Jubilant Life Sciences Limited

Q3'FY12 Conference Call Transcript
February 6, 2012

Moderator Ladies and gentlemen good day and welcome to the Jubilant Life Sciences Limited 3rd Quarter and nine months ended FY12 Results Conference Call. As a reminder for the duration of this conference all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Ms. Nidhi Aggarwal. Thank you and over to you.

Nidhi Agarwal Thank you . Good evening everyone and thank you for joining the earnings call of Jubilant Life Sciences. I have with me today Mr. Shyam S Bhartia, our Chairman and Managing Director. Mr. Hari S Bhartia, Co-Chairman and Managing Director and Mr. R Sankaraiah, Executive Director Finance to discuss the performance of the company for the period ended 31st December 2011. We will begin with key messages on the business and consolidated financials to be followed by any queries that you may have for the leadership team present here. I would request everyone to kindly refer to the investor presentation for the disclaimer. At this time, I would like to invite Mr. Bhartia to share his views.

Shyam S Bhartia Thank you Nidhi. I hope, by now you would have glanced through our results presentation. I would like to share some key highlights. In the 3rd Quarter of financial year 2011, we had net sales of Rs. 1087 crore, reflecting 25% year-on-year growth. Our EBITDA stood at Rs 212 crore showing a strong increase of 58% on YOY basis. Normalized net profits were at Rs 77 crore, an increase of 66% on YOY basis. The share of international business to overall revenues stood at 71% at Rs. 767 crore of which revenues from regulated markets were at Rs 635 crore. The product business revenue of Rs. 867 crore contributed 80% of the total revenue and showed a growth of 24% year-on-year. This growth was backed up by both volume and pricing strength. Service business showed a revenue of Rs. 220 crore and had 32% growth on year-on-year basis.

Moving to our nine months period performance net sales were at Rs. 3080 crore a growth of 21% year-on-year. EBITDA stood at Rs. 643 crore again robustly up by 50% year-on-year. The normalized net profit was at Rs. 280 crore growing at 45% year-on-year. Impact on account of unrealized losses due to exchange rate fluctuations in case of long-term foreign currency loan and mark-to-market will be shared by Mr. Sankaraiah. International business contributed 70% to overall revenues at Rs. 2151 crore of which Rs. 1778 crore came from the regulated markets. Life science product revenues at Rs. 2439 crore contributed 79% to overall revenue and grew 23% year-on-year. Life science services revenue at Rs. 640 crore grew at a healthy rate of 15% year-on-year basis.

Now I should share some of the business highlights for the quarter.

Q3 FY12 revenues from Life Science ingredients constituting APIs, Nutritional ingredients, PPES and life science chemicals was at Rs 656 crore with a growth of 13% year-on-year and contributing 60% of the revenue mix.

API continues to show encouraging results and its contribution to our overall revenue and earnings have been good. As on date we have filed 54 DMF's in US, 29 in Europe, 27 in Canada and 6 in Japan. We continue to see Sartan as an attractive opportunity and I am glad to share that we are seeing very good traction in Irbesartan in EU and Canada and ValSartan in Europe.

Moving on to Nutrition Ingredients – We are seeing gradual ramp up in our recently commissioned manufacturing facility at SEZ Gujarat for Niacinamide and its intermediate 3-Cyanopyridine. Profitable top-line growth would be witnessed in subsequent quarters in this segment with volume ramp up in new capacities.

Our proprietary products & exclusive synthesis business has been in line with our expectations. Process improvement efforts are going on for maintaining our global leadership position in key advances intermediates. Despite an increasingly competitive scenario, we have been able to win new orders in this segment. It is our objective to develop new applications for Pyridine derivatives that we have and our R&D is fully geared towards that.

Moving onto life science chemicals, we saw and healthy uptake of our products in the international markets. We expect this trend to continue. Prices of the products are slightly impacted the growth rates though the volumes are higher in the business.

Generics vertical incorporates solid dosage formulation, radiopharmaceuticals and allergy product businesses and contributed over 19% to overall revenue mix. It recorded revenues of Rs. 211 crore in the third quarter of FY2012, a stunning growth of 78% year-on-year.

With respect to solid dosage formulation business – Company has done extremely well, 4 new product approvals have been received in Q3 FY12. US FDA approved our ANDA for Risperidone ODT tablets for the application in CVS therapeutic area. Approval received for 3 dossiers from EU are Repaglinide tablets in anti-diabetic segment, Ropinirole tablets for Parkinson's disease and Risedronate tablet in the osteoporosis therapeutics segment. Our quarterly filing across the world further strengthened our product pipeline, taking cumulative product filings to 44 US ANDA's of which 19 are approved; 35 dossiers of which 30 are approved besides 160 filings in the rest of the world out of which 28 are approved and 4 pending approvals in Canada. Our strategy of catering products in niche markets is yielding dividends in terms of leadership position in the US geography.

Our radiopharmaceutical business showed a good ramp-up due to product launches in new geographies entered. Success in new order wins will support growth rates in business in near future while cost efficiency will support margin expansion despite higher R&D costs on expanding the product pipeline.

The other specialty pharmaceutical business of allergy products also posted a stable growth. Focus continues on expansion into new geographies while keeping costs under control.

Our services segment had revenues of Rs.220 crore in Q3 in FY2012 thus reporting a significant growth of 32% year-on-year, this contributes 20% of our revenue mix.

In the Q3, the CMO business showed revenue of Rs. 157 crore and contributed about 14% to the revenues with significant year-on-year improvement of 37% in the CMO on the back of order executions. New order wins continue to build stronger pipelines for future growth. Cost-saving efforts yield growth in margins year-on-year basis through postponement of few orders to next quarter has impacted a sequential margin growth. Capacity utilization has improved and should support our growth in the coming period.

Drug discovery and development service business recorded revenue of Rs.59 crore, growth of 22% driven by functional / chemistry services business which is in line with our expectations. However overall DDDS business profitability was impacted as US clinical trials business which constitutes 1.5% of the total revenue continued to witness a decline in revenue and pressure on margins. Management is taking corrective actions by strengthening the business development team and also reducing the cost in line with the revenue.

The overall underlying strength of our business has been strong with an increasing order book position and capacity utilization in all our business segments. Company expects to continue to build on the robust sustainable revenue and margin growth momentum recorded for a nine months period. In product business revenue growth would be on account of utilization of the newly added capacities, new product launches and geographic expansions while operating profit growth would be backed by improved capacity utilization, increased vertical integration and favorable prices of certain key products. In service business focused margin, improvement initiatives, increased capacity utilization, higher margin product mix and cost optimization would lead to higher profitability, with that I would like to invite Mr. Sankaraiah to share his views on the consolidated financial performance of Jubilant Life Sciences.

R Sankaraiah Thank you Mr. Bhartia. I would like you to take you through our consolidated financial highlights.

Net sales in the Q3 FY12 were at Rs. 1087 crore showing a growth of 25% year on year. Life science products revenues at Rs 867 crore and are up by 24% year-on-year. It constituted 80% of our total sales backed by both volume growth and strong price increase. Life science services business revenue at Rs.220 crore, witnessed a growth of 32%. International business accounted for 71% of the revenue at Rs.767 crore growing at 28% year-on-year and saw a major contribution from the regulated markets. Our EBITDA during the quarter was Rs. 212 crore which is 58% higher as compared to the quarter of the previous year of the same quarter, correspondingly our margin improved to 19.5% as against 15.4%. To provide you with more details, EBITDA margins in product business stood at 23.6% in Q3 FY12 as against the margins of 22.8% in Q3 FY2011. Our service business reported an EBITDA margin of 10.9% in the period representing a nine fold growth compared to the previous year of the same period. Profit before exceptional items, tax and minority interests were at Rs.101 crore for the nine months it was Rs.339 crore, recorded a growth of 81% for the quarter and 61% for the nine months. Our normalized profits, I will little bit later explain later what normalized profit is. Our normalized profit after tax for the period under review was

Rs 77 crore, the normalized EPS stood at Rs.4.84 per equity share of Rs. 1 face value paid up.

Moving on to nine months performance net sales of Rs. 3080 crore were recorded with a growth of 21% in comparison of the nine months of FY2011. Revenues from the life science product stood at Rs.2439 crore up by 23% compared to the same period last year. This business currently contributes 79% of our net sales and will continue to be the key growth driver for us. Our life science services segment reported a revenue of Rs.640 crore in this period, which is a 15% increase as compared to the nine months period of previous year. International business came at Rs. 2151 crore and contributed 70% to the net sales. The regulated market of North America, Europe and Japan accounted for 58% of the revenue mix.

Our EBITDA stood at Rs.643 crore growing by 50% compared to the corresponding period last year and our EBITDA margins are considerably better at 20.9% compared to 16.9% in nine months previous year. The product segment reported an EBITDA margin of 24.5% in the period up by 121 basis points from 23.3% corresponding to the last year. The EBITDA margins in the service business came in at 14.9% for nine months showing a six fold increase in the same period last year. Profit before exceptional items, tax and minority interests were Rs.339 crore for nine months FY2012 recorded a growth of 61%. Our normalized profit after tax for nine months stood at Rs.280 crore, the normalized EPS at Rs.17.6 per equity share of Rs. 1 face value.

However the company has reported a net loss of Rs.78 crore for the quarter and a net profit of Rs.78 crore for nine months impacted by an exceptional item of Rs.155 crore and Rs.202 crore for the two periods respectively. Exceptional item includes unrealized mark-to-market book loss of Rs.143 crore for the quarter and Rs.161 crore for nine months ended 31st December, 2012 which were mainly on account of currency movement of US dollar from the base rate of Rs.45 to Rs. 53.10 as on 31st of December, 2011, with respect to the rupee loan of Rs. 910 crore swapped into US dollars loan at the time of FCCB repayment. However, based on 3rd February 2012 exchange rate of 48.65, this unrealized book loss of Rs.161 crore is reduced by Rs.100 crore. Also the company has taken a long-term foreign currency loan of US dollar 274 million on which the unrealized exchange loss has been amortized over the period of tenure of the loan as for class46 A of the Accounting Standard 11 which has been issued by the Ministry of Corporate Affairs on December 28th, 2011.

Accordingly, the amount debited to profit and loss account for the quarter has been Rs.12 crore and the nine months ended 31st December, 2011, was Rs.41 crore. Balance amount of Rs. 109 crore has been debited to exchange fluctuation reserve account and Rs. 6 crore has been capitalized on 31st December, 2011. Based on February 3rd, 2012, exchange rate of Rs.48.65, there would be a reversal of Rs.17 crore in the P&L account and Rs.57 crore in an exchange fluctuation reserve account.

Moving onto the balance sheet item, our net debt position as on December 31st, 2011, was Rs. 3685 crore. Rupee debt including portion of the swapped into the dollar loans of Rs.1602 crore and the foreign currency debt is $458 million at the quarter end with the cash on hand of Rs.349 crore. Increase in the net debt of Rs. 248 crore is mainly on account of the restatement of dollar loans into rupee with the exchange movement of Rs.48.98 as of September 30th, 2011 to Rs.53.10 as of December 31st, 2011. Rupee loans are at an average interest cost of about 11% and the foreign currency loans are at an average interest cost of 4.2%, thereby leading to average total debt cost of 5.85% per annum.

And to conclude as Mr. Bhartia mentioned we are confident to deliver robust earnings growth in the subsequent quarter due to a strong operational performance. With that I would like to request the moderator to open the floor for question and answer please.

Moderator Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Monica Joshi from Avendus Securities, please go ahead.

Monica Joshi Why do we see a sudden rise, one is on the power and the fuel cost and this is sequentially and why do we see a sudden rise on the staff cost because what we see is most of your margin expansions have probably come from lower material costs and essentially an increase in gross profit, so your thoughts on that and secondly for Mr. Sankaraiah when you said that your debt position is standing inflated because of the Dollar, when we see your presentation, you have mentioned your foreign currency loans both on standalone and subsidiaries in dollar terms, how do we look at it that because you have $ 414 mn as of September in dollars which is now $ 458 mn, should we consider that an increase or it is because of some restatement?

R Sankaraiah As far as the operating expense is concerned share of manufacturing cost rise that is basically the power and fuel is mainly on account of increase in coal price and fuel prices. That is why the difference of about a percentage which is there in the manufacturing expenses increase. As far as the staff cost is concerned the increases is on account of additional manpower which has been taken for adding the new capacities and also the annual increments for the year.

Monica Joshi Do we see this staff rate as an increase in the current quarter?

R Sankaraiah No the right way of comparing that is you have to see the staff rate cost for the nine months, if you see for the nine months it is more or less the same.

Monica Joshi Actually there is Rs. 228 crore if you see in September so should we consider Rs. 228 crore on a quarterly basis from now onwards, is that the run rate that we should go with?

R Sankaraiah Yes you can assume that.

Shyam S Bhartia Some of the plants which started operations in the last quarter, we have added manpower which has not resulted in full sales, that is why you have seen that the percentage of sales has gone up.

Monica Joshi On the fuel cost you mentioned coal prices, again here we could see this sustaining through the quarter?

R Sankaraiah Yes you can assume that. As far as the debt is concerned the foreign currency loan in December is about, $274 million in standalone, subsidiaries is $184 million, thus total is $458 million, that is the foreign currency loan. As far as the rupee loan is concerned, Rs. 692 crore as standalone and the rupee loan in which we have swapped into dollar is Rs. 910 crore, so the total is Rs. 1602 crore converting $458 million at the exchange rate of Rs. 53.10 and adding Rs. 1,602 crore you will get our total debt of Rs. 4,033 crore; netting off the cash of Rs. 349 crore, you get a net debt of Rs. 3,685 crore.

$414 million in September has gone to $458 million. So there is an increase in the dollar debt of $44 million that you convert it to Rs. 53, you get the answer.

Monica Joshi So in the next year or so do you see this position actually changing a bit in your favor and improving from here?

R Sankaraiah Already if you see the February 3rd 2012 rate, it has already come down by Rs. 4 so we cannot say that rupee is going to fluctuate positively or negatively but based on the February rate we are already in a positive situation.

Moderator The next question is from the line of Saion Mukherjee from Nomura, please go ahead.

Saion Mukherjee Actually on the margin front we have seen over the last three quarters that margins are in the range of 19 to 23% so what is your expectation of that going forward given how the currency is moving and how you see the pricing environment and secondly just wanted to have a clarification on the accounting side as you consolidate the non-integral subsidiary because of the currency movement, is there any benefit that you realize on the gross margins front?

R Sankaraiah As far as the margins are concerned yes as you have rightly mentioned, it is ranging from 19 to 20%. If you see the nine months number the margins were about 21% EBITDA which in our opinion is sustainable or it should be slightly better because as far as the next year goes and as far as some of the major net realizations are concerned, we have made a forward contract on that. The Board of Directors have drafted a prudent policy that not more than one year of the future revenues will be covered on a simple forward contract basis at an appropriate time, so the Board felt that at Rs. 53.65 is the right exchange rate for covering the net exposure. What I mean net exposure here is the total exports minus the imports minus the foreign currency loan repayment in terms of dollar and also the interest on foreign currency loans then you get a net exposure, majority of that is covered, which is equivalent to about approximately $290 million at an average exchange rate of about Rs. 53.60. So compared to this year's exchange rate we expect the realization for the underlying exposure of sales and hence we can expect better margins going forward on account of this also.

Saion Mukherjee Okay on the question of consolidation of the non-integral subsidiary, is there any benefit that comes?

R Sankaraiah That depends upon quarter to quarter because first quarter the average exchange rate was different, the second quarter it was different and the third quarter again it was different, so as an integral part the exchange rates are moving, rather if the rupee is weakening we get an advantage and if the rupee is strengthening we get a disadvantage that is basically a translational benefit, that will be a minor adjustment which will always be there.

Saion Mukherjee Okay given that you have taken hedges at Rs. 53.50 in this quarter particularly in the Q3 was there any benefit, did you realize more than Rs. 50 on an average to dollars?

R Sankaraiah No because in Q3 we have not hedged anything and it was on the day of dispatch the sales have been accounted.

Saion Mukherjee So you would have benefited right?

R Sankaraiah Yes compared to Q2 we have got benefit.

Moderator: The next question is from the line of Krishna Prasad from JM Financial.Please go ahead.

Krishna Prasad: If you look at your minority interest on a sequential basis, it has gone up significantly,in Q3 it is at around Rs. 15 crore and if I assume that most of this is related to your Cadista subsidiary,it appears that a significant portion of this profit seems to be coming from Cadista, last quarter also you said you have talked about one specific product where there were price increases, is that something that continues and how do you see this trend going forward?

Shyam S Bhartia In Cadista we have 17% of minority interest, we continue to have a good traction in our business in Cadista. Whatever we have seen in Q3 and Q2 ,we expect to continue in Q4 also.

Krishna Prasad: But it seems that most of the profit we have seen from this quarter comes from Cadista, is that a right observation to make?

Shyam S Bhartia: Not most of the profit but Cadista has generated a good profit because of the generics business in the US and most of the products which we are developing in India we are marketing through Cadista.

Krishna Prasad: But is there any specific product where you have seen significant traction during last quarter and this quarter, which is leading to these sort of numbers?

Shyam S Bhartia: This has been from the last three quarters and we are doing price increases in some of our products which are sustainable and we have an excellent market share in most of our products and have leadership position in at least 3 to 4 products of Cadista, we are number one or number two in the US and that leadership position gives us an opportunity for better prices and volumes.

Moderator The next question is from the line of Rahul Sharma from Karvy Stock Broking, please go ahead.

Rahul Sharma Just wanted to know the incremental EBITDA on account of exchange gain?

R Sankaraiah Compared to the last year and this year there was a difference in the exchange rate for the first nine months of about Rs. 1.40 on account of which approximately about Rs.20 to Rs. 25 crore is the impact on the account of exchange rates.

Shyam S Bhartia But there are imports also, import costs have gone up so net impact is there.

Rahul Sharma Okay in terms of percentage how many bps would it be for nine months?

R Sankaraiah Out of Rs. 640 crore about Rs. 25 crore. Not very significant.

Rahul Sharma Okay just taking cue from the previous person’s question, just wanted to know which are the products where we have gained good market share and if you could specify that in Cadista?

R Sankaraiah We are not getting into any product wise details.

Shyam S Bhartia There are at least 5 to 6 products where we have at least number one or number two position in US and these products are generating very good traction because of our market leadership and in these products both volume and price growth are there, which is sustainable.

Rahul Sharma Okay but are these totally new products or are they older products? And competition is basically dwindling, any take on that?

Shyam S Bhartia Some of the products are new products but mostly products are also old products where competition is dwindling. Your point is right. We have an excellent market share and cost position to generate good volumes and also price growth.

Moderator The next question is from the line of Surjit Pal from Elara Capital. Please go ahead.

Surjit Pal You have already increased your staff cost because of a Niacinamide production. Going by your announcement on Symtet, you will be ready to start producing by Q4. Can we expect that similar kind of incremental growth in your staff cost from Q4 onwards?

Shyam S Bhartia We have started adding 2 to 3 months before only because of the training which we have to provide them, some of the staff costs are included in this but definitely we have to employ more staff to produce Symtet and other products.

Surjit Pal And when will you start production?

Shyam S Bhartia Yeah, we expect to start sometime in March.

Surjit Pal As far as your services business is concerned, have you seen any kind of traction because of so much of production shortage in the US? Does it catalyze the approval of your partner in terms of getting better execution of your contract with that partner?

Shyam S Bhartia A large part of our service business is sterile products. In sterile products we are number four or number five in North America and there is a tendency of the large Pharma companies to outsource the products as they are reducing their own manufacturing and they are outsourcing the products. More and more traction we are getting in our order booking both in sterile and also non-sterile. Also we have received large orders which we have announced during the month of September. So in both the products we are getting an excellent traction, we have a lot of products which are in the final stages of approval for our customers. Some of the products were approved, some of the products are yet to be approved and as soon as we get the approval in phase 3, we will be ramping up the volumes again there sometime next year.

Surjit Pal My question is that, have you seen any traction of faster approval or faster track approval from US FDA?

Shyam S Bhartia No, we have not seen faster track approvals but we have a better understanding of the approval time and of course in the phase 3, we don't know how much of extra time will be required by our pharma companies to get approvals, we don't see any improvement in the approval time on the US FDA side. But we have a better understanding of the timing.

Surjit Pal How much loss you have been making because of rupee loans swap?

R Sankaraiah The rupee loans which has been swapped is Rs. 910 crore into $202 million loan on account of which as of December 31st, 2011, the accumulated swap loss was Rs. 160 crore. Like I've mentioned, based on the February 3rd closing rate of Rs. 48.65 that loss has already come down to Rs. 60 crore.

Shyam S Bhartia This is only mark-to-market, there is no cash loss and there is no cash impact of this.

Surjit Pal And what is the duration of this swap?

R Sankaraiah Four and half years and majority of the loan payment is coming in year FY14-15.

Shyam S Bhartia The amount of loan which is payable in 2013 is low.

Surjit Pal What is the current sensitivity to dollar volatility?

R Sankaraiah For every Rs. 1 positive or negative, it is on a net exposure basis, it is around Rs. 12 to 15 crore. You have to consider full year, it is as on one single point.

Surjit Pal What is your sustainable level, which we can assume for EBITDA margin in services businesses?

R Sankaraiah Around 15% to 18%.

Surjit Pal So you are underperforming presently?

R Sankaraiah No, for nine months we are about 16%. We have mentioned in the year beginning also, last year it was about 4%, we expect at least a four-fold growth in EBITDA margins of the service business, that is what we are contemplating now, and it is the same thing which is happening.

Shyam S Bhartia The traction of the business is good, it is about 15% margin for nine months and we expect margins to grow anywhere between 15% to 18%.

Surjit Pal What is the current pricing status in your Niacinamide products because that is where you were pinning your hopes?

Shyam S Bhartia The market is extremely competitive. We have an excellent cost position because of our vertical integration. We are the only company in Niacinamide which is manufacturing products starting from the very basic raw material and we have our own better yield. We are in an excellent situation to compete in the marketplace and most of the consumers have approved our product, they have liked our product because of our excellent quality and they have approved our plant, so we are in an excellent situation to take the market share going forward and as against our competitors which are based on high-cost of raw materials we are really in a good position to compete with them.

Moderator The next question is from the line of Preeti Arora from Kotak, please go ahead.

Preeti Arora The mark-to-market has been done at Rs. 53 versus Rs. 45 or Rs. 53 versus Rs. 49?

R Sankaraiah For the nine months it is Rs. 53 versus Rs. 45. For the quarter it is Rs. 48.98 versus Rs. 53.10.

Preeti Arora For the quarter it is Rs.53.10-48.98. And the selling cost has jumped up sequentially quite sharply, any Forex number in this selling cost of Rs. 95 crore?

R Sankaraiah Not much, very small negligible number.

Preeti Arora What has the Capex been year to date?

R Sankaraiah This year as we mentioned earlier it will be about Rs. 500 crore out of that Rs. 377 crore have been spent the balance we are planning to spend this quarter.

Preeti Arora And next year?

R Sankaraiah Next year it will be in the range Rs. 250 to Rs. 300 crore, the number will be announced in the next con call.

Shyam S Bhartia We hope to keep the Capex on the lower side because we would like to utilize the benefit of the capacity which we have introduced during this year and concentrate on reducing our loans next year.

Preeti Arora How much should be the tax rate for the year?

R Sankaraiah Around 15% before exceptional items.

Preeti Arora Okay and around that much in next year or should it come down?

R Sankaraiah Next year I am not in a position to comment right now, it should be little more actually.

Moderator The next question is from the line of Prakash Agarwal from RBS, please go ahead.

Prakash Agarwal A question on the margin front, good improvement year-on-year but sequentially what's been the reason?

R Sankaraiah We are getting higher margin products business and the margins are better in the service business.

Prakash Agarwal But I would have thought that given that more orders are coming in and rupee dollar benefiting you, so that been a better quarter in terms of margins, isn't it?

R Sankaraiah Depends upon the product mix also.

Prakash Agarwal The reason you are stating that is specifically product mix?

Shyam S Bhartia Product mix in a particular quarter is very important as overall as Mr. Sankaraiah mentioned.

R Sankaraiah Nine months is a right comparison. Quarter-on-quarter depends upon the product mix, dispatches or the particular product etc.

Prakash Agarwal Nine months you are saying that it will be around 19% to 20%?

Shyam S Bhartia 20% to 21% overall.

R Sankaraiah Product business should be at the higher margin levels like we have mentioned it will be in the range of 23% to 24%. As far as service business is concerned, it will be in the range of 15% to 18%, so the overall margin we expect in the range of 20% to 21% because of the reason what I explained earlier and because of the exchange rate benefits the margin should be better next year.

Prakash Agarwal In terms of our future growth driver, has our vitamin business started sales revenue and what are the other key benefits coming from the CapEx that we have done in the past 9 to 12 months, or maybe in 1 to 2 years?

Shyam S Bhartia We have started a life science ingredient facility along with Niacinamide which is in September-October.

Prakash Agarwal Are you saying that the businesses have started to give revenue?

Shyam S Bhartia Yes, the business has started giving revenues and from January has achieved full capacity utilization. They are producing at a full 100% capacity in life science ingredients a multipurpose facility and other facility which is coming up is the Symtet which will be starting in the month of March but of course the full use of that sales will come sometime next year only.

Prakash Agarwal Can you share the numbers for the Niacinamide facility? What is the revenue, we have plugged in?

Shyam S Bhartia We expected good capacity utilization. In the next year, we are in the process of formulating our budgets but we get good traction from our customers. Most of the customers have already approved our products; most of the customers have visited our facility, and they really approved our facility. We expect an excellent traction from the market for these products, both for Europe, US and the Chinese market.

R Sankaraiah If you see we have already mentioned in the last quarter that at the full capacity utilization, Niacinamide should give revenue based on the current price about $70 million and Symtet again at full capacity utilization, it should be about $90 million that was the number which we have discussed earlier.

Prakash Agarwal Can you see this happening in FY13?

Shyam S Bhartia No.

Prakash Agarwal Or it is going to take longer?

Mr Sankaraiah: Not in FY 13

Shyam S Bhartia We are in the process of finalizing the numbers, I think we will come back to you after March.

Prakash Agarwal So we can expect actually better margins going forward?

Shyam S Bhartia Better sales.

Moderator The next question is from the line of Saion Mukherjee from Nomura, please go ahead.

Saion Mukherjee On the pricing front, you mentioned some pricing pressure on life science chemicals, it would be great if you can, share for nutritional ingredients, Pyridine business and life science chemicals, how the pricing has been this year compared to last year and what's your expectation going forward on these two segments?

Shyam S Bhartia Pricing in the Pyridine and life science ingredient business is steady and there has not been much difference in prices but we expect the volumes to grow as you know that we have established an increase in capacity during this year. We expect to use this increased capacity during the last quarter of this year and also during the next year. We expect the volumes to go up but the prices would remain steady. In case of Niacinamide we have seen some reductions in prices because of competition but we are in an excellent market situation from the point of view the competition and we expect to sell our capacity at the current prices.

Saion Mukherjee And just to continue on Niacinamide, you sounded quite confident on capacity utilization so you have visibility based on customers' orders on this?

Shyam S Bhartia Yes, we have customer orders.

Saion Mukherjee Okay that is great. One more question, at the starting of a presentation you shared some data on your ANDA pipeline, if you can just repeat that it would be great that how many you have filed and how many are approved so far in the US?

R Sankaraiah At present the cumulative filing of ANDA is 44, out of that 19 are approved. As far as dossiers are concerned, it is 35, 30 are approved. Besides this ANDA and dossier in US and European market, rest of the world also we have filed huge number of filings about more than 150 out of that 28 got approval and also in Canada we have 4 approvals which are pending. So we have very rich pipeline as far as the product approval is concerned that is why we are very bullish on the generic market.

Shyam S Bhartia There are a lot of approvals from rest of the world which we expect also will happen during the 4th Quarter and the next year which will further add to our sales.

Saion Mukherjee Okay, Sir, last quarter, you mentioned about the Lipitor opportunity in Japan. Is that significant? How do you see that opportunity?

Shyam S Bhartia That opportunity is significant and I'm proud to say that for the first time we have manufactured products and sold in Japan in the form of tablets and also supplied APIs to them. Our partners have already launched the product and we expect to continue during the 4th Quarter and during next year also.

Saion Mukherjee Okay one last question on the clarification on the mark-to-market loss provisions that you have. In the 3rd Quarter, you have Rs. 143 crore provisions, for the nine months it is Rs. 161 crore but here the rupee-dollar movement has been quite substantial last quarter also, if I'm missing something else?

R Sankaraiah Like I mentioned, Rs. 161 crore that is for the nine months and another as on 31st December, 2011. Immediate for February 3rd like it has already been reduced to Rs. 60 crore, so Rs. 100 crore will get reversed.

Saion Mukherjee But I was just saying that in Q2 also the rupee moved from Rs. 45 to almost like Rs. 49 or 50 so you should have a large MTM loss in Q2?

R Sankaraiah First of all, if it goes back to Rs. 45, the entire losses will get reversed.

Saion Mukherjee I agree, I am just wondering that, it seems that out of total Rs. 161 crore of MTM provision, our large part or the majority of it was booked in Q3?

R Sankaraiah That was because Rs. 48.98 has gone to 53.10.

Shyam S Bhartia Since there was Rs. 5 movement which is 10%.

Saion Mukherjee But sir in Q2 also there was a significant movement?

R Sankaraiah Q2 movement was there but we had a currency swap and interest-rate swap. We had an advantage of the interest-rate swap up to Rs. 47, that is why the full impact of that Rs. 5 have not been reflected.

Moderator We have the next question from the line of Sangam Iyer from AlfaAccurate Advisers, please go ahead.

Sangam Iyer I just wanted to get a sense on the outlook going forward in the various business segments, and you could just throw some qualitative light?

R Sankaraiah We expect the outlook for the year ended '12 and going forward to be very-very robust because of the various explanations we have already given. On account of newly added capacities in Niacinamide and the expected new addition of Symtet and also additional capacity utilization and what we have plan to do in CMO business in US. In addition to that the new product launches like we have mentioned and our pipeline is very strong in dosage form business. Those new product launches are expected to give an additional revenue and also in API, the Sartan capacities which have come up which is doing very well and we expect further increase in capacity in that area. So, considering all the things we see a very good performance going forward.

Sangam Iyer In terms of CMO contracts that we have received is the execution already on track?

R Sankaraiah We have started dispatches for the first time in Q3.

Sangam Iyer For all the contracts?

Shyam S Bhartia Yes.

Sangam Iyer And Sir on the margin front for the services segment is it 15% to 17%? That is what one should be looking in FY13 or would it be more on sustainable basis in FY14?

Shyam S Bhartia FY13 we cannot comment on but it is likely to be maintained at whatever this figure it is. We are in the process of finalizing our budget. We should expect the same or better in FY13.

Sangam Iyer A question on the debt part, you have mentioned that we had a currency swap which resulted in the debt going up. The incremental debt in dollar terms, could you just explain that?

R Sankaraiah Debt increase of Rs. 248 crore is on account of the exchange rate movement from Rs. 48.98 to Rs. 53.10, the reason for that is if you see the dollar debt, the dollar debt has gone up by $44 million and rupee debt have gone up Rs.13 crore. The $44 million debt if you translate or the total debt if you translate with the Rs. 4 difference it will come to be about Rs. 240 crore. The main reason for the increase in debt is on account of fluctuation. Otherwise in terms of actual numbers it is a more or less the same.

Sangam Iyer Say for example on a like-on-like basis if the currency has remained at 49.90 than would our dollar term debt remain at $440 million?

R Sankaraiah The $44 million debt which has gone up, it is lying in cash.

Sangam Iyer But increase in the cash is Rs. 160 crore compared to that?

R Sankaraiah Yeah, that is, right. The $44 million at Rs. 50 is about Rs. 200 crore.

Sangam Iyer Is it on a like-on-like or constant currency basis?

R Sankaraiah On a constant exchange rate, the debt would have been at Rs. 3,500 crore.

Sangam Iyer Okay so the dollar debt remaining at $414 million itself or $420 million approximately?

R Sankaraiah Yes.

Sangam Iyer Okay, got it.

Moderator We will take final question from the line of Roshan Banka from Samena Capital, please go ahead.

Roshan Banka I just have one question regarding the margins in services business. During the quarter, the services business EBITDA margin was 10.9% whereas for 9 months it was about 14.9% which means that during the quarter, the EBITDA margins were lower than what we did in first two quarters. So can you please explain this?

R Sankaraiah This is mainly because of some postponement of dispatches otherwise we expect the EBITDA margin for the services should be in the range of 15% to 18%.

Moderator I would now like to hand the floor over to Mr. Bhartia for closing comments.

Shyam S Bhartia Thank you everybody. Anybody has any questions, please get in touch with either myself or Mr. Sankaraiah or our investor relations team and we shall be very happy to answer individually on phone calls.

R Sankaraiah Thank you.

Moderator Thank you. On behalf of Jubilant Life Sciences Ltd that concludes this conference.