"Sequent Scientific Limited Q2FY19 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Sequent Scientific Limited Q2 FY2019 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Singhal. Thank you and over to you, sir.

Abhishek Singhal: Thanks, Vivian. A very good afternoon to all of you and thank you for joining us today for the Sequent Scientific's Earnings Conference Call for the second quarter and half year ended Financial Year 2019. Today, we have with us Mr. Manish Gupta - Sequent's Managing Director; Mr. Sharat Narasapur – Joint Managing Director and Mr. Tushar Mistry – CFO to share the highlights of the business and financials for the quarter. I hope you have gone through our 'Result Release' and 'Quarterly Investor Presentation' which have been uploaded on our website and as well as the stock exchange. The transcript for this call will be made available in a week's time on the company's website. Please note that today's discussion maybe forward-looking in nature and must be viewed in relation to the risk 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 Manish.

Manish Gupta: Thank you, Abhishek. Good afternoon and warm welcome to all. I would like to thank you all for joining this conference. I know this is a very busy result season, in fact, we were grappling to get the time right to make it more effective for you as I believe there have been almost six analysts calls for the pharma sector alone. Apologies therefore we had to change our time.

Joining me on this call, as Abhishek mentioned are my colleagues, Sharat Narasapur who is our Joint Managing Director as also heads all our technical operations including R&D and our CFO Tushar Mistry.

I will start with the brief overview on the developments during the period, both for the quarter and half year, also we will follow it up with the question-and-answer session. In case I do become inaudible at any point during this call, please let us know.

This is our third earnings call and I take the liberty to assume that all of you are aware of our broad strategy of creating a very valuable business in the space of animal health. Towards this objective, we have already transitioned from API-led India-centric business which we were about three years back to a formulation-led, truly integrated first fully global animal health company from India and we now have annual run rate of about Rs.1,000 crores or about US$150 million. We are proud to have built up India's first and only USFDA approved veterinary API facility and also have now 14 filings making us the largest filer in US amongst all generic animal health companies globally. As a company, we have an extreme focus on execution and this has been our tenth consecutive quarter of improved operational performance. However, as I said in the previous call, I continue to believe that we still have a lot to achieve in this area though all foundations are in place for the same.

Now, let me run through our Financial Performance for the Quarter and the Half Year. Our total revenues for the reporting quarter were Rs.252 crores, representing 27% jump over previous year same quarter. Our

EBITDA came in at Rs.32 crores, reflecting 68% increase over last year and 310 bps margin improvement. Net profit for the quarter stood at Rs.15.2 crores reflecting a four-fold increase as compared to last year. We are confident of maintaining a positive trend in financial performance over the subsequent quarters on the back of a favorable industry outlook especially the API sector as also commercialization of close to 25 new launches that we have planned during this year.

On the first half basis, our sales or revenues have grown 24% to Rs.487 crores and our EBITDA has grown 69% to Rs.57 crores. Our net profit again has jumped four-fold in this period to close to Rs.19 crores.

What has been a drag in the past but has become a big game-changer for us is our API business. Our API business has been the most performing business for the quarter and for the last couple of quarters; in fact this quarter we have grown by 40%. During the quarter, we also added EU-GMP approved manufacturing facility at Mahad. The current quarter reflects two months of Mahad operations in addition to our Vizag facility. Given the current outlook in the API industry, this should add wings to our growth for the foreseeable future.

On the Formulations front, our business has grown 22.7% backed by performance across all geographies. Our growth was driven by improved market shares across key products as also new product introductions. Of course, we did face currency headwinds both in Turkey and Brazil which partly moderated the growth in the reporting currency which is INR for us. The situation in Turkey which is one of our key markets reflecting about 8-9% of our revenues has stabilized post the regulatory changes that occurred in Q1 and actually our business grew close to 35% in local currency terms. Our strong focus on execution has also resulted in a 20-day improvement in working capital cycle. We actually have very robust cash flows as our EBITDA to free cash conversion is significant. Our return on equity has now expanded to 10% in the quarter on an annualized basis.

We are on track with our injectable strategy post the Bremer acquisition and have already finalized and are working on eight injectable products in the Phase-1 which will be developed and commercialized over next few quarters.

Overall, we believe we have laid a very solid foundation and are ready to deliver our next phase of growth and our FY22 ambitions of being amongst the global top-10 in the Animal Health industry with the relentless focus on execution.

With this, I hand it over to you for question-and-answer session.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.

Vishal Manchanda: I have a first question on API business. So, that grew around 23% on QoQ basis. That is actually a very strong growth. So, could you guide on how much of that was related to volumes and price basically?

Manish Gupta: On a broad sense, it is difficult to give the split because the product mix is different between the two quarters and also the market mix because our focus is on regulated markets which are better priced markets but in a broad sense roughly three-fourth of the incremental revenues would have come on account of better prices driven by the market situation as also improved markets which we are operating in, a one-fourth would have come from increased volumes.

Vishal Manchanda: What is the percentage of sales would be from regulated markets now?

Manish Gupta: Little over 50% of the sales would be from regulated markets and / or regulated customers.

Vishal Manchanda: What was this percentage a year back?

Manish Gupta: I would estimate that the number two year back was close to 30%.

Vishal Manchanda: So, this has been kind of gradually expanding quarter-over-quarter, so…?

Manish Gupta: That is absolutely right, in fact, if you look at our incremental growth, more than 50% is actually coming from top-10 and more than 75% would be coming in a way from the regulated markets and/or regulated customers. Vishal, that has been actually the basis of our investment at Vizag. So, it is really the investments that we made a couple of years back that are now playing out.

Vishal Manchanda: So, this new facility that is commissioned two months back, is that also USFDA approved or that is yet to get a tag?

Manish Gupta: So, this is not a new facility that is commissioned, it is an acquisition of a facility which we acquired from Solara, it is a EUGMP approved facility.

Vishal Manchanda: Would you be likely going for USFDA approval too for this facility or you would focus this facility on the European demand?

Manish Gupta: Yes, that is correct, we will focus it on the European demand and US-centric approach would be from Vizag.

Vishal Manchanda: Can we expect this growth in API business to sustain going forward… not the same kind of growth but is the capacity for you to further expand this business?

Manish Gupta: We are fairly confident of maintaining 25% kind of annualized growth rates. As I mentioned, it is predominantly driven by price and better priced markets rather than volume, so, volume is not a constraint for us.

Vishal Manchanda: Could you guide on what would be the EBITDA margins for the API business now?

Manish Gupta: We do not give that kind of breakup and it is also not practical because there is a certain level of integration within the set up. So, allocation of cost becomes difficult and also it is a very sensitive information from a competitor analysis perspective.

Vishal Manchanda: Why I am asking so is because if we look at this quarter, basically the income attributable to minority interest was of 3 million which basically means the Formulations business is just breaking even while the profits are coming entirely from the API business, is that the right way to look at it?

Manish Gupta: Not really because the impact of foreign exchange is also on account of our business in Turkey and therefore there is a lot of set-offs there. It is not that the Formulations business not making money. The right way to look at our minority interest on a sustainable basis would be about 15% of our PAT.

Vishal Manchanda: So, that is how you would guide for coming quarter or that would be so basically some years down the line it would be 15% or it would be from coming quarters?

Manish Gupta: On annual basis, based on the current product mix and business mix, 15%-to-18% would be a good indicator for minority interest at a PAT level.

Vishal Manchanda: Just on the Injectables, you would be kind of filing these injectables, you talked about eight injectables closer to commercialization. So, these have been filed and you are waiting approval, is that sir?

Manish Gupta: No, only one injectable has been filed, other seven are in advanced stages of development. Obviously a lot of this injectable portfolio got a fillip post Bremer acquisition, till then we did not have EU-GMP or USFDA approvable site. Filing should occur between next 12-18-months as far as the complete portfolio of eight injectables in Phase-I is concerned.

Moderator: Thank you. We will take the next question from the line of Cinderella Carvalho from Kotak Securities. Please go ahead.

Cinderella Carvalho: Sir, would you be able to help us understand constant currency growth for the API and the Formulations segment, would you be having those numbers?

Manish Gupta: Yes, it is already given in the 'Investor Pack' on Slide #5. If you look at our API business on a constant currency business has grown at 29% vis-à-vis the reported growth of 40% and our Formulations business has grown at 25.7% vis-à-vis reported growth of 22.7% in terms of constant currency.

Cinderella Carvalho: Sir, if I look at the API portion, it has been growing really fast. So, would you be able to help me understand if I take two or three years from here onwards, presently it is at around 28-29% of your overall sales, so like over two years down where would you see this pie growing and what would be the key drivers whatever like the US portion and all those including?

Manish Gupta: If you look at our API piece, Cinderella, it is a very simple piece, fundamentally it is about regulated markets or regulated customers. Towards that we made significant investments in setting up the facility at Vizag three years back. It took us time to get all the approvals as is the case for any regulated market business, we actually bled for two years, getting into breakeven situation last year and this is the year when the business has really picked up. We have had two USFDA inspections, both successful and we believe that next two years would be great growth for this business as many of our customers are still validating us in their formulations and the best times as far as our API business is concerned is yet to come. We have all the capacities and capabilities to feed this demand that will grow as we go along. From overall percentage basis, it is about 29% as you rightly mentioned. I do not see much difference going forward, it may probably go to one-third of the business in the medium-term. But having said that, our Formulations business is also growing rapidly. So, the mix will not change that dramatically.

Cinderella Carvalho: But sir, in the Formulations aspect, we can see inorganic aspect coming in also, but whereas when we look at the API business I think our focus is looking at our investments and reaching the peak sales wherein we have invested in our Vizag and all the facilities and the US focus?

Manish Gupta: Absolutely right but inorganic on the Formulations side will still continue and therefore while our own growth would be mid-teens in formulations, with organic it will not be very different from the API side of business.

Cinderella Carvalho: So, you see that around one-third of the business going ahead. How should we see the Injectable kind as you said around 12-18-months time, so when do you think it will come in terms of the earnings aspect should be FY'20-21 type of year we should see that?

Manish Gupta: Certainly, first injectable will get commercialized in FY20 because that has been already filed but the majority of them when I say 7 or 8 filings that would fructify from FY21 onwards.

Cinderella Carvalho: Sir, if you would be able to help us with the EBITDA margins this quarter, the expansion, which business is contributing more to it, I know you said it is difficult?

Manish Gupta: Cinderella, it will take a lot of time to respond to this question. Clearly, API is a contributor so also our respective Formulations business. So, it is very difficult to pin point to one business, it is actually spread over all the businesses with a slightly higher weightage to the API side of business.

Cinderella Carvalho: Coming to the Formulations side, any outlook on the German and the Turkey market?

Manish Gupta: Germany is a recent and nascent acquisition. We had EBITDA neutral situation during this quarter but on a sustainable basis we expect us to be EBITDA-positive from next year onwards. Turkey of course is a totally different ballgame. It is a highly profitable business for us; our EBITDA margins in Turkey are in line with the global pharma animal health majors, it will stay that way. The only impact that Turkey faces is the currency impact which is more a translation impact rather than in the market business. So, our margins there are very well protected.

Moderator: Thank you. We will take the next question from the line of Ranvir Singh from Systematix. Please go ahead.

Ranvir Singh: Related to FOREX, I see some FOREX loss has been shown there. I think we might have gained in revenue also for several currency. So, what would be the net impact if I have to say in bottom line?

Tushar Mistry: The gain would be about Rs.2 crores in this and the net impact is about Rs.4 crores in this.

Ranvir Singh: So, net Rs. 4 crores loss should be the final number, right?

Tushar Mistry: Yes, reported number is the net impact.

Ranvir Singh: Secondly, if you could just guide on margin, I have seen you are guiding margin 200 basis points higher, that indicate the second half should be slightly above 12%. So, what I was thinking that in API segment basically the time has been very favorable due to China factor also and several currency also. So, do you assume that this scenario is going to sustain over two quarters?

Manish Gupta: My personal view is it will take at least two years before things restore to normalcy because setting up new capacities take time and more importantly getting the regulatory approvals take even longer. So, it would be minimum two years before things restore to normalcy. Having said that, we cannot create strategies around such opportunities. So, we have been in that way fortunate, our investments were made in the past and we are ready to take advantage of the situation.

Ranvir Singh: So, can you indicate something about FY20? So, can we see we are moving ahead in terms of margin progression is concerned?

Manish Gupta: I do not foresee any challenge to the margin improvement targets that we have set ourselves which is about 200 bps year-on-year over next two or three years. This would be in spite or irrespective of the market situation because of the entire execution program or commercialization program on the API side that we have in the US market and on the Formulations side which is based on our own pipeline of products to be commercialized.

Ranvir Singh: What would be the capacity utilization at Mahad and Vizag currently?

Manish Gupta: As I explained in the first question that roughly three-fourth of our growth is from better prices and only a fourth would be on account of better volume. So, we have sufficient capacities. Having said that, our utilization collectively would be in the region of 70-75%, not more than that.

Moderator: Thank you. We will take the next question from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.

Vishal Manchanda: On the Formulations side, could you tell which geographies are yet to breakeven?

Manish Gupta: Across all our businesses now, we do not have any geography which is in negative, India was the last one to break even which happened in last six months.

Vishal Manchanda: I would presume, Brazil, India would be in low single digit EBITDA margin?

Manish Gupta: That is correct.

Vishal Manchanda: How about Europe – would be in high single digit?

Manish Gupta: It is very difficult to give this level of specificity but all I can say is India and Brazil as we said would be amongst the lower margins at this point of time from Formulations angle, Europe would be midway and Turkey is the highest.

Vishal Manchanda: Turkey is now better priced among all these geographies or is it for some other reasons you are doing backward integrated in Turkey, does that allow you better EBITDA margins there or…?

Manish Gupta: The reason we have better margins in Turkey is two-fold; a) it is predominantly an injectable business and certainly margins once you achieve scale is better in injectable and b) of course we have achieved significant scale in Turkey being the third largest in that market. So, between the two factors, it is one of the better margins businesses for us.

Vishal Manchanda: Coming back to these other geographies, Europe, Latin America and Emerging markets, would these markets show faster expansion in terms of EBITDA when compared to your overall business?

Manish Gupta: I think as I mentioned to Cinderella, clearly, there would be a bias towards API in the short run in terms of improvement in EBITDA because that was our least performing business also in the past. All our Formulations businesses being branded generics, they will always be heading in the right direction but it will be a slow and steady progress. There cannot be a dramatic swing in any of the Formulations businesses in Veterinary given the branded generic nature of the industry.

Vishal Manchanda: Sir, in your opening comments, you talked about 25 new launches. So, have these taken place or yet to happen on the Formulations side?

Manish Gupta: Ten of these were launched in the first half and another 15 should get launched in the second half. There are not 25 launches in one market, it obviously spread over different markets, and a couple of products in each market, that is what adds up to 25.

Vishal Manchanda: So, basically it could be the same product, but it is in a different geography, three different geographically be counted as three different launches.

Manish Gupta: That is correct, because since it is a branded generic market, you have to go and generate prescription, the sales team can only handle at best one product a quarter.

Vishal Manchanda: So, would you expect a similar number of launches every year, say 25 new launches would be the number we should look forward to for every coming year or would that kind of keep going up?

Manish Gupta: More or less, that would be a good thumb rule to go by.

Vishal Manchanda: So, the new launches that you are trying to attempt would be higher margin products or that is not the case, so basically you are building a portfolio as in…?

Manish Gupta: Certainly, new products add to your margins because the incremental sales minus material cost goes into your margins, in that sense, it is a high fixed cost intensive business. Having said that, Vishal, it would be good that you drop in and see because we will be happy to invest as much time as is needed in this, it requires a lot of explanation and understanding of our branded generic business model that we have in various countries.

Moderator: Thank you. We will take the next question from the line of Ashish Rathi from Lucky Investment Managers. Please go ahead.

Ashish Rathi: Sir, just a clarification, whatever happens in terms of the currency, etc., does it any which way impact our business other than the translation parts which we understand?

Manish Gupta: From a business perspective, there is no impact because our Turkey business is made in Turkey for Turkey. So, all income and expenditure is predominantly are in Turkish lira. They do import a bit but they also export a bit. So, on net-to-net basis there is no exposure. The only impact is on the balance sheet side. Tushar will explain that?

Tushar Mistry: On the balance sheet side, some dollar loans in Turkey to the extent of about $3.5 million which impacts the P&L to some extent which is what you are seeing in the P&L in the current quarter.

Ashish Rathi: In terms of interest payout, etc., would also be happening from the Turkey subsidiary, right?

Tushar Mistry: Absolutely, yes.

Ashish Rathi: So, it is basically translation, it is not like it has had impact in the positive or negative operationally.

Tushar Mistry: Correct.

Ashish Rathi: Tushar, how do we see the debt for the company going forward?

Tushar Mistry: So, current debt book is about Rs.340 crores on the balance sheet, of which working capital is about Rs.115 crores and the balance is term loan.

Ashish Rathi: What is the principal repayment schedule?

Tushar Mistry: So, on an average, we would be paying about Rs.9-10 crores per quarter.

Ashish Rathi: Do we see debt reducing profile for the company say two years down the line?

Manish Gupta: Yes, the cash generation in the business is now picking up and that is what is important to understand which will certainly help us to pare off some debt net of our CAPEX requirements I would say.

Ashish Rathi: So, Rs.8-9 crores is what you are paying every quarter?

Manish Gupta: Yes.

Ashish Rathi: Approximately around Rs.70-80 crores of debt reduction at least will be happening by the means of repayment schedule itself and over and above that whatever we can generate extra can we repay that, that is the possibility, right.

Tushar Mistry: Correct, but yes, I will let Manish also give some inputs.

Manish Gupta: Ashish, basically if you look at our first six months, our free cash generated from operations closely mirrors the EBITDA that we have reported because most of our CAPEX is already done and also our working capital is strongly under control as you will see it in the balance sheet data that we have provided. Also, the cash flow generation in Animal Health business by nature is good given the branded generic industry. So, all in all what you are probably looking at is certainly our debt levels if we stay at this level of operations will continue to go down. Having said that, inorganic is also a key element of our strategy and certainly that is the only place which can impact our debt levels.

Ashish Rathi: On the inorganic side, anything that is on the lookout or any particular geographies they remain vis-à-vis clearly looking out as an acquisition possibility or the Greenfield which is planned, what are the plans in this aspect?

Manish Gupta: So, our inorganic strategy is driven by market access, again given the nature of industry. There are two key markets which are currently not present on our map, one is US and one is Australia. These, I am referring from Formulations perspective. These are the markets where we need to establish a footprint and clearly we shall be looking at acquisition opportunities in these two markets.

Ashish Rathi: I understand we are expanding the API base in the US, right, supply for API business in the US. You said Formulations is looking in the US. So, how does that happen because this is like a branded generic market, so you actually become a contract manufacturer for some Formulations manufacturer in US, is that what the plan is or the plan is to launch own brands at some point in time later?

Manish Gupta: The plan is to launch our own brands in the market eventually. Having said that, launching own brands and starting from scratch is a very expensive exercise and therefore the right approach would be to buy a smaller company which already has certain products and a field force. Therefore the current P&L pays for itself, while the new products that we launch is value creation we can end up doing. That is the way we are looking at the US market just the way we have done it in Europe.

Moderator: Thank you. We will take the next question from the line of Gautam Gupta from NRC. Please go ahead.

Gautam Gupta: Just one question around the companion animal health strategy. So, I believe companion animal health today is not a very large share of the revenue for us. Could you tell me approximately how much would it be and what is our strategy or our broad goals on this side of the business?

Manish Gupta: Companion Animal Health is a business would be less than 1% for us because we only have a small division in India and in Turkey for this. Having said that, while Companion Animal Health business is fairly significant in the markets of US and Europe, probably accounting for almost third of the market, what is important to understand is that it is a big daddy's game. All the companies which are present have very deep pockets and therefore strategically we do not want to take them head on. So, while we are developing certain companion animal health products which are based on our own APIs, we may potentially partner as far as those products are concerned.

Moderator: Thank you. We will take the next question from the line of Tushar from Emkay Ventures. Please go ahead.

Tushar: Just wanted to understand one thing. You mentioned in the API business. Do you think that this is sustainable for next couple of years? The momentum is in the API side. But do you see any headroom for prices to go up further or for there to be any kind of disruptions and therefore this business could give an outside contribution to the overall profits over this period?

Manish Gupta: It is a very difficult question to answer because predicting opportunities or disruptions is very difficult for me; however, having said that our strategy is not built around what has happened in the market place today or because of China. Our strategy was always built towards regulated markets and the regulated customers which are not getting any attention from the human pharma API players. Veterinary formulations manufacturers have their own set of requirements. Unfortunately, it is less catered to by the human pharma guys. That is where our strategy was coming from. That theme is playing out very well for us as a business with the veterinary pharma majors is growing rapidly. This, to some extent got compounded by the current environmental dynamics coming out of China. How long it plays? Honestly I still continue to believe that it is two to three years before things can normalize given the investment phase in this industry. But I would be kind of highlighting that our strategy is not impacted, it is only an add on to our fundamental strategy., I do not believe anything will dramatically change for us because of China factor, both positively or negatively.

Tushar: But sir, what would be your guess or estimate, do you foresee that there is more room for prices on the upside?

Manish Gupta: My personal view is that the best is yet to come.

Tushar: Sir, on the M&A perspective, how close are we to filling the gaps in our portfolio let us say in terms of say access in the US market for example?

Manish Gupta: We are at least 18 to 24-months away from first commercialization in US from our own portfolio. So, we do have time to fill this gap. We currently are not in any active negotiation but certainly in next 12-18-months we shall do so.

Moderator: Thank you. We will take the next question from the line of Vipul Shah from Ripplewave Equities. Please go ahead.

Vipul Shah: Hi, Tushar. Question is as usual, what is the free cash flow for the quarter?

Tushar Mistry: I think Manish answered that, the EBITDA that we have is more or less the cash that we have generated from operations; Rs.32 crores.

Manish Gupta: That is for the quarter.

Tushar Mistry: Rs.57 crores for the half year.

Vipul Shah: What is the balance debt sitting in Turkey?

Tushar Mistry: Turkey will have a debt of about $3.5 million.

Vipul Shah: I remember this is something which we intend to close by the end of this year or this will remain?

Tushar Mistry: No, this is more a long-term in nature.

Moderator: Thank you. We will take the next question from the line of Amit Garg, an investor. Please go ahead.

Amit Garg: My question is about the Mahad facility. You have transferred from Sequent to Solara and now Sequent has bought it back. What is the rationale behind this?

Manish Gupta: This demerger was envisaged a little over two years back. If you look at the communication we have on Mahad in the portfolio in the deck, Mahad manufactures two products, Albendazole and Ricobendazole; Albendazole is a common use product between both human and veterinary customer, almost 80% of Albendazole is human customers and balance is veterinary customer. So, in terms of business mix, Mahad was 60% revenues going to human and 40% coming for veterinary and that is where a decision was taken to keep it on the Solara side or the human side of the business. Having said that, subsequently, Solara acquired another business or another manufacturing asset and this facility became redundant in their strategy and therefore they were looking for a buyer. That is where given that 40% of the revenues were veterinary, it made sense for us to acquire and that is how we ended up acquiring that business. So, it is fundamentally lot to do with the changed environment between the 2-2.5-years from the time of demerger.

Moderator: Thank you. We will take the next follow on question from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.

Vishal Manchanda: What percentage of your net block will be attributable to the API business?

Tushar Mistry: Close to 80%.

Vishal Manchanda: On the borrowings that existed for the Formulations business?

Manish Gupta: No, it cannot be split that way because we have borrowings for even API plant, it is a mix.

Vishal Manchanda: Can you give a number on what would be your total filings, so basically approved registrations across the globe on the Formulations side?

Manish Gupta: I will have to do that exercise and share with you. Can we give it to you in a couple of days?

Vishal Manchanda: Yes, thanks, that is helpful.

Moderator: Thank you. We will take the next question from the line of Tushar from Emkay Ventures. Please go ahead.

Tushar: Just quickly wanted to understand the non-US the other markets, what broadly would be the strategy levers for us to improve profitability or growth? In the same vein, we mentioned that Turkey is a much higher margin business for us due to the injectable product. So, how in that sense how are we trying to cross develop the products or introduce the products in other markets, so can we see for example more injectable presence in other markets, you have mentioned the filings for US, but for other markets also if you can clarify?

Manish Gupta: If you look at our Bremer acquisition, it is a step in that direction because clearly injectables is a very important segment of animal health market more so as compared to human pharma. In human pharma only 10% of market is injectables while in veterinary almost 30% of the market is injectable. So, having a core injectable strategy which is of course our heritage as well is very critical. Bremer therefore was a step in that direction. Out of our current portfolio of 35-products under development, 8 are injectables. But we are further evaluating another 10 injectables for development. So, all in all you will see a significant chunk of our incremental growth in formulations coming from injectable portfolio in the years to come.

Tushar: Other than Injectables, from a product strategy or a cross-market strategy, so how exactly are we leveraging the acquisitions in different markets now if you can just share a bit more on a qualitative side?

Manish Gupta: I do not have numbers off hand but clearly the first phase of growth especially within Europe came from cross-leveraging the portfolio and the relationships that these companies had. So, while the market or industry has been growing at 4-6%, all our acquired entities have grown double-digits in the last two years and most of this growth was cross-leveraging each other's capabilities and portfolio.

Moderator: Thank you. Abhishek, no question in the que at the moment.

Manish Gupta: So, as I mentioned in my opening comments, we have a very well defined strategy as also relentless focus on execution. We are faced with very interesting times in our industry and are confident of continuing the performance momentum that we have displayed over last 10-consecutive quarters. With this, Wishing You All A Very Happy Diwali And A Festive Season. Thank you all for taking time and joining us. Thank you once again.

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