"SeQuent Scientific Limited Q2 FY'24 Earnings Conference Call"

November 07, 2023

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Moderator: Ladies and gentlemen, good day and welcome to SeQuent Scientific Limited Q2 FY'24 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 the operator by pressing '*' and then '0' on your touchtone phone. Please note that the conference call is being recorded.

I now hand the conference over to Mr. Abhishek. Thank you. And over to you, sir.

Abhishek Singhal: A very good morning and thank you for joining us today for SeQuent Scientific's Earnings Conference call for the 2nd Quarter and Half Year Ended Financial Year 2024.

Today we have with us Mr. Rajaram Narayanan (Raja)- SeQuent's Managing Director & CEO; Sharat Narasapur- Joint Managing Director; and Saurav Bhala - CFO to share the highlights of the business and financials for the quarter.

I hope you have gone through our results release and the quarterly Investor Presentation, which have been uploaded on our website as well as the stock exchange website. The transcript for this call will be available in a week's time on the company's website.

Please note that today's discussion may be forward-looking in nature and must be viewed in relation to the risks pertaining to our business. After the end of this call, in case you have any further questions, please feel free to reach out to the Investor Relations Team.

I now hand over the call to Raja, to make his opening comments.

Rajaram Narayanan: Good morning, everyone. A very warm welcome to all of you on this call for the Quarter 2 Earnings Call for the Financial Year '23-24.

Joining me on this call is Mr. Sharat Narasapur - Joint Managing Director, and Mr. Saurav Bhala our new designated Chief Financial Officer. A bit about Saurav, for whom this is the first Investor Call here at SeQuent, Saurav brings again a wealth of leadership experience in Finance and Operations across pharmaceutical, chemical and FMCG sectors. Saurav was with the Godrej Group for 16 years with the last five of those as the CFO for Astec Lifesciences which is the NSE listed chemical manufacturing entity of the Godrej Group.

On the same lot I would also like to extend my thanks to Raghav our outgoing CFO who has to relocate out of Mumbai for personal reasons. And his contribution to the company has been immeasurable and we thank him for his service.

Moving on to the performance for this quarter:

In the last earnings call I had shared with all of you about the various initiatives around costs and commercial excellence across both API and formulations that have either been implemented or were in the process of being implemented during the last few quarters so that we could meet our priority of profitable growth. I am really pleased to share that we are progressing well towards that goal and the results of those initiatives are beginning to reflect in our financial performance.

Before diving into the specifics of our performance I would like to briefly touch upon the macro-environment, which is relevant to us, given our geographical spread across all our markets, inflation remains at elevated levels. While on the one hand this is putting pressure on the end's consumer demand, it will be beneficial for companies which are competitive in costs and have a strong franchise of quality customers. We see our company getting ready to win in such an environment.

We also see some green shoots of recovery in demand. And this is evident in the sequential growth witnessed in some of our formulation markets. These indicators along with the reshaping of our operations on the ground seem to indicate that we should see momentum early in the next calendar year which is our last quarter of this fiscal.

As I have explained before our industry has two segments, medicines for Production Animals and medicines for Companion Animals. While the Production Animals business globally was impacted by high feed costs, input costs and issues related to war and farm productivity there seems to be some softening of input costs of late which would help in the revival of demand in a couple of quarters. At the same time the demand for Companion Animal medicines is beginning to accelerate and we too as a company are reshaping our portfolio to meet this trend.

While Saurav will talk in detail on the quarter financials, let me share some headlines of our overall results and also give you a sense of the direction going ahead.

Our overall revenue in the quarter has come higher, growing at 3.8% sequentially and 2.5% year-on-year. We must note that this is after the discontinuation of some of our less profitable operations in Europe, plus, the growth of the retained and continuing business is higher and will begin to show an annualized positive impact by the end of the year.

We are also progressing well in our plans which have been designed to help us deliver consistent quality, profitable growth. And during the quarter, our EBITDA margins, pre-ESOP cost have expanded by 480 this year to 7.6%. This is in line with the direction we have given during our earlier calls on profitability.

Starting with the performance of our Europe operations, the actions that we have taken in the Europe market has begun to give positive results. And these are reflected in the margin expansion we are seeing in this quarter's financial results.

The portfolio reshaping which involved exiting certain unprofitable businesses and increasing our focus on growing certain attractive products lines is now largely complete and these positions us well for the next leg of growth.

We are on course to build a strong portfolio in gut health products as we expand these launches to other markets outside of Europe.

In Turkey, we continue to deal with high inflation and currency devaluation, but I am pleased to share that the price interventions that we put in place in Quarter 1 has started to yield results and these are reflected to some extent in our Quarter 2 financials.

Turkey is one of the leading markets in the world for animal health and our company has a strong presence there. We continue to take proactive measures both on cost excellence and further price intervention given that we are inherently strong in that geography. We are also launching new products in Injectables for Ruminant animals later in this year. Of course we remain cautious till the current economic initiative stabilizes.

The Formulations business in India has remain steady with sequential growth on the back of new products as well as expansions of the team on ground. The year-on-year decline is mainly on account of a high base quarter last year during the breakout of the Lumpy Skin Disease in Quarter '22-23. And also the short-term non-availability of one of our key product lines this quarter, which will be restored by the end of this year.

Coming to our API business:

We are midway through the implementation of Project Pragati which is a Comprehensive Cost Improvement and Commercial Excellence Program. The business has seen a healthy margin expansion this quarter on the back of the initial work.

During this quarter, our Vishakhapatnam facility underwent a US FDA inspection at the end of which we had one procedural observation and a response to which has been shared. The US FDA audit completion will continue to strengthen our presence in regulated markets while also opening new opportunities. This is truly a good achievement for the company.

While we make continuing progress on operational and cost excellence, the market demand continues to be a bit erratic, due to pricing pressures and high inventory levels amongst some API customers.

In line with our priority of high-quality revenues, we will remain disciplined in these kinds of situations and await a gradual pickup in volumes towards the start of the calendar year in 2024.

Before I hand over to Saurav, I would like to emphasize that in spite of a volatile environment globally we are beginning to see sequential and profitable growth in most of our markets. While our priority this year is more focused on margin improvement, the foundation for acceleration has been set and we are well positioned for acceleration on the back of these operational improvements.

On the M&A front, we will continue to look for appropriate assets and partnerships. We believe that on the API side as well, we must keep our options open for inorganic growth to build scale, enhanced backward integration across promising products and accelerate investments towards R&D, talent and infrastructure in API.

I will now hand it over to Saurav for more details on the financial performance.

Saurav Bhala: Good morning, everyone. I am happy to be part of SeQuent's transformation journey and work closely with our exceptional teams to solidify SeQuent's position as a prominent global player in animal health sector. I will now briefly update on the key financial matrices of Q2 and H1 Financial Year '24 respectively.

Q2 Financial Highlights

Our total reported revenue for the quarter is Rs. 3,460 million up by 2.5% YoY and 3.8% QoQ. Formulation business contributed Rs. 2,532 million to the top-line with a growth of 5.2% YoY and 2.2% QoQ.

We have seen a good boost in our European operations driven by our strategic actions focused on our portfolio reshaping. Europe clocked a revenue of Rs. 1,191 million which is a growth of 30.7% YoY and 1.6% QoQ.

Our decision to implement substantial price increases in Turkey has helped us improve our margin effectively without impacting the sales much in that geography.

India business clocked a revenue of Rs. 273 million which is a growth of about 7.6% QoQ. We faced some headwinds in emerging markets that is basically due to unavailability of U.S. dollars to make the payments, in some key markets which we operate in. Our own emerging market has grown by 1.5% QoQ.

The API business revenue stands at Rs. 804 million against Rs. 908 million. Our own gross margins for the quarter are at 45.1% compared to 41.5% in previous quarter. Our gross margin has seen significant improvement driven by strategic shift in our product mix, various cost saving initiatives which we have initiated, and a very well executed price increases in some of our key markets like Turkey and Spain. This demonstrates our commitment to enhance profitability and financial health of the company.

In Q2, EBITDA excluding the ESOP and FX movement stood at Rs. 263 million which is at 7.6% of our revenue as against Rs. 150 million in Q2 Financial Year '23 which is at 4.4% of the revenue.

Through the various operational reorganizations driven in last few quarters we have been able to manage our operating cost pretty well. Our total operating expense was Rs. 697 million as compared to Rs. 713 million during the previous quarter.

Employee cost is Rs. 602 million, against Rs. 678 million in the previous quarter. The slight increase is due to a one-time settlement initiated as a part of the overall operational reorganization process.

HI Financial Highlights

During H1 our total reported revenue is Rs. 6,792 million against Rs. 6,789 million last year H1. Our Formulation business contributed Rs. 5,014 million to the top-line with a growth of 3% YoY. API business is at Rs. 1,611 million against Rs. 1,794 million in last year H1.

In H1 EBITDA excluding ESOP and FX cost stood at Rs. 356 million which is 5.2% of the revenue as against Rs. 351 million last year which is almost from the same range, 5.2% of the revenue.

Other than this hyperinflation related impact driven by Turkey is in fact reflected in our Ind AS 29 adjustment which is showed in the financials also and that is Rs. 25 million in Q2 Financial Year '24 as against Rs. 33 million in Q2 Financial Year '23 and for H1, '24 the impact is Rs. 52 million against Rs. 74 million last year.

We have a exchange loss of Rs. 26 million INR in the current quarter, almost entirely driven by the depreciation in Turkish lira vis-à-vis exchange gain of Rs. 11 million in Q2 Financial Year '23.

Our working capital now stands at Rs. 3,595 million as compared to Rs. 4,261 million as on March 23 and that is majorly driven by our focus on effective working capital management.

Our net debt as of date is Rs. 3,591 million as against Rs. 3,561 million in March '23.

So, those are the key highlights. I, thank you all for your support. And I now request for the forum to be open for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dinal Jain, who is an Individual Investor. Please go ahead.

Dinal Jain: My questions are regarding the API business. So, API sales have been flat sequentially. When can we expect a recovery? And what will a full number look like? And secondly how many products are in the API pipeline and how are you expecting those to drive sales going forward?

Rajaram Narayanan: So, the API business is clearly, this is not the level at which this business will carry itself, at the current Rs. 80 crores to Rs. 81 crores levels. As I spoke about this, this is a business which is more likely to be closer to three-digit levels in terms of an average. And we expect that kind of a number coming closer to Rs. 100 crores to be reached soon. At this point of time some of the transformation initiatives that we have taken, have indeed subdued some of these sales. In addition to that of course there is some pricing pressure on some of our products because of which we have decided to stay away from low margin, low quality opportunities.

I am of the view that with the initiatives that we have, as well as the visibility that we have to some of the projects and contracts, we should be back closer to a level of Rs. 100 crores a quarter, which is what we have indicated earlier and we expect that to be reached definitely early next year.

Coming to the second question of how many products we have in our pipeline. So, I think every year we typically file three to four new dossiers, and these filings are normally in line with our R&D plan. So, at this point of time we would typically have between three to four projects which are in the pipeline for the next year. And of course, in line with our plan to have three to four every year, the further products are also under development.

Moderator: Thank you so much. The next question is from the line of Shantanu Maheshwari, who is an Individual Investor. Please go ahead.

Shantanu Maheshwari: So, my first question is on the Turkey business. The Turkey business seems to have improved this quarter given the macro challenges there, is its performance sustainable?

And the second question is on the India business. What is happening on the India formulations business front, it is meant to be one of the growth focus areas?

Rajaram Narayanan: So, on the first question on Turkey, I think the Turkish market is not completely out of the woods. But I think there is a sense of some clarity coming on both the economic policy as well as the market demand.

From our side, what we have done is to focus on three areas:

i) Is in the area of pricing because it's a high inflationary economy. And we have taken bold pricing decisions in that market because of our market presence and that has gone through very well. We believe that pricing will continue to be some lever which established companies like us, can continue to exercise. And therefore, I think we will be able to match as much of the inflation with some of our pricing decisions.

ii) The second part of it is really on exports. We have been saying before that Turkey is a base for exports. And we are seeing increase in our exports from Turkey. And that will form a natural hedge for foreign exchange for us in Turkey. So, that will take care of the exchange fluctuations which take place in Turkey. Having said that, after one initial sort of change in the exchange rate right after the elections we are beginning to see some sort of stability in the current Turkish foreign exchange situation.

iii) The third of course is that Turkey is a very large market for animal health. And it is important to keep innovating and launching new products. In a situation like this the smaller players tend to fallout of the market or get impacted and we are seeing that happen. And therefore, our market share is actually increasing in Turkey and that is on account of some of these initiatives, but also because we are launching new products. So, a combination of new product launches, pricing as well as exports, I think will keep this business pretty steady going ahead. But of course, given the situation there we are watching very carefully. We expect that this is a market where the results can only be positive going ahead.

On the second part of your question is what's happening on India formulations, the India formulation business for us is performing well. It is a combination of two parts, one is our own products and the second is a distribution business that we do one of the largest multinationals. On both these fronts we are continuing to grow in line and slightly ahead of the market. We are also launching new products so that's what you are seeing in the results.

So, this particular quarter there is bit of an aberration because last year in the same quarter there was a big breakout of the Lumpy Skin Disease in the ruminant animal markets because of which there was a disproportionate jump in medicine consumptions. That has eased a bit this quarter. And also one of our products which we distribute was out of stock for various manufacturing reasons and that is expected to come back in the next quarter end. And therefore we should begin to see that stability.

We are of course very confident that India will be a steady growing market and that's something we have said before and we continue to stay by it. We will keep our eyes open for any kind of partnership opportunities to take this business further.

Moderator: Thank you. The next question is from the line of Darshat Shah from Sabnis Financials. Please go ahead.

Darshat Shah: So, one of the first questions I had was like there is a visible increase in gross margins during the quarter when I compare it to YoY and QoQ. And so just can you give me a sense of what are the major contributors to it and what are the steps you have taken to ensure that ?

Rajaram Narayanan: So, I think we have spoken earlier as well as in the last two calls that we have a few initiatives across the company to improve gross margins and those have started now giving the results. This required some tough calls which we took in the last couple of quarters. So, if I really split it into two, the API side we have a project called Project Pragati which is a comprehensive cost improvement program. And that is beginning to give us results as we are getting more competitive in our product pricing, in our cost structure and that is of course improving the gross margins of our API business.

The second part of it is really the mix of products we are selling; we are of course focusing more on quality customers as well as products which are the higher margin accretive. And therefore we are seeing the second sort of lever play out now.

The third is that on our formulations business, both in Europe as well as in Turkey it is a combination of getting out of low margin product mixes, focusing on higher margin products. And also, on some aggressive pricing actions given that we are in an inflationary environment.

The last part of the course is there is better management at the end of procurement. So, there is some softening of prices as well which is coming to play for us, beneficial for us.

So, I would say that there is a very comprehensive set of actions. This is in line with what we have been speaking for the last couple of quarters that we intend to take our margins by the end of the year towards a double-digit kind of a margin. And that's the direction in this quarter as well it's going.

Darshat Shah: Next I wanted to know our increase in employee cost. So, have we had some key signings or management signings or something like that?

Saurav Bhala: So, Darshat, as I also touched upon briefly in my introduction, the employee increase is one-time expenses which we are paying to for all the operational reorganizations we are doing across our geographies. So, this is a one-time expense this is not a normal, and going forward we will see all this normalizing back to the normal levels. In fact, we will see improvement going forward post that restructuring.

Darshat Shah: Next I have just a couple of questions on strategy moving forward. So, in the Europe business you have guided that you moved out of some unprofitable businesses so just I wanted to know what will be a long-term strategy for this continent in Europe?

Rajaram Narayanan: So, Europe for us is important but at the same time it is a business that we need to run profitably. So, we have two kinds of businesses, we have our own manufacturing operation, which is there in Spain, which is an important market for us. It's also one of the largest animal health markets in Europe. So, in Spain, we are having sort of restructured and rationalized the portfolio, we are now of course expanding with new product launches. So, we continue to launch new products in Spain, in the area of ruminant animals which is Production Animals.

And in the area of Companion Animals, we have increased our distribution footprint. So, we are now distributing more Companion Animal products in the area of pet care. And we are also there in Belgium, we are there in Netherlands, we are there in Scandinavia, and we are setting up some distribution opportunities in other markets in Europe as well. So, overall, for us in Europe, the first stage was to make sure we have a profitable portfolio. And now the next stage of it is of course to expand through new launches as well as new distribution arrangements.

Darshat Shah: And a follow up on that is that we have mentioned that we generally cater to two types of live stocks which are you know Companion and for the Food Consumption. So, just can you name a couple of animals that you primarily or our products primarily cater to this could be you know cattle, horses, so just an idea of that?

Rajaram Narayanan: So, look this industry when we say Production Animals, this is meant essentially there is cattle, which is Bovine cattle; and then there is Swine, and of course there are also other production animals which are used for food like poultry. And with companion animals of course it tends to be the typical pet like dogs and cats. Beyond that we are not more sophisticated than that, I mean if we just leave at that Production Animals and Companion Animals.

Darshat Shah: So, my naturally extension to that question will be so what will be our geographical mix in terms of are we also going to focus on country such as Argentina, or Mexico or developed market such as China or even Australia because they also have a large bovine cattle, USA. So, how is that, is there something that is in plans for the company?

Rajaram Narayanan: We will probably come back to this at the end, if we have some time. I will take the question at the end.

Moderator: The next question is from the line of Nikhil Shetty from Nuvama Wealth Research. Please go ahead.

Nikhil Shetty: Can you provide some clarity on capacity utilization levels in API business and how Albendazole is doing?

Sharat Narasapur: So, the capacity utilization has been about 70%-75%, its hovering around that. While you will notice that the volumes have picked up in some of the deworming molecules; however, there is a pricing pressure, because of the reasons which Raja already elaborated.

Coming to Albendazole, yes, it’s the same story, volumes are not as high as they used to be because of muted demand in Europe, otherwise the key businesses which are there in Albendazole remain intact.

Rajaram Narayanan: On the capacity front just to add, I think there are two parts, one is of course we are at 75% capacity. Also, some of the initiatives which we have done in Project Pragati, which is really on manufacturing excellence as well, that itself also has helped us to ensure that there is adequate capacity available for our products, for both this going ahead.

Nikhil Shetty: And I understand currently our focus is on cost and margin improvements, and you also provided guidance on the same for '24-25. It would be great if you could give us a sense on revenue growth for '24-25 as well because I believe targeted margin cannot be achieved solely based on the cost control measures.

Rajaram Narayanan: We have given you some indications earlier, but I think at this point of time it's very clear that this margin growth is a state we want to reach and quickly and then begin to accelerate our top-line growth as well. So, that we are able to actually get the leverage from it because that's when there is a real benefit. But I think to a bit more clearer guidance on the top-line growth, we will probably give it to you next quarter as we sort of play out the entire market scenario, but suffice to say that what we had said earlier that our ideal situation would be that we would be in double digit, early double digit top-line which is low teens in top-line and moving towards mid to high teams, in bottom line growth, that's really the structure that we would try to reach in the next two to three years.

Nikhil Shetty: And lastly if you can help us to understand overall how much cost we can save on an annual basis from these cost optimization measures we have taken?

Rajaram Narayanan: I wouldn't want to guide specifically on that, I am sure that when you would see the results of the forward quarter, we will then be able to annualize it and then make that estimate. At this point of time I can't give you that specific.

Nikhil Shetty: So, does this quarter include major portion or it will reflect in Q4?

Saurav Bhala: So, Nikhil this quarter has just started showing the benefits which is not a major reflection, the benefit majorly will start reflecting from Q4 onwards. Q3 will see that improving for the current quarter, but the major benefit, one part of it will start from Q4 and onwards. So, Q4 is when you should look at it more closely.

Moderator: Thank you so much. The next question is from the line of Vishal Manchanda from Systematix. Please go ahead.

Vishal Manchanda: A question on the API business, could you share if we are exploring any CMO opportunities there and what's the status of the CMO contract we had earlier got from a global innovator?

Rajaram Narayanan: Yes, CMO continues to be a key focus. The important thing is that we do have a couple of contracts which we have spoken about earlier. Some of these are taking a little longer to commercialize. So, we should begin to get some benefit from this towards the end of this year and then of course towards next year from a commercialization opportunity on the contracts that we spoke to you earlier about.

And of course there are other conversations which are also on and we see ourselves becoming more and more attractive as a company where large sort of global players are keen on partnering with us for this, because with the recertification of a US FDA status, we definitely would be amongst the few fully dedicated, veterinary API companies around. And with the increasing need of companies across the world to diversify the supply footprint and move towards India that's something that we see as an emerging opportunity, but those things will take some time to play out next year.

Vishal Manchanda: So, we have been in a range in the API business say around Rs. 90 crores ballpark per quarter. So, any timelines when we expect to kind of breakout of this range and maybe do in excess of Rs. 100 crores per quarter and then build on from there?

Rajaram Narayanan: Certainly, you know next year we are looking and as we begin to start from Quarter 4 itself, we should look more at averaging at the three digits mark, at least on an annualized basis. And that's what we should look at the first sort of destination for us. And then when some of these CMO partnerships fructify we should see the next acceleration happening after a year.

Vishal Manchanda: And do we need capacity expansion next year or the year after?

Rajaram Narayanan: Certainly, for next year we do not see any need for capacity expansion because we have managed thanks for some of the work which we have done to debottleneck some of our operations to makes sure there is capacity available. Of course, when you get a very large CMO contract you will begin to look at some capacity expansion and of course also when three or four of our new products begin to commercialize and get scale that's when we will need some capacity expansion, but not for next year.

Vishal Manchanda: And just one on Turkey, so this used to be a quiet a profitable business for you at a point in time, is it still profitable after the price increase? And is this at the same level that it used to be earlier?

Rajaram Narayanan: We are beginning to reach closer to the level at which we were. And I think on a steady state basis, this business will be closer to the profitability that it used to be. Certainly in the constant currency term it is, the question really it to make sure that when it is translated in our currency then it becomes profitable and that's what the current efforts are. Because it's not just about pricing it's also about hedging for foreign exchange and making sure we are launching new products. But we expect it to come back to the kind of levels by next quarter. It's already actually beginning to come closer to that, but make sure it's the steady state it should be in the one or two quarters.

Vishal Manchanda: So, there might be geographies which are currently a candidate of turnaround in terms of they maybe loss making, so any opportunities that you see eminently within your portfolio that you can turn them around into good profitable businesses?

Rajaram Narayanan: I think we are generally most markets we have been, profitable, it's just that in some markets we lost profitability, it's not that we were having losses in any of those markets, but we lost some profitability in Europe that's more or less come back to the original levels. Turkey should come back to the original levels. So, we have to keep an eye on Brazil of course because at this point of time, that's the market which is important for us and we need to hold on to our performance there, but I don't see any big turnaround issue, but I think the bigger opportunity there is that now that we have settled to a new level of margins how do we accelerate our top-line and get the leverage, so our focus ahead is really going to get our top-line given that we would have reached a reasonable steady state of margins by the end of this year.

Moderator: Thank you. The next question is from the line of Mr. Nakul Joshi from Winshine Financials. Please go ahead.

Nakul Joshi: I have a couple of questions, starting with the revenue, EBITDA margins guidance for H2 and the full year. So, what would be our margin guidance as our margins have fluctuated quite a bit in the past.

Rajaram Narayanan: So, look we have given a sense that we should exit the year at double digit of margins and that's the guidance more or less we are holding onto. I think what it gives us is the confidence that we have in that direction. And that's at this point of time the only thing I can tell you about this year.

As far as revenue is concerned, as I said, it's a bit more complex for us right now, because there is a continuing business revenue which is really if you remove some of the restructuring which we have done, that is for growing at a much higher rate. And then if you net it off with some of the businesses that we have decided to close, the revenue will come down to low single digits.

So, the revenue I expect will be more like a low single digit this year, because of the restructuring, but going ahead on a continuing basis, because we would largely be left with the retail profitable business, we should expect this piece of it to accelerate. But as I said this is something that in the past also, we have indicated that over a three-year period we would like to be in the early teens as far as the top-line growth is concerned, and in the late teens as far as margin is concerned.

Nakul Joshi: And going forward, how do we see our debt position, are we comfortable with the current levels of debt or are we looking for any restructuring?

Saurav Bhala: Yes, so Nakul currently our gross debt to equity is at 0.61 and our net debt to equity ratio is at 0.53. We would say we are okay with this, but our focus is on reducing that and we are looking at various options to bring it to a lower level. We hope that in coming quarters we will work on that direction and in taking these levels down.

Rajaram Narayanan: But generally, just to build on what Saurav is saying, I think we are fairly clear on where we stand right now with our debt situation and our actions are to make sure that we are always comfortable on this front.

Saurav Bhala: Yes, that's a priority.

Moderator: Thank you so much. The last question is from the line of Ms. Saloni Shah from SK Investors. Please go ahead.

Saloni Shah: I just have one question, what are the implications of US FDA in context to the API business, could you just throw some light on that?

Sharat Narasapur: So, this is, see we have been inspected twice earlier and this was the third one. This was a routine GMP inspection. And in order to make sure that the firm is maintaining the GMP standards and is fit to sell its goods in U.S. this inspection was conducted. And that gives a tremendous amount of confidence to customers that we are there in the business and it also opens up new opportunities since the track record has been really good.

Rajaram Narayanan: Doing it for three consecutive sort of inspections I think this will give much more confidence to our customers that especially the customers who are looking for new projects and opportunities, because they would like to work with organizations where there is a continuity of supply and quality. So, I think such kind of opportunity which we will unlock going ahead on this.

Moderator: Thank you so much. I would now like to hand the conference over to the Management for closing comments.

Rajaram Narayanan: Thank you very much to all of you who have attended this. And wish you all a very Happy Diwali from all of us at SeQuent. Thank you for staying with us and look forward to meeting you next quarter at the same Investor call.

Moderator: Thank you. On behalf of SeQuent Scientific Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.