Jubilant Life Sciences Limited
Q2 & H1 FY'20 Earnings Conference Call
October 25, 2019

Ravi Agrawal: Good evening everybody. I am Ravi Agrawal, Head of Investor Relations at Jubilant Life Sciences. I thank you again for being with us today on our Q2 and H1'FY20 Earnings Conference Call.

I would like to remind you that some of the statements made on the call today could be forward-looking in nature and a detailed disclaimer in this regard has been included in the press release that has been shared on our website.

On the call today, we have Mr. Shyam S. Bhartia – Chairman; Mr. Hari S. Bhartia – Co-Chairman and Managing Director; Mr. R. Sankaraiah – Executive Director of Finance; Mr. Pramod Yadav – CEO Jubilant Pharma and Mr. Rajesh Srivastava – CEO Life Science Ingredients.

I now invite Mr. Bhartia to share his comments.

Shyam S. Bhartia: Thank you Ravi and Good Evening everyone.

Before we discuss the company performance, I would like to provide an update on the reorganization proposal as announced in our last interaction.

The committee constituted to consider the option of the reorganization of the Company has recommended the following

1) Demerger of the Life Science Ingredients (LSI) business with an objective to create separate and focused entities for Pharmaceuticals & Life Science Ingredients businesses respectively to unlock shareholder value and

2) Amalgamation of Promoter shareholding companies into JLL with an objective to simplify the holding structure of the promoters with no change in ownership percentage and number of shares of the promoters in JLL.

The Board, after due evaluation and consideration, has approved the recommendations of the Committee. The composite scheme of arrangement will be filed with the National Company Law Tribunal (NCLT) for its approval. Post the scheme becoming effective, the Life Science Ingredients business will stand demerged into the resulting entity, which will be listed on NSE and BSE with a mirror shareholding of JLL.

We believe that the proposed demerger will ensure depth and focus to adopt strategies necessary for growth, unlock shareholder value with direct ownership and attract focused investors in each of the business entities. These distinct

business undertakings will enable strategic growth with optimal capital structure and deployment of cash flows for investments, capital expenditure and dividends. Also the proposed Amalgamations will simplify the promoter shareholding structure of JLL.

Now coming to the company performance during the quarter

I am sure you would have had a chance to go through our presentation and press release, which we have shared with you. As you can see, we have maintained our steady performance during the quarter. While revenues have been flat, Reported EBITDA has grown 6% YoY and 8% QoQ, with 120 bps improvement in EBITDA margins to 21.2%. Profit After Tax during Q2'FY20 was at Rs 249 Crore, up 19% YoY.

More details on the performance of the respective businesses will be provided by Pramod and Rajesh, and on the financials by Mr. Sankaraiah during their speech.

This consistent performance is a strong testament to our de-risked strategy. 70% of our Pharma revenues coming from niche business segments like Specialty Pharma and also high quality services businesses in CMO and Radiopharmacies. These have high entry barriers, strong demand conditions and we enjoy leadership position in many of our key products. We continue to invest in building a healthy pipeline of products and capacities in the Specialty Pharma and Generics businesses to cater to the anticipated demand.

I would like to take this opportunity to provide you some colour on our Proprietary drug discovery business under Jubilant Therapeutics, which is an innovative biopharmaceutical company developing breakthrough therapies in the areas of unmet medical needs in serious diseases such as cancer. We are currently working on seven programs targeting small molecule therapies in the area of oncology and auto-immune disorders with potential to fast track promising assets from discovery to clinical stage.

I would like to reiterate that demand conditions for our businesses remain robust in key segments and we expect to deliver sustainable growth, going forward.

Before Pramod shares his insights on the Pharmaceuticals business performance, I would like to make another announcement.

Mr. Sankaraiah, will be superannuating from the services of the Company on March 31, 2020 and shall continue to be an advisor to the Group. The Board has, at its meeting held today, approved the appointment of Mr. Alok Vaish as Chief Financial Officer and Key Management Personnel of the company effective from April 1, 2020. Mr. Vaish has joined the Company effective today as Chief Financial Officer Designate. We welcome him to the Jubilant family.

I would also like to wish all of you a Happy and Prosperous Diwali.

With this, I would like to request Pramod Yadav to share insights of the Pharmaceuticals business during the quarter.

Pramod Yadav: Thank you, Mr. Bhartia. A very good evening to all of you.

As mentioned by Chairman, we have witnessed healthy performance during the quarter, with revenue in the Pharmaceutical segment growing 9% both YoY and QoQ during the quarter under review.

Specialty Pharma, which includes Radiopharma and Allergy businesses, contributes 51% of total revenues grew 4% YoY. In Radiopharma, growth was driven by higher volumes in Rubyfill and other key products. We have a very healthy pipeline of around 8 products with an addressable market of approx. USD 300 million, which we plan to file and launch in the next 2-5 years, including 505 (b)(2) filings and also an NDA in I-131 MIBG.

In our Allergy business, venoms and allergenic extracts both saw volume growth both on year on year basis and also sequentially. We are also focusing on catering to venom demand in non-US markets and increase market share in allergenic extracts in the US. We have recently received FDA approval for one of our existing line, which qualifies it for venom production, going forward.

Growth in CMO business has been led by higher capacities and higher volumes from existing customers, better on-time delivery and operational efficiencies. Demand continues to remain robust and as indicated in our last interaction we have already increased shifts on one line 24X7 last year and are planning on increasing shifts 24x7 on another line from this quarter onwards. We have also installed new Lyo equipment with commercialization expected in H2'FY20. These initiatives will increase the capacities by over 30% translating into annual additional potential revenues of around $30mn.

In the API business, we have had better performance during the quarter, due to better pricing and higher volumes in most products with the exception of sartans, which were impacted due to additional quality checks on all input raw materials to meet enhanced regulatory requirements. We believe we have resolved the challenges pertaining to sartans impurities and are confident of better performance in our business, going forward

After a muted last quarter, we witnessed revenue growth of 20% YoY in the Generics business, led by higher volumes and better prices in some products. We have plans to ramp up production on our expanded capacity in Roorkee for both US and Non-US markets, going forward.

Reported EBITDA was Rs 386 crore, 7% higher YoY and 17% higher QoQ, with margins of 26.6% as against 27% last year and 24.8% in Q1'FY20. While Radiopharma and Allergy profitability was better, lower volumes in API and one-off expenses of Rs 23 Crore related to site remediation and litigation expenses impacted segment EBITDA during the quarter. Adjusting for the one-off expenses, Pharma EBITDA was at Rs 409 Crore up 11% YoY with margins of 28.1% vs. 27.6% last year.

Pharmaceuticals R&D spend was Rs. 57 Crore, which is 3.9% of the segment sales with R&D debited to P&L of Rs. 53 Crore, which is 3.7% of segment sales.

With regards to regulatory matters, we are submitting comprehensive response to the USFDA and Health Canada time to time and the site remediation activities in Roorkee and Nanjangud are progressing well. We are also taking all necessary steps to ensure further stringent controls at all our facilities.

With this, I would like to request Rajesh to share details on Life Science Ingredients and Drug Discovery and Development Solutions segments performance during the quarter.

Rajesh Srivastava: Thank you, Pramod. A very good evening to all of you.

We have had a muted quarter in LSI segment, with revenues of Rs. 753 Crore, a decline of 15% YoY. While Specialty Intermediates and Nutritional Products businesses witnessed 32% YoY and 6% YoY growth respectively, Life Science Chemicals business revenue has declined 35% YoY, impacting overall segment performance during the quarter.

Growth in Specialty Intermediates business was led by strong demand and better prices in most of the key products. We have also witnessed positive traction for new products launched in this business. The overall market trend of Specialty Intermediates business is positive and we are working to maximize output from existing facilities to service strong demand from our customers.

Growth in Nutritional Products business was driven by a mix of higher volumes and better prices in Vitamin B3. Jubilant being backward integrated ensures consistent supply and volume availability to its customers.

Lower revenue in Life sciences chemicals was on account of significant drop in Acetic acid prices by around 35% YoY. This drop in Acetic acid prices led to price correction of Life sciences chemicals products. Demand for acetic anhydride has also remained subdued during the quarter. Molasses prices continued to be at higher levels thereby adversely impacting profitability of Life Science Chemicals business.

We reported EBITDA of Rs. 91 Crore, down 16% YoY with margins of 12.1% as compared to 12.3% margin last year primarily due to lower profitability in Life Science Chemicals business from lower acetic acid prices and higher molasses prices. I would like to highlight that there was a healthy growth in profitability in our Specialty Intermediates and Nutritional products businesses.

We expect growth in LSI to be led by Specialty Intermediates and Nutritional Products businesses during the year. In the Life Science Chemicals business, we expect better performance in H2'FY20 as compared to H1'FY20.

Coming to our Drug Discovery & Development Solutions segment

Our Drug Discovery Services business, which includes Jubilant Biosys and Jubilant Chemsys, grew 20% YoY in revenue driven by higher demand from Biotech companies for Integrated Services, DMPK, Biology, Chemistry & Scale-up. In view of the strong demand being witnessed, we have decided to make significant investments into creating state of the art facilities, which is expected to double our capacities in this business over the next 2-3 years.

With that, I would request Mr. Sankaraiah to highlight the Company's financial performance during the period.

R. Sankaraiah: Thank you, Rajesh. A very good evening and I thank everyone for taking out time and joining us on our quarterly Earnings Conference Call.

Revenue from Operations was flat at Rs. 2,266 Crore vs. Q2'FY19, with Pharma revenues up 9% YoY to Rs 1,452 crore and LSI revenues down by 15% YoY to Rs

753 crore. Reported EBITDA was at Rs 481 Crore up 6% YoY with margins of 21.2% vs. 20% in Q2 last year. Adjusted EBITDA after adjusting for one-time expenses was at Rs 504 Crore, a growth 9% YoY with a margin of 22.2% as compared to an EBITDA of Rs 462 Crore and margin of 20.4% in Q2'FY19.

Depreciation & Amortization expense during the quarter was at Rs 117 Crore, up 31% YoY and 14% QoQ. A one-time charge in Q2'FY20 of Rs 9 Crore led to higher depreciation during the quarter.

Finance cost during the quarter was at Rs 72 Crore up 14% YoY but lower by 1% QoQ. Average blended interest rate for H1'FY20 was @ 6.08%, Rupee loans were @ 8.28% and foreign currency loans were @ 5.33%.

On account of the new tax ordinance, there is a deferral of tax liability of Rs 50 crore which has been accounted during the quarter. With this, the company's PAT stood at Rs 249 Crore with EPS of Rs 15.7 per share of Rs 1 paid up and excluding this, the PAT would have been Rs 199 crore with EPS of Rs 12.5 per share.

For H1'FY20 financials, I would request you to please refer to the investor presentation and press release shared with you.

The CAPEX was at Rs. 317 Crore in H1'FY20. The company's net debt on a constant currency basis was at Rs. 3,145 Crore, a reduction of Rs 149 crore during the quarter and Rs 345 crore as compared to March 31, 2019.

We will continue our efforts to strengthen balance sheet by reducing debt and improving financial ratios.

With this, I would like to conclude our opening remarks. We will now be happy to address any questions that you may have, please. .

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Tushar Manudhane from Motilal Oswal. Please go ahead.

Tushar Manudhane: Sir, just with respect to this demerger, if you can help us with the breakdown of debt into two entities?

R. Sankaraiah: The effective date will be after the court approval, which is expected to be maybe down the line nine months or so. So, at that point of time whatever the debt which will be there will be split between LSI and Pharma business. So, as all of you know, in Jubilant Pharma Singapore, the debt of $500 million is in-house there separately. Only in Jubilant on a standalone basis, the debt of about Rs.1,600 crore as of today which is there, that debt will be split between LSI and Pharma. So, overall, if you see, we will be very comfortable with that debt-to-EBITDA level in both the businesses. So, the exact number we will know only on the effective date.

Tushar Manudhane: Secondly, what would be the tentative timeline to invite US FDA for Roorkee?

Pramod Yadav: We are working on the remediation and we almost completed the remediation. On the last call, we mentioned that we expect these activities to be getting completed within this fiscal year and we are confident, and we feel that we are on track for that.

Moderator: Thank you. The next question is from the line of Ranveer Singh from IDBI. Please go ahead.

Ranveer Singh: Sir, in your comment you said H2 would be better in LSI segment. So, what element actually is giving this confidence?

Rajesh Srivastava: Because acetic acid pricing has stabilized since last 15-20 days and we do not see this further going down. And also, the demand situation of our LSI product which is acetic anhydride and ethyl acetate is looking to be better in H2 and that is the reason we are saying it should be better in H2.

Ranveer Singh: What is the scenario on the molasses prices because price seems to be firm currently?

Rajesh Srivastava: Molasses, as you know, as the season start from November, the lifting will be normal. So, we do not see that the pricing which has been in the non-season will remain, but of course we will watch pricing, but it should better than what we have seen in H1.

Ranveer Singh: Secondly on Generics business. What is the outlook there because in light of Roorkee remains under US FDA observation, so what would be the second half look like?

Pramod Yadav: In light of the warning letter, there is not much impact onto the business except we are incurring all these remediation cosst, etc.. But overall for the generics, we feel that the H2 will be much better than H1 in terms of the product pricing and overall volumes, both.

Ranveer Singh: I wanted clarity that you are talking about only Formulations business in generic?

Pramod Yadav: Yes, I talked about the formulations business; however, for API our H2 will be even better than H1.

Ranveer Singh: Last one on R&D. For the first half what portion has been capitalized and what went in CLM?

R. Sankaraiah: The capitalized was about Rs.53 crore and the R&D expenditure was Rs.56 crore. It is almost at the same level capitalization and also the R&D expenditure incurred. That means we are almost equal to the extent of spending nowadays.

Ranveer Singh: Last participant asked about the debt split. So, as end of September, what has been the split there in LSI and Pharma on standalone basis?

R. Sankaraiah: Debt in standalone in Jubilant Life Sciences is about Rs.1,053 crore and in Pharma is $500 million bond and we have about $170 million cash there. So, out of that $170 million cash, we already issued a notice to the bondholder exercising our call option for prepayment of the bond of $100 million, which will be prepaid as per the bond document on 20th November, the date has already been fixed.

Moderator: Thank you. The next question is from the line of Viraj Mahadevia from IIFL AMC. Please go ahead.

Viraj Mahadevia: I had a question regarding net debt. Our net debt as of September is at roughly Rs.3,200 crore. Prior you mentioned, you paid or will be repaying another $100 million. Rs.3,200 crore does not include $100 million that will be repaid, come down to Rs.500 crore, is that correct?

R. Sankaraiah: Rs.3,145 crore is the net debt on constant currency basis, otherwise as per the books it is Rs.3,231 crore. That includes the cash already in the system that is netted off already. Gross debt is Rs.4,594 crore, then the cash and cash equivalents is Rs.1,353 crore, the net debt is Rs.3,231 crore. Gross debt and cash will come down. Net debt will be the same.

Viraj Mahadevia: Second question is regarding, in your release right now, you have mentioned about the promoter holdco entity amalgamation to simplify the structure and mentioned that there will be no outstanding liabilities at that entity. Can you elaborate a bit on that? You mean that there will be no pledge shares, no promoter holdco level debt?

R. Sankaraiah: As of today, there is no pledge of shares. And also all these five companies which is proposed to be merged, amalgamated with JLL does not have any other holding other than the promoter share.

Viraj Mahadevia: And they will have no debt when you say no liability?

R. Sankaraiah: They do not have any debt and liability.

Viraj Mahadevia: So, effectively promoter level holdco leverage will be zero once that is complete?

R. Sankaraiah: Yes, that is right.

Moderator: Thank you. The next question is from the line of Alankar Garude from Macquarie. Please go ahead.

Alankar Garude: Sir, my first question is, excluding Triad, can you comment on the growth outlook for Radiopharma, not just the outlook but even if you could comment on the second quarter performance as well that would be helpful?

Pramod Yadav: I think we have mentioned that the revenue in Specialty, QoQ last year versus this year has grown by 2% and YoY is 4%.

Alankar Garude: So, this is the Radiopharma growth excluding of Triad?

Pramod Yadav: No, I am mentioning about our Specialty segment which includes Radiopharma, Triad and also allergy extracts business.

Alankar Garude: Yes, sir, but I was keener on the growth for Radiopharma excluding of Triad, if you could qualitatively comment on that, it would be helpful?

Pramod Yadav: The top line for Triad was more or less flat. So, the growth has come from the rest of the Radiopharma business and Allergy business.

Alankar Garude: Secondly, on Ruby-Fill similar to last quarter, if you could comment on the traction so far, and do you still expect to achieve 2.5-3x YoY jump in sales in FY'20?

Pramod Yadav: Yes, we have our internal budget and the target for FY'20, which are more or less in the range of what you are saying and we are on track of that.

Alankar Garude: Final question on the acetic acid prices. If you could just help us with the acetic acid average prices for the same quarter last year Q2 FY'19, for Q1 FY'20 and also this quarter Q2 FY'20?

Rajesh Srivastava: Last year same quarter Q2 FY'19, it was almost $640, Q2 FY'20 at around $450-$460 and Q1 FY'20 has been around $510-$520.

Alankar Garude: And the prices right now would be similar to what we have seen in Q2 about $440?

Rajesh Srivastava: Yes.

Moderator: Thank you. The next question is from the line of Hari Belawat from Techfin. Please go ahead.

Hari Belawat: This is regarding US FDA observations of your Nanjangud API unit. So, 12 observations there and OAI was also issued for this. What is the status of that now?

Pramod Yadav: We have mentioned after issuing the OAI. We proactively engaged with the US FDA as well as Health Canada. We still continue to remain engaged with them and whatever so far the observations, we feel that we have completed all the remediations of that. And since, we are actively quite involved with them that official action as of now is also remaining as official action. It has not escalated into warning letter. When the Health Canada or US FDA will come for an audit and, after the outcome we will know.

Hari Belawat: So, it is still OAI is imposed on the unit here. That is understanding. Sir, another question is regarding recall of 46,000 bottles of Valsartan tablets from your Roorkee plant in July, what is basically the problem with this medicine?

Pramod Yadav: I do not think there was any recall of Valsartan because of this nitrosamine impurity issue. In fact, we are one of the companies who do not have any recall because of nitrosamine impurity of sartans from the market.

Moderator: Thank you. The next question is from the line of Ranveer Singh from IDBI. Please go ahead.

Ranveer Singh: A follow-up. Sir, same on remediation cost. We are done with this cost or cost is continuing the kind of expenditure we have seen in H1?

Pramod Yadav: The remediation work we have almost completed. In terms of cost booking, it is depending upon how the payments are being made. So, probably some more booking with us on this quarter.

Ranveer Singh: And this remediation cost is related to Roorkee facility only or Nanjangud facility?

Pramod Yadav: Both the facilities.

Ranveer Singh: And from Nanjangud because number of observations has been quite high. So, what you have stated, is there any chance of this may be escalated or we are confident will be resolved at this level only?

Pramod Yadav: Yes, the number of observations on the Nanjangud plant is not that much of an issue because if we actually look at the observations, out of 12, 11 are related to nitrosamine impurity issues, which is for the industry. And as I just mentioned on the call that we are the company who have not seen recall of the product from the market because of nitrosamine. So, everything we have controlled very efficiently within the system. We have put all the controls in place and we have done all the remediations on those level of the observation. You asked whether official action

will remain or not? That will depend upon the regulatory agency. But as of now, since we are engaged with the regulatory agency, the status has not escalated to warning letter.

Moderator: Thank you. The next question is from the line of Aditya Khemka from DSP Blackrock. Please go ahead.

Aditya Khemka: Sir, I have two questions: First on the Life Science Ingredients side. Can you help us to understand what caused the price decline of acetic acid right from $640 to $450 at this point in time, and therefore why do you feel that further decline is not possible because the prices have stabilized now?

Rajesh Srivastava: Till last two quarters, we have seen some of the end product demand in the market reducing drastically. So, the consumption of acetic acid has gone down and therefore the pricing is very flat, but now the overall demand of both products are stabilizing and the pricing which we have seen last year which was in the range of $650 to $680 was really not the pricing which we have seen in the past. So, that was momentous. So, the pricing which have stabilized now, we do not think it should further go down. Even if it will go down, will not be in the same range what has happened as against last year versus this year.

Aditya Khemka: And what is the end product use, in which industry, for what purpose is it used?

Rajesh Srivastava: There are various products where acetic acid is used. If you see, there are ethyl acetate as end product where it is used. There is another use where the Chinese production has impacted. So, these are the products which have impacted production and therefore the demand has been lower.

Aditya Khemka: But you feel now that when the demand is strengthening, is it because our end customer is gaining share of the market or is it because the overall market of the end customer is growing, which of the two is it?

Rajesh Srivastava: Overall, global demand is improving.

Aditya Khemka: So, the overall market is growing? And similar question on the molasses side. So, molasses prices have gone up and that has hurt us. But could you explain to me why the molasses prices went up, what caused the increase, what is the more normalized pricing of molasses, what is it right now, and why do we feel that molasses prices may not go up further in future?

Rajesh Srivastava: Yes. So, the molasses prices mostly depend on the production of sugarcane. Now the sugarcane production last year has been not as good as it was expected. So, therefore the molasses overall availability was lower and hence the prices has gone up. And this season also the availability is not very good as it was two years before. But it is definitely looking better than last year. So, we expect that it will normalize the pricing, but it will not be as low as we have seen two years before, but it will definitely be better than what we have seen in last six months.

Aditya Khemka: On the debt side, Mr. Sankaraiah, so while we have Rs.3,200 crore of net debt, we are doing an EBITDA run rate of Rs.500 crore each quarter and we are still sort of reducing debt only by Rs.150 crore in the past quarter. So, what are the blocks there, so how much is the Capex this quarter? And what is your expected Capex in the second half?

R. Sankaraiah: The Capex for the first half was Rs.317 crore, Rs.148 crore was for this quarter. For the full year, we expect Rs.550 crore Capex.

Aditya Khemka: So, fair to say that if you continue to do Rs.500 crore of EBITDA excluding tax, and you do only Rs.250 crore Capex in the next 6 months, then ideally you should be able to repay debt by other Rs400-500 crore?

R. Sankaraiah: We will not be in a position to put exactly, but definitely we will be in a position to reduce the debt in the second half also.

Aditya Khemka: Our earlier tax rate was slightly on the higher end, given this recent tax rate change, what would our new effective tax rate be for FY '20 and then '21?

R. Sankaraiah: As you know very well that mainly our operations are in US and Canada. So, we are going to continue in India the old tax regime only. We are not moving to the new tax regime as there are lot of advantages of being continuing with the old tax because the company will be under MAT for a couple of years. So, the average tax cash outflow will be about 25%, whereas including the deferred tax and other tax percentage will be around 29%-30%.

Aditya Khemka: So, your P&L tax rate will be 29%- 30% whereas your effective cash flow would be about 25%?

R. Sankaraiah: Correct.

Aditya Khemka: But, if you were to move to the new tax regime, would not your effective tax outflow on the cash would be 25%, and your P&L would be 25% as well?

R. Sankaraiah: No, it is better for us to continue in MAT regime. Going forward, the MAT will be 17% because the company will be in MAT.

Aditya Khemka: So, if your MAT tax is 17%, why would your effective cash flow would be 25%?

R. Sankaraiah: Because the Canadian tax rate is much higher.

Aditya Khemka: And we do not use transfer pricing to…?

R. Sankaraiah: No, we have to be very careful in international transfer pricing. We are the one company who do not have any disputes on transfer pricing till date, we want to maintain that transparently.

Aditya Khemka: Sir, on the Pharma side, you have mentioned one point on the Losartan API in your opening remarks where you said that you guys have solved the issue on the Losartan API production and impurity levels. So, is it fair to assume that your second quarter sales of the API business did not have enough Losartan API sales and third quarter onwards you would have more Losartan API sales, is that a fair assessment?

Pramod Yadav: While we were making that assessment, it was for all the sartans and not specifically to the Losartan. So, yes, all those issues of nitrosamine impurities etc., regulatory controls whatever to do we have all put in place, and hence we expect next quarter, our volumes of all these sartans will be more than this quarter.

Aditya Khemka: And we already started shipping in the third quarter sir or would you start shipping sometime later during the quarter?

Pramod Yadav: Yes, we have started already.

Aditya Khemka: And this is for all varieties of sartans, not only Losartan?

Pramod Yadav: Yes.

Aditya Khemka: And this is across US markets as well as other markets or is it purely for other markets excluding US?

Pramod Yadav: We already started releasing it depending upon the geography and their regulatory requirement. So, it is not that everything was stopped, but all those volumes will start growing, and US and Europe are picking up now.

Aditya Khemka: On these sterile injectable CMO business, could you give us some color on what the revenues were this quarter, how did it grow, and what is your order book looking like right now?

Pramod Yadav: So, for the CDMO business which includes CMO and API, our revenue year-on-year on this quarter were higher by 11%, and if you look back to the H1, it was higher by about 17%. So, both the businesses are performing very well.

Aditya Khemka: And what is our sterile injectable order book looking like sir?

Pramod Yadav: We have stopped giving the order book as it has lost its relevance. As we mentioned earlier, the entire capacity already sold out,the plant is running at full capacity through the long-term contracts. And when the contract comes up for the renewal, we are able to do renewal at the better commercial terms.

Aditya Khemka: And when does the contract come up for renewal?

Pramod Yadav: Like there are multiple customers and the contract maybe anything between three to seven years kind of term sheets. So, every year, 4-5 contracts keep coming up for renewal.

Aditya Khemka: Of Rs.550 crore or Rs.600 crore, how much of Capex is actually going into the CDMO business, and how much is going outside the CDMO business?

R. Sankaraiah: Instead of sub-segment wise we will say, Pharma will be about Rs.300 crore, LSI will be about Rs.200 crore and Drug Discovery another Rs.50 crore, because we started investing in Drug Discovery in a sizable manner because we see a huge opportunity in that area. So, almost like Rs.50 crore being invested in Drug Discovery this year.

Moderator: Thank you. The next question is from the line of Surjeet Pal from Prabhudas Lilladher. Please go ahead.

Surajit Pal: My question is regarding non-supply penalties, which is mainly due to OAI and all those issues. How long do you think this will continue the non-supply penalties?

Pramod Yadav: I will say most of the impact has come on to this quarter, but some amount will also be coming in Q3.

Surajit Pal: With a similar quantum?

Rajesh Srivastava: It may not be similar; it may be lower.

Surajit Pal: Second point is that once you have resolved your sartan impurities issues, which I am assuming that, right now your impurity will be much lower than what was new prescribed limit. Then the formulation problem in terms of producing sartans on those impurities will also be resolved which implies?

Pramod Yadav: Yes, most of the sartans are in-house sartans. So, it is produced at Nanjangud. and from the Nanjangud plant, our supplies to the Roorkee plant as well as we are also supplying to others in the market. So, the impact comes at both the places in the Solid Dosage business as well as within the API business for their merchant sales.

Surajit Pal: So, that means that part of the problem is resolved as far as formulations is concerned?

Rajesh Srivastava: Yes, you are right.

SurajitPal: Very recently, you have got an approval in formulations. I believe this is from your US plant?

Pramod Yadav: Yes, that is from our US plant because that plant has no regulatory issues, so that approval are from Salisbury.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

Shyam S. Bhartia: I would like to thank all of you for joining us on this conference call. If you have any further questions both Mr. Sankaraiah and Ravi will be happy to answer it. And I would like to at the same time, wish all of you very happy and a prosperous Diwali. Wish you a very happy New Year. Thank you.

Moderator: Thank you very much. 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.