Jubilant Life Sciences Limited Q4 & FY'16 Earnings Conference Call
May 24, 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to Jubilant Life Sciences Limited 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 for 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. Ravi Agrawal -- Head of Investor Relations. Thank you and over to you sir.

Ravi Agrawal: Thank You and Good Evening to Everybody. I am Ravi Agrawal -- Head of Investor Relations at Jubilant Life Sciences. I thank you for being with us today on our Q4 & FY-'16 Earnings Conference Call. On the call today we have Mr. Shyam S Bhartia – Chairman; Mr. Hari S. Bhartia -- Co-Chairman and Managing Director and Mr. R. Sankaraiah -- Executive Director of Finance. We will begin with opening comments from Mr. Bhartia on the Business Performance and Outlook. Thereafter Mr. Sankaraiah will share some key thoughts on the Financial Aspects of our Performance. There will be an opportunity at the end of the opening remarks to get your queries addressed by the management including Mr. G.P. Singh -- CEO of our Pharma business and Mr. Pramod Yadav and Mr. Rajesh Srivastava -- Co-CEOs of our LSI businesses.

Before we commence the call today I would like to remind you that some of the statements made in the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the 'Presentation' that has been shared on our website. I now invite Mr. Bhartia to share his remarks.

Shyam S. Bhartia: Thank you, Ravi and A Very Good Evening to All Of You. We are extremely pleased to report the culmination of the year which in many ways has validated our business model and strategy. We delivered strong consistent performance through the year thereby achieving our highest ever EBITDA of Rs. 1,291 crore in FY-2016. This growth was led by our Pharmaceutical segment specially our Specialty Pharmaceuticals (Sterile Product) business in which we are benefiting from a specialized and differentiated strategy. We are confident that our strategic initiatives and strong pipeline will help us to capitalize and grow with our business segments going forward.

Let me share a brief snapshot of our Financial Performance for the Quarter and for the Full Year with you: Revenues during Q4FY-'16 stood at Rs. 1,501 crore, led by our Pharmaceutical segment which grew 10% year-on-year. Life Science Ingredients segment revenue stood at Rs. 662 crore, impacted mainly due to lower input prices from lower crude prices resulting in decrease in prices of finished products. EBITDA during Q4 FY-'16 stood at Rs. 323 crore, growing 27% year-on-year with margins of 21.5% as compared to 16.5% in Q4'15. Profit after tax was at Rs. 71 crore in Q4 FY-'16 with earnings per share of Rs. 4.44. For the full year FY-2016 income from operations stood at Rs. 5,802 crore as compared to Rs. 5,826 crore in FY-2015. The overall EBITDA for the year grew by 76% year-on-year to Rs. 1,291 crore translating EBITDA margin of 22.3%. Profit after tax stood at Rs. 431 crore. EPS of Rs. 27.09 per equity share of Re.1 each. Mr. Sankaraiah will share more details on the Financials while discussing the Financial Performance of the company.

I will now walk you through our Segment Performance. Pharmaceuticals segment: I am pleased to report that our Pharmaceuticals segment now contributes 56% to the total revenues and 68% of the total EBITDA of the company. Also 96% of our total Pharma sales is to international markets making it true global operation.

Our Q4FY-'16 geographical mix within the Pharmaceuticals segment is as follows: Revenues from North America stood at Rs. 547 crore contributing 65% to the Pharma segment revenues. Revenues from Europe and Japan stood at Rs.155 crore, up 49% year-on-year and contributing 18% to the Pharma segment revenues. Revenues from rest of the world stood at Rs.106 crore, up 93% year-on-year contributing 13% to the Pharma segment revenues. As you are aware, we operate two key businesses in our Pharma segment namely Generics and Specialty Pharmaceuticals for Sterile Products. Our Generic business includes our API and Dosage businesses. I am happy to report that our rest of the world business grew 93% year-on-year during Q4FY-2016 and 35% year-on-year during FY-2016. Also, our volumes in our Dosage Form grew 18% year-on-year despite facing significant pricing headwinds from supply chain consolidation in key US markets. Our API business grew 13% year-on-year with healthy growth witnessed both in volumes and the pricing front.

I would like to spend a few moments discussing our Solid Dosage strategy. Jubilant's focus in this business is well thought and led by clear focus on geographical diversification by expanding our footprints in non-US markets where we expect to leverage our quality products through distribution partnership agreements.

Second: To continue to file Generic and also differentiated products in US market. We are currently having 29 Commercial products in Europe and 27 products in the rest of the world market. We also have partnership agreements for supply in critical markets such as Japan and Australia and are actively looking at expanding our product offerings in these markets. The pace of our filing in past years has increased in these markets from our portfolio now includes a basket of around 600 filings, which we expect to hold in good stead to grow our business in future.

In US market we have made a total of 72 ANDAs filings, of which 28 are pending for approval as on end FY-2016. We also have received eight approvals including one tentative approval in FY-'16. As you are aware the US market is undergoing structural changes with supply chain consolidation and delay in ANDA approvals affecting the industry. We have adopted a multi-pronged approach to grow our business in this market. Apart from our regular filings of Oral Solid, we are planning to file more Complex Products including Injectables, Ophthalmics, leveraging our strength in Sterile manufacturing.

Our Specialty Pharma business focuses mainly on Sterile product offerings in Radiopharma and Contract Manufacturing and Allergy Therapy Products. The company has a clear differentiated strategy of niche products with limited competition, customer acquisition and focused product development in this business. Our Specialty Pharma business grew 26% year-on-year during FY-2016, with healthy growth in all key verticals and today contributes nearly 53% to the total sales of our Pharma segment.

Radiopharma business maintained a strong growth momentum of previous years and has grown 36% year-on-year in FY-'16 with 3-year CAGR of 51%. We are well positioned to exploit our leadership position in existing high value niche segments to grow our business in the future. We are also building on our core competency in Radiopharmaceuticals and lyophilized kit utilizing 505(b)(2) to build the unique and differentiated pipeline of products to augment growth in this business. This includes Ruby-fill where we have 505(b)(2) filing for diagnosis of coronary heart disease through PET procedures. FDA is actively reviewing our documents including clarification on labeling and we expect to launch the product by Q4 FY-2017.

Coming to Sterile Injectables and CMO business: I am happy to report that our CMO business grew 27% year-on-year in FY-'16 and the process of normalization of operations post resolution of US FDA warning letter is underway. This is backed by our healthy order book which augurs well for this business. We believe that we are well positioned to capture business opportunities in this segment. As studies have indicated there is an acute shortage of quality sterile facilities. Our Allergy Therapy products business grew 9% year-on-year in FY-'16 backed by rise in volume growth. We are one of the top three players in this extremely niche business in the US and our HollisterStier name has a strong brand equity with practitioners which we are confident to help us to grow this business.

Our Drug Discovery Solutions business we received an upfront payment of US$4.6 million from our 10% interest as a limited partner in an investment in venture fund which specializes in ceding and investing in early stage drug discovery firms. These payments are on account of an acquisition by a large pharma company of their investee company and also includes potential contingent payment totally US$18 million on achievement of certain predetermined clinical and regulatory milestones.

Life Science Ingredients segment: Moving on to our Life Science Ingredient segment During Q4 the segment revenues stood at Rs.662 crore contributing 44% to the overall revenues. International sales stood at 49% to the revenues whereas regulated market contributed 33% to the revenues. Our LSI business has improved operating profit margin in FY-2016.

Revenues in Life Science Chemicals business declined 19% year-on-year in FY-2016 mainly due to lower input prices from crude resulting in decrease in prices of finished products and lower demand.

Revenues in our Specialty intermediates and Nutritional products business declined 7% in FY-2016 mainly due to lower demand of some of the end use products in the business. Despite lower revenues, we have increased our profitability significantly in this segment. For the full year 2016, our EBITDA has grown 39% year-on-year to Rs. 447 crore with margins of 16.3% as compared to 10.2% in FY-2015. This margin improvement has come from higher sales value added in Fine Ingredients products and various cost control initiatives and process efficiencies that we have achieved in the segment.

In Specialty intermediates, our strategic initiatives, which we also mentioned in our last earnings call, of retrofitting the plants to increase capacity utilization are well in progress. We have started supplies of Pharma Intermediate. There are well developed with existing processes to meet the enhanced customer requirement. We also signed various new contracts with key customers in Nutritional products and Life Science Chemicals.

Outlook: In 2017, we expect to continue the growth momentum of the company. Revenue growth in Pharmaceutical segment is expected to be driven by new product launches in Generic and Radiopharmaceuticals, growth in rest of the world business and ramp up of operations in CMO of Sterile Injectables. Our Life Science Ingredients segment margins are expected to improve driven by strategic initiatives of retrofitting existing plants which will improve the product mix for the segment from the second half of the year and also cost reduction initiatives. Our R&D strategy will be guided by our core competence in differentiated filings in Radiopharma and also increased filing in rest of the world market. We also expect to file 10 to 12 ANDAs including differentiated products from our Sterile facilities, also maintain pace of ROW filing. Our endeavor to strengthen the balance sheet will continue. We will continue to focus on generating cash in order to reduce debt.

I would now like to invite Mr. Sankaraiah to add to the discussions by sharing his thoughts on the Financial Performance delivered during Q4 and Full Year FY-'16.

R. Sankaraiah: Thank you, Mr. Bhartia. I thank everyone for taking out time and joining us on today's Result Conference Call. Let me give you a brief of Financial Highlights for Q4 FY-2016. In Q4 FY-2016 income from operations stood at Rs. 1,501 crore. The Pharmaceuticals segment revenue stood at Rs. 839 crore, contributing 56% to the overall revenue and growing 10% year-on-year and 15% quarter-on-quarter. This healthy growth was backed by growth in both key businesses of Generics and Specialty Pharmaceuticals (Sterile Products).

Revenue from Life Science Ingredients stood at Rs. 662 crore, contributing 44% to the overall revenue. LSI revenue decline of 14% year-on-year mainly due to lower input prices and competition from China in Specialty intermediates.

EBITDA for the quarter was highest 27% year-on-year at Rs. 323 crore. The EBITDA margin stood at 21.5% as compared to 16.5% in Q4 FY-2015. Pharmaceuticals segment reported highest ever EBITDA of Rs. 230 crore, an increase of 15% over Q4 FY-2015. EBITDA margin for the segment was higher at 27.4% as against 26.2% in Q4 FY-2015 continuing the strong performance witnessed over the past few quarters. The improved performance in the Pharmaceuticals segment was aided by API and growth in rest of the world market sales and ramp up of our operation of CMO facility in Spokane.

I am pleased to report that the Pharmaceuticals segment now contributes 56% to the total revenue and 68% to the EBITDA of the company. Life Science Ingredients EBITDA grew 61% year-on-year with a margin at 16%, up from 8.5% in Q4 FY-2015. I am happy to share that the margin improvement has been witnessed across all the key business verticals in this segment. This improvement is due to various cost control initiatives and process efficiencies.

Depreciation and amortization for the quarter stood at Rs. 126 crore as compared to Rs. 66 crore in Q4 FY-2015. This includes an exceptional charge related to amortization of product development expenses of Rs. 53 crore. The finance cost for the quarter was at Rs. 92 crore vs Rs. 85 crore in the corresponding quarter last year. Exceptional item of Rs.16 crore includes profit of Rs.41 crore on account of sale of investments and FOREX loss of Rs. 23 crore. The tax rate as a percentage of PBT for the quarter stood at 48% due to tax provision on sale of investment, lower PBT on account of amortization of product development expenditure and non-creation of deferred tax asset due to unavailability of virtual certainty in one of the subsidiaries. The PAT for the quarter grew 65% year-on-year at Rs. 71 crore translating into EPS of Rs. 4.4 per equity share of Re.1 paid compared to 2.68 in the corresponding quarter last year.

Let me now give you an update on the Performance of Full Year FY-2016. Income from operations during the year stood at Rs. 5,802 crore as compared to Rs. 5,826 crore in FY-2015. Revenue from Pharmaceuticals segment grew 14% year-on-year at Rs. 3,055 crore and contributing 53% to overall revenue. Revenue from Life Science Ingredients segment stood at Rs. 2,748 crore in the year contributing 47% of the total revenue. The overall EBITDA in FY-2016 grew by 76% year-on-year to Rs. 1,291 crore translating to EBITDA margin of 22.3%. The EBITDA of Pharmaceuticals segment doubled to Rs. 889 crore as against Rs. 445 crore in FY-2015 with the margin of 29.1% as against 16.6% in FY-2015. The EBITDA for Life Science Ingredients segment stood at Rs. 447 crore, an increase of 39% year-on-year and translating to EBITDA margin of 16.3% compared to 10.2% in FY-2015. The depreciation and amortization in FY-2016 was higher at Rs. 346 crore compared to Rs. 288 crore in FY-2015 due to amortization of product development expenditure of Rs. 59 crore. The finance cost in FY-2016 stood at Rs. 379 crore as against Rs. 355 crore in the corresponding period last year mainly due to dollar loan converted into rupee loan to avoid FOREX translation losses. The blended interest rate for the borrowing stood at 7.6% in FY-2016 as against 6.5% in FY-'15 with the rupee rate of borrowing at 11.6% and the foreign currency borrowing at 4.9%. The tax rate for the year stood at 27%. The profit after tax at Rs. 431 crore with an EPS of Rs. 27.09 per equity share of Re.1 each.

Let me give you some perspective of the Balance Sheet: During the year the company has generated net cash of Rs. 368 crore which has been used to reduce the debt level to Rs. 4,028 crore on a constant currency basis as against Rs. 4,396 crore as on 31st March 2015. The net debt stood at Rs. 4,169 crore comprising of long-term debt of Rs. 3,103 crore and working capital debt of Rs. 1,066 crore. I would like to reiterate that we have reorganized our total debt portfolio in such a way that the free cash flows will adequately take care of the scheduled repayment requirements. For FY-2016, our capital expenditure stood at Rs. 337 crore including Rs. 116 crore of product development. For FY-2017 we expect our capital expenditure to be Rs.300 crore and product development of Rs.150 crore.

To conclude: I would like to say that FY-2016 has been a transformational year in terms of operational performance. We have delivered strong performance on consistent quarter-on-quarter during the last year and we expect to continue the momentum in the coming year. As indicated by Mr. Bhartia, growth in Pharmaceuticals segment will be driven by new product launches in Generics and Radiopharmaceuticals, growth in rest of the world market and ramp up of operations in CMO of Sterile Injectables and our Oral Solid facilities. Our LSI segment margins are expected to improve due to strategic initiatives of retrofitting their existing plant which will improve the product mix and optimize the capacity from the second half of the year. This will also be aided by revenue growth in Nutrition products and Fine Ingredients business. We will continue to focus on generating operating cash flow and evaluate various options of capital raising in order to reduce the debt and also meet our growth plans. I would like to conclude our opening remarks with this.

I request the moderator to take up Q&A please.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Anmol Ganjoo from JM Financial Institutional Securities Pvt. Ltd. Please proceed.

Anmol Ganjoo: Congratulations for a great set of numbers. I have a few questions: My first question is that as far as the amortization of the product development charge is concerned, is any part of that recurring and how should we be thinking about FY-17 from a depreciation perspective?

R. Sankaraiah: The full year depreciation stood at Rs. 288 crore in FY15. This year we have mentioned total depreciation and amortization of Rs. 346 crore, out of which Rs. 59 crore is on account of amortization of product development expenditure. If you reduce that, it will be approximately about Rs. 287 crore, which is equal to the depreciation last year. So going forward the depreciation will be about Rs. 290 crore plus whatever additional depreciation will come in on account of the capital expenditure we incur during the year. This amortization of product development expenditure is actually the product development expenditure which we capitalize in Pharmaceuticals business and will be written off over a period of 5-years and this additional Rs. 59 crore is an exceptional item.

Anmol Ganjoo: Second, on the Pharma business, if we look at the geographical breakdown, Europe, Japan and rest of the world have recorded fairly strong sequential growth. Any color as on to what seems to have driven this?

G.P. Singh: This is G.P. In the last financial year, we decided to strategically focus on those markets and this has been driven by expansion of the customer base, launch of new products and we hope to continue this focus in the ROW market going forward also.

Shyam S. Bhartia: I'd like to further add to this. These markets are extremely profitable and we have been successfully able to focus on these markets and increase our presence through distribution and partnerships.

Anmol Ganjoo: But if I look at say for example Europe and Japan geography, we seem to have done Rs. 156 crore versus a run rate of Rs. 99 crore. From a full year FY'17 perspective, we expect that to stabilize at what quarterly and annual run rate?

Shyam S. Bhartia: Next year also we expect handsome growth in EU and Japan and also in the rest of the world market.

Anmol Ganjoo: As far as the CMO business is concerned, you did speak about fair amount of visibility on that. But what would be helpful is to understand what is the capacity utilization peak of pre-warning letter we are at and when do we expect to revert to those kind of $130-140 million run rate number?

G.P. Singh: Getting to the revenue numbers will take time because it depends on the product mix. We lost a few customers when we had the warning letter, but we are gaining back the business very quickly. So we are moving very fast towards getting to optimal capacity utilization and the right product mix. Now would that happen in short term? No. It will take 2 to 3-years' time and that is what we have said in the past also and we are on track with that recovery process.

Shyam S. Bhartia: Adding to that, I can tell you basically we see good growth in demand for both Lyophillized and Liquid products in the marketplace, so that is also driving our increased pricing for new orders from the existing customers. Also, we are getting good traction both from the point of view of the pricing and also from the point of view of the volumes and new enquiries are good and because there are very few facilities which are available in marketplace because of certain M&A transactions that happened in the marketplace. As you know, Hospira was required by Pfizer. We see a lot of traction in the marketplace for our service offerings.

Anmol Ganjoo: But it would be helpful if we know where are we in terms of capacity utilization now, is there any ballpark number we have as a part of that process? We understand that it is going to take 2-3-years?

Shyam S. Bhartia: I can tell you that we are around 65-70%. Capacity utilization is also to the extent that we are focusing more on Lyophillized products where there is more value addition. So we expect to grow this business. As G.P. said, in 2-years' time we expect to be at full capacity utilization.

Anmol Ganjoo: The big driver for this year's performance or the turnaround, as you said, has been a very favorable mix between Pharmaceutical and LSI and sequentially since many quarters we have been seeing that mix turn to be more favorable. In revenue and EBITDA terms if you could just share where do we see optimally the split to be on Pharma and LSI business in a 2-year timeframe, whatever color you are sharing would be helpful?

Shyam S. Bhartia: As you have seen, this year's EBITDA is about 67% in the Pharma business and 33% is in LSI segment. I think this proportion will gradually move towards the Pharma business as we grow our Specialty business in US and other markets. Having said that, our EBITDA in the Life Science Ingredients business is also increasing and there is a greater focus in next year also on the improvement in the operating profit margin in the Life Science Ingredients segment. In Life Science Ingredients segment, we have also taken good steps to see how do we improve our margins through product mix change, de-bottlenecking of the existing assets to produce more and also retrofitting some of the assets which we had for producing a set of products, which already has got good traction from our customers.

Moderator: Thank you. The next question is from the line of Saion Mukherjee from Nomura Financial Advisory & Securities India Pvt. Ltd. Please go ahead.

Saion Mukherjee: Good evening and thanks for taking my question. Just one clarification; in answer to the previous question, you talked about the growth in EU, Japan and ROW in the Pharma segment. So, should we assume the full year number and then you look at a healthy growth on top of it because the fourth quarter number looks very high compared to the run rate?

Shyam S. Bhartia: If you see the full year number, we expect healthy growth for the full next year, especially in Europe, Japan and rest of the world markets.

Saion Mukherjee: I think you mentioned that for the full year you had 9% growth in the Allergy and 27% growth in the CMO business. Can you also share the growth rates of some of the other segments like API and Finished Dosage, etc.?

R. Sankaraiah: API we had in FY-'16, a 13% growth, Radiopharmaceuticals we had growth of 36%, CMOs 27%, Solid Dosage Formulations we had a negative growth of 4%.

Saion Mukherjee: Is this because of some pricing pressure in the US?

G.P. Singh: Yes, you are right, this is just because of the consolidation of the customers and the pricing pressure it brings. It is an industry wide phenomena and we are also a victim of that. So some of our key products had extraordinary pricing pressure because of competition and consolidation within the industry, that led to the negative growth.

Shyam S. Bhartia: You must have heard about the recent consolidation which was announced about 10-days back, Wal-mart and McKesson. So it continues. We are confident about where we are. We are going to grow from there only, with new approvals coming in. As you have seen, the last year we had 8 approvals. Some of the products which have already been launched will get a full year effect this year.

Saion Mukherjee: How many new launches you are expecting in this fiscal year?

G.P. Singh: As we mentioned, we have 8 approvals. Some of them we would not launch because of excessive competition and reduced pricing. We do expect to launch 7-8 products.

Shyam S. Bhartia: it is very difficult to predict the USFDA approval timeline and as you know that the industry has been facing a lot of delays in approvals.

Saion Mukherjee: Any update which is worth sharing related to FDA inspections on the sites catering to the US market in the recent past?

Shyam S. Bhartia: Last year we have had inspections in our all sites and we had a very successful inspection. So I think we are in good state regarding as far as quality is concerned.

Saion Mukherjee: This amortization related to product development, is it development on the Generic side or is it something on discoveries that you are doing?

Shyam S. Bhartia: No-no, it is completely on Generic side.

Saion Mukherjee: What triggers these amortization charges?

R. Sankaraiah: Usually, the amortization will be in the range of about Rs. 35-40 crore. In addition to that, we have had one-time exception of about Rs. 59 crore which has just come in.

Moderator: Thank you. The next question is from the line of Jagdish Bhanushali from Florintree Advisors Pvt. Ltd. Please go ahead.

Jagdish Bhanushali: Wanted to understand how many products we have launched in US in FY'16?

Shyam S. Bhartia: I think we had eight approvals and out of that we must have launched good number of products there and some of the launches we will be doing this year also.

G.P. Singh: Most of the products for which we got approval, as you can look in the orange book also, have been late approvals where the generic competition has been excessive on those. So we are balancing the launches against our existing demand for products. So the number of launches was small in FY'16. So the real impact is going to come in FY'17.

Jagdish Bhanushali: In terms of understanding, you said that we have done Rs.116 crore of product development CAPEX. So how much has been expensed out to the P&L in FY'16?

Shyam S. Bhartia: Rs. 35 crore plus our amortization of Rs. 59 crore. Total expense which is written off is about Rs. 94 crore.

Jagdish Bhanushali: The growth rates for Specialty, Nutritional Products and Life Science Chemicals for FY'16?

R. Sankaraiah: For Nutrition, it is more or less the same flat growth whereas for Specialty Intermediates, there was a negative growth of 10% and Life Science Chemicals grew about 19%, leading to overall LSI growth of negative 13%.

Jagdish Bhanushali: Could you please comment on the volume side in all the three segments – Specialty, Nutrition, Life Science Chemicals?

Rajesh Srivastava: This is Rajesh Srivastava here. Degrowth in LSI is because of volume, lower demand and lower input price that has led to the final product size going down.

Jagdish Bhanushali: Any communication with USFDA on Ruby-fill approval?

G.P. Singh: Its ongoing. We keep receiving enquiries and we keep replying to them. So the communication with FDA is ongoing, it is not stopped.

Shyam S. Bhartia: We have also recently said in our statement that we have been having some communication on labeling, etc. FDA is in active review on our file and we keep on getting enquiries. That is why we have said that we expect to launch by Q4.

Jagdish Bhanushali: Because what happens is as the communication comes in, we would response in a month's time, but again a second communication gets delayed from their end and the approval is delayed further ?

Shyam S. Bhartia: You are right. But certain communication is more of clarificatory in nature. So we will reply very fast in a week's time, some takes 15-days, since we have most of the information, we try to reply fast.

Jagdish Bhanushali: This year also Radiopharma has delivered 36% of growth if I am not wrong, has this been a volume-led growth or again price revision that has happened?

Shyam S. Bhartia: Mainly volume-led growth. Some minor price increases were there in some of the products.

Jagdish Bhanushali: How do we see the outlook for FY'17 -- should it continue in terms of the same growth level?

Shyam S. Bhartia: We do not give outlook for individual businesses, but I can tell you that the feel of the businesses is very good and we have excellent marketing and distribution arrangements both in US and Canada, we are expanding in rest of the world markets also in these products including India we have started marketing some of the products, I think with expansion in US, Canada and rest of the world market, we expect a reasonably good growth this year.

Moderator: Thank you. The next question is from the line of Vipul Garg from Kotak Mahindra Bank. Please go ahead.

Vipul Garg: Hello Sir, thanks for giving me the opportunity for this questions. I think there is a degrowth in Chinese market. So whether this degrowth is due to the Pyridine part or there is some other reason also?

Shyam S. Bhartia: One of the end use of our Pyridine product, Paraquat, was banned in China. Paraquat consumes almost about 70% to 80% of the Pyridine consumption. So the Pyridine consumption went down substantially there. Therefore, our sales of Pyridine have been affected in China, because sales of one end use product has come down very significantly.

Vipul Garg: How do we see the movement in FY'17?

Shyam S. Bhartia: In our Advanced Intermediates business which includes Pyridine, we have a strategy. We cannot change the regulatory aspect in China but that is a fact and we have to accept it. So what we have done is that we have added two new products in our Pyridine facility which are also derivatives of Pyridine only. Two new products and a third product also will be starting by Q4 of this year. So, with this our capacity utilization of Pyridine plants will go much higher not because of Pyridine but because of the additional products that we are going to add on this. So this will increase to 75%, I think in two years' time, it should be about 100%. So this will give additional sales.

Vipul Garg: You have spoken that Dosage per se is down by 4%. So whether this downfall was in the Indian market or in the US or other markets?

Shyam S. Bhartia: Indian market has grown but the downfall is mainly in the US market. US market is our strong market and we continue to launch new products, but as G.P. said, there is a consolidation of supply chain and consolidation still continues. With this there is a pricing pressure in US market.

Vipul Garg: Generics business in which companies would have gone down in the US market?

Shyam S. Bhartia: We cannot comment about other companies. But in general we see that a lot of companies are facing the same pricing pressures because they also operate in the same market and face the same market conditions.

Vipul Garg: My question was which of the Jubilant subsidiaries have faced this pressure?

Shyam S. Bhartia: We have a combined international business; we supply from Roorkee, as well as from Cadista. So from all the sides the US market is fed, from both the facilities.

Ravi Agrawal: This impact was on our US Formulations.

Vipul Garg: In the standalone numbers, in the last quarter I think you had done some tax reversal, this quarter tax is higher than the PBT. Any specific reason for that thing?

R. Sankaraiah: Overall tax rate is 27%, but this quarter there is a higher tax compared to the PBT as a percentage; it is about 48% on account of some deferred tax asset which we were required to provide and also our investment which has been sold on account of profit on investment we have provided tax. These are all the main reasons why the tax has gone up.

Moderator: Thank you. The next question is from the line of Ranvir Singh from Systematix Shares & Stocks (I) Ltd. Please go ahead.

Ranvir Singh: Thanks for taking my question. The question is related to the interest cost related to raising funds from IFC. So just wanted to understand this is one-time cost or part of it is recurring?

R. Sankaraiah: This interest cost is the cost which is paid including the IFC what we have taken, $60 million convertible bond, so on that interest has been provided on notional basis. This will continue over a period of up to 2019 if the loan continues.

Ranvir Singh: On ROW sales, at constant currency what would have been the growth here for a year?

Shyam S. Bhartia: ROW is a combination of various countries. In some countries we supply in different currency. I think the overall rupee depreciation is about 5-6% a year. But total 5-6% does not come to us, on average it comes to 2-3% but they are different currency, different countries have different impact.

Ranvir Singh: But billing would have been mainly in dollar?

R. Sankaraiah: There is no major impact on account of exchange.

Shyam S. Bhartia: There is no major impact on exchange because if you consider overall impact in the company, exchange impact is very minor, even if you see 6% rupee depreciation the average impact will be about 2-3% a year.

Ranvir Singh: We got that upfront payment of US$4.6 million related to Drug Discovery Services and you said that the potential is for US$18 million. Whether we have any timeline for milestone payments or this is time-bound payment or how is this?

Shyam S. Bhartia: Drug has been sold at a certain stage of development. If we go for further stage, we get a milestone. So timeline is quite long, in a sense that 5-6-years. But it is very difficult to estimate every year will be how much. Depending upon the success, depending upon the timelines taken to achieve that milestone, but it is not like one payment we will get $18 million but depending upon the milestone the success is.

Ranvir Singh: Would you like to give a ballpark number on growth guidance there because when we mentioned that growth momentum would continue, so what kind of growth we can expect on revenue or profitability going forward?

Shyam S. Bhartia: As we had said, our Pharma business overall continues to grow. In Life Science business we continue to grow our operating profit, so we hope our operating profit will be better than the 2016, but at this time we are not keeping any particular guidance and I will not like to comment on any specific guidance but definitely current year will be better than the last year.

Moderator: Thank you. The next question is a follow up question from the line of Jagdish Bhanushali from Florintree Advisors Pvt. Ltd. Please go ahead.

Jagdish Bhanushali: Could I get an update on what sort of product is that we are manufacturing from a multipurpose plant, if you can throw some light on that?

Rajesh Srivastava: As we explained you in the last call, we have three-four products in pipeline and we are retrofitting the facility. We have already fit one product, which is up and running and it is commercially produced. The other couple of products as Mr. Bhartia said, will be coming up in the next half of this year and thereafter we will continue bringing up new products to utilize the facility.

Shyam S. Bhartia: These products are basically Agrochemical Intermediates and we have a good traction of order from our customers, we are already supplying Agrochemical Intermediates to a large Agrochemical company. Large part of these intermediates will go against the committed orders which we have in hand.

Jagdish Bhanushali: Are these Pyridine itself or something else?

Shyam S. Bhartia: No, they are not Pyridine, but two or three or four steps ahead of Pyridine. So Pyridine will be used is one of the raw materials but at the same time it is much more added value products.

Jagdish Bhanushali: As of now there is no revenue that has been generated from that particular plant, right?

Shyam S. Bhartia: No. As I said, one product we have already launched last year and that has ramped up very well and is going to have full effect this year. Two or three more products which we are going to launch in Q3 and Q4 will have effect in the latter part of the year.

Jagdish Bhanushali: If you could give a plant level expectation in terms of volume or revenue that could be achieved from this plant itself?

Shyam S. Bhartia: We cannot give you at plant level but I can tell you these are all very profitable products and we hope to achieve profitable operations from these facilities. This was not generating profit up till now but we hope to generate profits from this year.

Jagdish Bhanushali: Just a ballpark number; how much peak revenue can be generated from this particular plant if you can throw some light on that?

Shyam S. Bhartia: We do not have the plant wise figures here. But that you can talk separately with Mr. Sankaraiah. Sankaraiah can give you some idea.

Moderator: Thank you very much. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Bhartia for closing comments. Over to you Sir.

Shyam S. Bhartia: We would like to thank you all for joining in this conference and wish you all the best. Thank you.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of Jubilant Life Sciences Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.