see or is there anything specific to that?

Pranav Amin: Just some erosion of pricing and additional business were lower value and that is the only reason and nothing else.

Dhiresh Pathak: How many ANDAs are filed this quarter?

Pranav Amin: Two of Alembic and one of Aleor.

Dhiresh Pathak: Sorry this is a repeat, but I missed that explanation that you have given for other expenses higher because I came in if you do not mind if you can just briefly talk about that?

R. K. Baheti: I was saying Dhiresh that in other expenditure there is no exceptional item. So, it does not need any explanation for the significant item.

Moderator: The next question is from the line of Damayanti Kerai from HSBC. Please go ahead**.**

Damayanti Kerai: You mentioned we should be looking at H1 number for getting actual picture for India formulations, but meanwhile can you just briefly describe like the business changes in terms of product focus which has been ongoing at your key focus area say cardiac or anti-diabetics, derma in those kinds of specialized areas like what kind of initiatives are taken on right now?

R. K. Baheti: You are right, the speciality segments continue to our core focus area and they are doing well. So, now they constitute almost 65%, 68% of the business and acute is just about 30%-35%.

Damayanti Kerai: Sir looking at your presentation where comparison against this ORG data is given like we have outperformed the market by huge margins I will say but that again I believe is not very representative of the actual picture?

R. K. Baheti: No, we have not outperformed the market by huge number actually we are in line with market probably we should do better than market in coming quarters. If you are looking at primary number and other's ORG number then you will see a huge difference, but if you look at ORG for our number and ORG for market we are in line with market.

Moderator: The next question is from the line of Kunal Randeria from Antique Stock Broking. Please go ahead.

Kunal Randeria: Firstly, on a domestic, after several quarters of under performance we are seeing the domestic speciality business has picked so how much of it is I mean obviously some part will be GST related, but how much of it is sustainable because I believe change some of our promotion strategy in the last year or so and that is why we have underperformed previously so wanted to gather some sense?

R. K. Baheti: The numbers now we are presenting or now onwards we are presenting should be sustainable business except the seasonal effect because we still as I said 35% - 38% acute business which is seasonal and Q1 and Q2 particularly could have some seasonal effect, but otherwise the speciality business these are sustainable numbers.

Kunal Randeria: So, we are growing at around mid-teen previously so is that a sustainable growth rate that you are seeing.

R. K. Baheti: I hope so.

Kunal Randeria: My second question on the US business of the 15 launches that we expect this year how many would be the Para-IV launches?

Pranav Amin: I do not have that with me, but generally from all pending approvals we have got 20% Para-IV or FTF.

Kunal Randeria: But any interesting this year in FY19?

Pranav Amin: It is not possible for me to comment whatever is in the public domain is there you will see what type of tentative approvals here we have to get an idea of launches, but here also I cannot comment on right now.

Kunal Randeria: Sorry for pushing this but any Day-1 launches that we have planned any settlement or anything?

Pranav Amin: I have to just think about it, can I just think about it and let you know offline. I do not have the figure with me right now.

Moderator: The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Sir in the US business in the current quarter have you experienced any sort of changes elongation credit cycle?

Mitanshu Shah: Yes, Nitin we have seen that actually, but we are working very proactively with all the three distributors. There was one distributor in particular where we saw 30 days of extended cycles, but we will be getting back by first of October to the original timeline.

Nitin Agarwal: It is not across all the three distributors right now?

Mitanshu Shah: No.

Nitin Agarwal: And you believe it is something is reversible over the next six months?

Mitanshu Shah: Yes.

Nitin Agarwal: Secondly on the US business we have qualitatively, is there a way to sort of understands the concentration risk on the business I mean just to get a broad sense do we carry a big risk in terms of top three of our products contribute like maybe more than 30%-40% of our revenue is that a way to characterize that?

Pranav Amin: I think I have answered this question in the past. So, what we do trying is we do try reducing the concentric risk wherever we can. However, the US business is very interesting business and you will have some very large products in your portfolio and for us and I believe for the industry it is the same, it is about 20% of portfolio we will give you about 80% of your revenues and I think that same holds true for us as well. As we grow we have more products in that 20% then it gets beneficial and that is what we try and do with increased R&D filing in the new launches.

Moderator: The next question is from the line of Rajesh G from Cogencis. Please go ahead.

Rajesh G: Can you share with us the net debt level at the end of Q1?

R. K. Baheti: Net debt is about Rs. 800-odd crores that is on consolidated basis.

Rajesh G: One last question can you help me understand as to why the finance cost seems so low I mean I am not able to understand that, can you help that in understanding?

R. K. Baheti: Same concept Rajesh that interest cost up to the date of commissioning of the project for commercial production would be recapitalized. That is the accounting standard borrowing cost we capitalize till we start the commercial production.

Moderator: The next question is from the line of Gagan T from Kotak Investments. Please go ahead.

Gagan T: First question on price erosion on the base portfolio for your US sales, if you could give some idea of that?

Pranav Amin: You know it is very tough to give a price erosion because some products we have got price increase and some there has been decrease so we do not generally comment. From what I am hearing from the industries the price erosion has come down sub-10% and I said early in the calls we have not seen as much of price erosion on a sequential basis.

Gagan T: On the investments that you have made over coming year maybe towards the end of this year and thereafter you start monetizing them, is it possible to understand from a tenure point of view over what time frame do you see yourselves breaking even on those investments once you start commercial operations?

R. K. Baheti: So, Pranav said Aleor which is a JV we should start commercial production sometime in FY20 and other projection in FY21 well uptick or the normalized full year operation should be in '21-22.

Gagan T: On the debt, one from the perspective of what is the payment schedule and two, from the perspective of your own requirement as your US sales ramp up your working capital requirements might go up. So, I am just trying to understand would debt reduce or stabilize, or debt-to-equity stabilize how should we think of that going forward?

R. K. Baheti: You are right, but I think that debt tenure is generally for three years I mean the long-term debt are for a period of three years and hopefully with our internal accruals combined with incremental revenues from the new projects, we should be able to meet the debt liability. As far as regular capital working is concerned, including the increased working capital requirement for our growth, our accruals are good enough to fund it. Virtually, our entire borrowing is to fund the projects only. The entire working capital you can say is self-funded.

Gagan T: So, we can safely presume that the current debt level are the peak levels thereafter?

R. K. Baheti: Current is not peak level probably by March '19 we would reach the peak level.

Gagan T: And finally, on the movement in currency that we have seen, the impact of that I presume might be felt quarter or so down the line both on your P&L and on your balance sheet, any idea of what the impact could be from the P&L side and from the balance sheet side?

R. K. Baheti: On P&L you are right there will be a positive addition to the P&L if rupee depreciates, because we earn on forex. On balance sheet I do not expect lot of change because we do not have much of foreign currency borrowing.

Gagan T: Finally, on the tax rate if you could give idea what the full year tax rates?

R. K. Baheti: This year or next year probably we will continue to be under MAT which is about 21% to 21.5%.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions I would now like to hand the conference back to Mr. R.K. Baheti for closing comments.

R. K. Baheti: Thank you all of you for joining this First Quarter Conference Call. We enjoyed interacting with you and we look forward to be with you again in the next quarter. Thank you very much.

Moderator: On behalf of Alembic Pharmaceuticals Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.