



“Indoco Remedies Limited Q1 FY2020 Earnings Conference Call”

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ANALYST:

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Moderator: Good day, ladies and gentlemen, and a very welcome to the Indoco Remedies Q1 FY2020 earnings conference call, hosted by Nirmal Bang Institutional Equities Private Limited. 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 will now hand the conference over to Mr. Vishal Manchanda from Nirmal Bang. Thank you and over to you Sir!

Vishal Manchanda: Hi. Good afternoon everyone. Welcome to Indoco Remedies Q1 FY2020 earnings call. We thank the Indoco Management for giving us an opportunity to host the call. Today, we have with us the senior management of the company represented by Ms. Aditi Panandikar, Managing Director, Mr. Sundeep Bambolkar, Joint Managing Director, Mr. Mandar Borkar, Chief Financial Officer, Mr. Vilas Nagare, President Corporate Affairs and M&A. I now hand over the call to the Indoco Management.

Sundeep Bambolkar: Thank you Vishal. Good afternoon all the participants. Let me begin with the business highlights, financial highlights, net revenues for the quarter grew by 16.3% at Rs.247 Crores against Rs.212 Crores for the same quarter last year. While the EBITDA-to-net sales for the quarter is 9.2% at Rs.22.75 Crores compared to 5.4% at Rs.11.57 Crores. Now onto the domestic formulation business, revenues for the quarter grew by 8% at Rs.162 Crores as against Rs.150 Crores for the same quarter last year. The company’s internal growth is in line with industry average and is expected together momentum in the Q2.

As per AWACS, Indoco ranks 30th in the IPM with market share of 0.66% as on June 2019. For the Q1 FY2020, IPM growth is 7.9% whereas Indoco's growth is 15.4%. The company has shown good growth amongst the 21 to 35 ranked corporates. As per SMSRC, Indoco ranks 23rd with a prescription share of 0.85% as on June 2019 MAT basis. The company is witnessing progressive trend as reflected in secondary sales data as per AWACS and prescription Rx trend as per SMSRC which are indicative of increasing demand. During the quarter, the company launched two new products, one in chronic and one in subchronic category.

Now the international formulation business, during the quarter revenues from international formulation business grew by 43.1% over a small base at Rs. 59 Crores as against Rs. 41 Crores for the same quarter last year. With most of the issues getting resolved, there will be acceleration in the growth of international business revenues in the coming quarters. The revenues of regulated market for the quarter grew by 46.9% at Rs. 43 Crores compared to Rs. 29 Crores and the revenues from emerging markets grew by 33.9% at Rs.16 Crores compared to Rs.12 Crores.

Now on plant regulator update, Goa Plant 1 for the last inspection by USFDA from January 17, 2019 to January 25, 2019, the company had received six observations that is 483s. Status of plant is official action indicated. A warning letter has been received from USFDA on July 15, 2019. US consultants are onboard for remedial action. In this regard, the company had hosted a

conference call on July 18, 2019. The company will share regular updates on the progress from time to time. For the last inspection by UK-MHRA from May 21, 2019 to May 23, 2019, the company's response to the post inspection letter has been submitted to the authorities, which is under review. The company awaits closure of restricted GMP and reinstatement of the EO GMP certification.

Goa Plant 2 and Goa Plant 3, the last inspection by US FDA from May 27, 2019 to June 4, 2019 was for preapproval for three injectable products. The EIR is received less than two months from the date of inspection. Plant is at VAI status since March 2019 when EIR against earlier inspection conducted in November 2018 was received and the warning letter was withdrawn. For the last inspection by UK-MHRA, from September 17, 2018 to September 21, 2018, the inspection concluded with no critical but four major observations. The response to observations has been given and the action plan has been accepted by the agency. Active pharmaceutical ingredients, the revenues from API business grew by 50.3% at Rs.24 Crores compared to Rs.16 Crores for the same quarter last year. The company has commissioned its new API facility at Patalganga in April 2019 and the commercial dispatches of 5 metric tonnes Allopurinol has been executed in the Q1.

CRO and analytical services, during the quarter revenues from CRO and analytical services business were at Rs.3 Crores compared to Rs.6 Crores for the same quarter last year. USFDA inspection for bioanalytical part of two BE studies was conducted from August 5, 2019 to August 9, 2019 at the CRO at Hyderabad. The inspection was successfully concluded with zero 483s. That is all about the business highlights for the quarter and I now request the participants to put up their questions. Thank you all.

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

Vishal Manchanda: Hi. Thanks for the opportunity. Sir just wanted to understand the gross margin movement this quarter, so there was 150 bps decline in gross margins Q-o-Q, so is this a normalized margin to look forward for the rest of the year?

Sundeep Bambolkar: See the margins depend on the product mix and the business mix both, so since the international business showed a pick up, and definitely you are aware that the domestic margins are better than the international margins. Hello.

Vishal Manchanda: Yes Sir. I am there.

Sundeep Bambolkar: So, going ahead particularly this second quarter, which we are going through, the margins should be improving substantially compared to the earlier quarter.

- Aditi Panandikar:** In this quarter, we have also taken the impact of increments in salaries to about 80% of the employees of the organization.
- Vishal Manchanda:** Okay and there is some increase in finance expenses too, so is it on the account of forex losses?
- Sundeep Bambolkar:** Yes. Basically as far as the interest cost is concerned, it is in line with the earlier quarter. The impact is on account of forex fluctuation.
- Aditi Panandikar:** Your question was on GCs, is it? I am sorry I did not hear the first part.
- Vishal Manchanda:** Yes. The first question was on gross margin.
- Aditi Panandikar:** Okay. Yes. So gross margin is definitely a function of the product mix.
- Vishal Manchanda:** Okay. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.
- Rahul Sharma:** Could you give the breakup of your reg markets and non-reg markets revenues?
- Mandar Borkar:** Reg and non-reg breakup has already been given Rahul but within the range, the breakup is as follows. Europe contributes Rs.37 Crores, US contributes Rs.2.64 Crores. South Africa, New Zealand, and Australia Rs. 2.8 Crores.
- Rahul Sharma:** Okay. This is in reg markets, right.
- Sundeep Bambolkar:** Yes. Emerging has been given separately.
- Rahul Sharma:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Sriram Rathi from ICICI Securities. Please go ahead.
- Sriram Rathi:** Yes thanks for taking my questions. So Sir two questions just, I mean one is on the US market, I mean since the year it is already VI calcified Plant 2, so when can we see the revenue from injectables and ophthalmics to start, and obviously will it be through the same partner or will never change in the partners now?
- Sundeep Bambolkar:** The revenue should start from sometime from January 2020.
- Sriram Rathi:** Okay. It will be from the new approvals, which will be coming or it will be like –old approvals will also be monetized.

- Sundeep Bambolkar:** It will be new approvals also and some our older products will be commercialized.
- Aditi Panandikar:** In the concall we held for plant 1, some of this was covered but I just repeat that, that for most of the ophthal manufacturer, the FDA asked us to submit trials with new container closure systems because some of the leakage issues faced by a lot of players in the market and other safety issues on ring retention etc., etc. Most of the things, our studies are underway, some have also been submitted, which is why the delay.
- Sriram Rathi:** Got it and secondly on the India business on this quarter the quarter is around 8% largely in line with the industry growth, so how do we look at the industry growth and Indoco's growth going forward in the coming quarters?
- Aditi Panandikar:** Yes. So if you look at our performance as per AWACs, for the same quarter we have done close to 16% growth and for us that is the real reflection of our secondary performance. Our internal secondary figures also reflect growth on the higher side of 10%. So this primary sales generally catch up with secondary eventually but overall looking at our AWACs secondary sales trend of late month-on-month whereas our growth in prescriptions as we see as per SMSRC. The domestic business definitely will be clocking good double digit growth in the months to come. For the month of July, we are the third fastest growing company in the top 30 companies.
- Sriram Rathi:** Right. Got it. Sure. Thank you so much mam.
- Moderator:** Thank you. The next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.
- Aditya Khemka:** Hi. Thanks for the opportunity mam. Mam on the domestic business so the details that you gave in your MDA, our respiratory franchisee seems to be declining led by the large product Febrex Plus, could you explain that dynamics what is happening there exactly?
- Aditi Panandikar:** Yes, Febrex Plus is a decongestant anti-pyretic combination. So this market per se has been in troubled waters for the last whole year. The market is growing at a lower single digit, very low single digit now, and within that there are just three or four key players, and we have seen some kind of market share shifting to some partners, but this was identified by us more than six months ago, work has already started and early signs of revival of that brand are already seen.
- Aditya Khemka:** So could you just tell a bit more in detail as to what went wrong, I mean I understand that the segment might be?
- Aditi Panandikar:** No, it is not about what went wrong, when our segment itself is not growing or hardly growing at lower single digit. Generally it is a play between market share between existing players. One of our very large competitors is a brand which is having 90% almost top line of single organization, and we have two other larger India players who have come into that segment now. So it is largely interplay of these factors. We were also very strong in certain geographies and last year we had

some issues in the field with attrition etc., because of which we had certain slippage with this brand but things are now coming back up to track fast.

Aditya Khemka: Okay. Fair enough. Also on the European sales side, so we have seen a meaningful uptick now, so this Rs.37 Crores for the quarter has Sundeep Sir explained and it was Rs.28 Crores in 4Q and Rs.20 Crores in 1Q, what is the trajectory that now you expect for the European part and I mean as I understand this trajectory should be relatively immune to whether you get a full GMP certificate for plant 1 or not, because we are supplying from the other two Baddi plants?

Aditi Panandikar: Yes. Correct. I will just add a little bit to that, it is immune to correction in plant 1, but as such the plant 1 itself even under restricted GMP for the size or number of products we are able to supply out of that plant as per MHRA, we should have been on track, but one of our largest partners or clients in UK, they have themselves verified issues at plant 1 before wanting to take from that site, which is largely why we could not increase supply from plant 1 earlier and that has kicked off this month. So going ahead, therefore whether GMP is fully we get it back in time or not, that alone as an event should help us clock higher sales from UK. In addition to that, the supply from Baddi 1 continue, and Baddi 3 which is newly approved also the first consignment has been rolled out of the site. All these factors should help us clock good growth in UK and Europe.

Aditya Khemka: I understood mam. Also just to understand the domestic business situation that will better, do we have any trade generic revenues or generic generic revenues in our India business?

Aditi Panandikar: No.

Aditya Khemka: No. So all of it is branded prescriptions. Correct?

Aditi Panandikar: It is branded prescription. We have a very small institutional business supplied to ESI and...

Aditya Khemka: I get it. Yes so given the seasonal the anti-infective season seems to be better this year around, first of all is that a fair statement to make that the anti-infective season this year....?

Aditi Panandikar: We have seen that in July. July is the first month where we have anti-infectives in double digit growth.

Aditya Khemka: So it is better compared to the last year in terms of the growth profile, so are we benefiting from that because again the MDA shows anti-infective growth for the quarter or last quarter, June quarter at least only at 6%, so....

Aditi Panandikar: Yes. So we have seen this movement only in the month of July for the industry and our own numbers are also reflecting that.

- Aditya Khemka:** Okay and just one last bit on the domestic business again, are we looking to hire additional manpower and what is your current stand?
- Aditi Panandikar:** No additional manpower, we are right now at a phase where we are consolidating so that we can get better returns per man the PCP and part.
- Aditya Khemka:** Okay. Got it. I will get back in the question queue mam. Thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swain Investments. Please go ahead.
- Sachin Kasera:** Yes. Good afternoon madam. Just on the domestic business, so you mentioned that from Q2 onwards we should see the growth picking up. It has been a while that there has been a gap between the primary and secondary, so that has been really attributed to the trade issues, so that has all been sorted out now?
- Aditi Panandikar:** Yes. Most of the trade issues are sorted, of course we have these ups and downs of trade stocking or not stocking, but we have close to 35% to 40% portfolio in the anti-cold, anti-infective segments and we have seen generally Q2 onwards, there is good primary billing for these segments and when that is supported with secondary demand like we have seen already, with AWACs number, our own secondary, as well as the prescription growth, I think we are looking at good domestic growth Q2.
- Sachin Kasera:** And so you think that for the full year we can achieve a double digit growth mam or you think that will possible only for the coming quarters?
- Aditi Panandikar:** No. We will definitely do a double digit growth.
- Sachin Kasera:** Sure. Second question was regarding our Kidodent brand madam, for what I understand it is extremely popular and almost like a quasi-OTC brand now, so have you contemplated any thoughts in terms of making that brand OTC and maybe scaling at a bit much larger level because that is one segment, which is now gradually lifting?
- Aditi Panandikar:** We have many brands which would calcify for your or qualify for your classification or what you just said, but Kidodent particular has a good push and pull limit or Rx OTC push to it. We continued to concentrate first on creating prescription for the brand. And repeat purchase is what we depend on, what you have said is true and certainly that is an area to look at. In the longer run, we probably will start looking at that but currently in addition to the taking it only to dentist, we have started taking it to the pediatrician because we have recognized that for kids, the pediatrician everything, dentist, GP, everything, so I am hoping to see upside with that move itself.

- Sachin Kasera:** Okay. Sure. Secondly madam on the European business by when do expect full clarity on the EU GMP thing?
- Aditi Panandikar:** We are in communication with the UK. The second round of back and forth question is over, I do not think there should be a third round. Once they have all the information, I think there should be able to make a decision with in the month or so.
- Sachin Kasera:** Sure and madam while we all are hoping and we are very confident that we will be able to clear this time. In an very unfortunate unlikely scenario, he does not go through in that case how are we seeing that trajectory for the European business, you did Rs.37 Crores this quarter, so if you could give us two scenarios, one if it gets cleared and other in the worst case scenario if it does not get yet, how we are looking at it?
- Aditi Panandikar:** See I answered it partly in the earlier question that with and without we should not be impacted to go back to our earlier numbers. At the peak from Plant 1 alone, we had done close to Rs.50 Crores. And with the product mix we have 50 products which MHRA has the loudest supply to UK. But many of them are very small products, and they were not really meaningful but one of our large partners are currently qualified our site and started taking from plant 1 that allows us to supply more of that product and I have therefore confident that we would be able to go up to a monthly revenue of Rs.50 Crores through, quarterly revenue of Rs. 50 Crores.
- Sachin Kasera:** This assuming the plant approval was through?
- Aditi Panandikar:** No. Even without.
- Sachin Kasera:** And in case it go through mean then can we receive the Rs.50 Crores per quarter may be moving to like Rs.65 to 70 Crores also in two to three quarters.
- Aditi Panandikar:** No. If the GMP thing goes through what it actually allows us to do is work on a product mix because our approvals which are waiting in Europe, UK, those would start moving, we would be able to tailor a better product mix to get a better margin. So the approval is more linked to a better return from the European business than topline for me.
- Sachin Kasera:** Okay. Next question is regarding the US business madam, you mentioned that we should be able to start supplies somewhere around January this year, so is it fair to assume that any meaningful contribution will come only in FY2021?
- Aditi Panandikar:** No. I think that one quarter of this year we should start seeing something coming in. In addition to that there is already one product being supplied to US from plant one and another product being supplied from plant 3 right now, so those supplies will continue. But yes if you are all asking about the ophthalmic, that is likely to kick in January onwards, and more contribution will be seen next year.

- Sachin Kasera:** And what is that number of approvals we are expecting this year madam overall from USFDA?
- Aditi Panandikar:** It is a function of when our files and how they pickup our files but two at least, two to three.
- Sachin Kasera:** And next year this number should be substantially higher madam?
- Aditi Panandikar:** Yes. We have 35 files waiting.
- Sachin Kasera:** Yes. Okay and on some of the key approvals madam, if you could give us some sense how are you seeing them, you have had last call mentioned that somewhere around June next year, we should see that key approvals starting to kick in, because of this changes in the packaging that you mentioned, there can be further delay there from what you mentioned last time or...?
- Aditi Panandikar:** No. That was with factoring in the change of packaging.
- Sachin Kasera:** Okay. Lastly madam on the capex front, how are we seeing it this year and what is the type of debt reduction plans we have for FY2020?
- Aditi Panandikar:** Yes. This year we are going to control capex within Rs.50 Crores and currently there are no plans of any kind of expansion. So it is mostly maintenance capex.
- Sachin Kasera:** So can we see a Rs.40-50 Crores sort of debt reduction this year madam?
- Aditi Panandikar:** Yes that is the plan.
- Sachin Kasera:** Thank very much.
- Moderator:** Thank you. The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.
- Cyndrella Carvalho:** Thanks for the opportunity. Aditi mam just wanted a color on our UK-MHRA status like what is the discussion level, where are we, and when do we see it coming?
- Aditi Panandikar:** Yes, Cyndrella, thank you for your question. This is about what is going on between us and the regulator, I am little bit bound to what detail I can get into, but very safely I can tell you, there were no critical observations. There were few major, four major and out of that none were of a repeat kind. There are some, the concerns they have are largely to do with elevated guidances and benchmarks, MHRA themselves are having on cross contamination measure, some questions, queries and these are likely to result into strengthening of product mix at site and this is something they are looking at across all manufactures, not just us. So the communication that is on between us and them right now is to try and convenience them to continue to allow us to do a lot of products as we intend to out of that site.

- Cyndrella Carvalho:** Okay and coming to the US WL that we have on plant one, have we spoken to the regulator yet, or we have scheduled any meeting, what is the status there?
- Aditi Panandikar:** No. As per the time which was given to us to make a first response, our responses have gone to the regulator in which we have made a very broad outline of how and when we would be sending further information to them in response to the issues they have raised. So we are on time for that kind of response. If I am not mistaken a lot of our responses are to happen around September and as Sundeep said in his narrative, the moment we hear anything further or if we do not what is happening between us, we will be continuously updating all of you.
- Cyndrella Carvalho:** Okay and mam coming to the domestic side, there has been a some kind of disruption in the last quarter on a industry level, we have seen some volume decreases, volume levels as a whole have come to a little lower than previous year, what is our internal reading there and are we seeing similar trends?
- Aditi Panandikar:** See the disruption I think is more in supply chain than in demand. This is our reading because if you look at number of prescriptions generated, there is no slow down there. There may not be growth, but there is definitely not a slowdown in some quarter and what you are seeing is that, again coming to chronic segment, there is not much of a slowdown. But the acute therapies seem to show at a demand level kind of up and down possibly because of the shifting seasons, also what we have seen is that stocking by the stockist as we call them, that is different for different ranges, so with chronic, we have seen close to 40 days stocking, with subchronic we are seeing 35 days, and with absolute acute we are seeing less than 30 days. This is likely to create some disturbance I feel, because when you are carrying less than 30 days stock, stock out and availability, brand, consolidation of brands in the market, some of those things are likely to happen, I think that this is just a passing phase and we should stabilize soon.
- Cyndrella Carvalho:** So the July numbers have come pretty strong for the entire sector, so do you see these kinds of numbers or do you think these are more seasonal numbers?
- Aditi Panandikar:** No really seasonal, even after cardio-diabeto became very large segments and fastest growing, anti-infective was always at number one or two, interplaying with the cardio, so it is always cardio one anti-infectives two or vis-a-vis and this July finally you will have a anti-infective which is number two segment, again giving you a double digit growth. So that has helped the industry do well.
- Cyndrella Carvalho:** Okay and mam one last question on the US approval side or rather launches side, so we are indicating somewhere January, but is there any way we can speed this approvals ahead, is there any hope for that?
- Aditi Panandikar:** We are trying, but I cannot give you anything further on that.
- Cyndrella Carvalho:** Okay. All the very best. Thank you.

- Moderator:** Thank you. The next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.
- Aditya Khemka:** Hi. Thanks for the followup mam. Mam on the API business, what is our capacity utilization currently for external sales for API?
- Aditi Panandikar:** This business will set up most for internal consumption, but because of the regulatory headwinds we faced for a formulation business, we are now strategically setting it for selling outside. Current numbers if you look at it then we are actually having around 90% captive and only 10% sales and capacity utilization also after our expansion is only 90% right now. We have three sites for API. One is Patalganga which is the largest site which has undergone an expansion now to triple the capacity in that site alone. We also have a Kilo manufacturing site at Navi Mumbai and we have a third site which makes a starting material for these, two sites. So the Patalganga site is currently only occupied to the extent of around 10% to 20% after the expansion.
- Aditya Khemka:** So post expansion utilization of Patalganga is 10 to 20%. So given that in near term or in the next one year, you expect US to take up formulation and you also expect you to start doing well in the formulation space, would your external API sales materially ramp up from the current level, so do you think the current API sales would remain where they are while the spare capacity in API would be used for captive consumption?
- Aditi Panandikar:** No, not in the shorter term, because the capacities that we have build in the API Patalganga, should more than cater to allow us to increase API sales while feeding the captive consumption, at least for another five years, we should continue to see growth in API sales.
- Aditya Khemka:** External API sales and so you mentioned another plant which produces the key material for this API plant Patalganga, so does that plant have enough capacity to cater to...?
- Aditi Panandikar:** Yes.
- Aditya Khemka:** Okay. So because the reason I asked it was the Chinese situation right, so there is the case starting to....?
- Aditi Panandikar:** Yes. I get what you are saying, of course in the next one year, we are hoping to sell a lot of API coming out of those sites, but thereafter also API sales at outside will continue to grow.
- Aditya Khemka:** Okay and any progress on the partner discussions mam so I understand you are waiting for Teva return a few ANDAs to us, but any advancement in discussions with potential partners to market those ANDAs?
- Aditi Panandikar:** We have no updates at this time.
- Aditya Khemka:** Sorry.

- Aditi Panandikar:** No updates at this time.
- Aditya Khemka:** No updates at this time, okay. All right and full year you mentioned domestic growth rate to be double digit plus that basically implies you are doing more than 12% in the remaining three quarters...?
- Aditi Panandikar:** Yes. We will do it.
- Aditya Khemka:** That seems doable?
- Aditi Panandikar:** Yes. Very much.
- Aditya Khemka:** Okay and if I can push you just for a EBITDA margin guidance for the full year mam, last year we did only 8% and first quarter are only at 9%, so if you could sort of help us because these numbers are very unpredictable given the high operating leverage we have and we are almost in the dark regarding how much we should be penciling in...
- Aditi Panandikar:** Aditya we are targeting in excess of 13%, but 11% to 13% is fair.
- Aditya Khemka:** 11 to 13% as what you are seeing. Okay mam. Thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swain Investments. Please go ahead.
- Sachin Kasera:** Yes madam. One thing on this, you just mentioned about the margin guidance, we have recently seen that the pound has depreciated against the rupee, it continues to remain weak, so how will that impact our margins because Europe is going to be one of the big drivers for us this year.
- Sundeep Bambolkar:** Yes. Sachin we have taken a conservative estimate on our costing as far as the pound value is concerned. So whatever it is standing right now, that has been built in to our costing.
- Sachin Kasera:** Sure. Secondly this quarter we have seen some good growth in the emerging markets, so how do we see the full year performance of the emerging market in FY2020 versus last year?
- Sundeep Bambolkar:** Yes. There is a lot of focus on emerging market particularly Africa, parts of CIS, Sri Lanka, Myanmar, these are the countries, so we will definitely see a very good growth in this business.
- Sachin Kasera:** So the Q1 we have grown at 33% so is 25 to 30 a reasonable number to look at for the full year?
- Sundeep Bambolkar:** Yes. So 25 is the good number to look at.
- Sachin Kasera:** Sure and there is one more followup on previous question regarding the APIs, Aditi mam mentioned that we have enough substantial capacity and we can look at really ramping up the

third party sales, could you give us some sense on what is the type of revenue growth, we can see from third party API sales, see that this year or next year as we ramp up?

Aditi Panandikar: See this quarter we have done 50% growth in external sales of API. For the whole year we should be able to do a minimum growth of 30%.

Sachin Kasera: And you think that can be sustained for next two to three years because we have just now only 10% to 20% utilization?

Aditi Panandikar: We can.

Sachin Kasera: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Jigar Walia from OHM Portfolio. Please go ahead.

Jigar Walia: Hi. I have just one question mam. If you can just update in terms of what are the ANDA filing pipelines and maybe if you can give some quarterly numbers?

Aditi Panandikar: I am sorry, can you repeat that?

Jigar Walia: ANDA filing...?

Sundeep Bambolkar: Number of ANDA you mean?

Jigar Walia: Number of ANDAs?

Aditi Panandikar: Waiting to be filed?

Jigar Walia: Yes. How much are we trying to file?

Aditi Panandikar: Yes. We have plans to file around five ANDAs this year.

Jigar Walia: And these would be spread through the coming three quarters or more kind of back ended or...?

Aditi Panandikar: Yes. It would be spread. More in Q2 and Q3, Q3 and Q4.

Jigar Walia: More in Q3 and Q4. Okay. Thank you.

Moderator: Thank you. Next question is from the line of Sachin Kasera from Swain Investments. Please go ahead.

Sachin Kasera: Just one thing on the margins madam, since we are sitting on huge operating leverage, as we see quarter on quarter improvement in topline, most of the gross margin should flow to the EBITDA or we will see some increase in other cost also, that is in...?

- Sundeeep Bambolkar:** Yes. What you said first is correct. Most of the increase should flow into the EBITDA because all the expenditure has been taken care of. From here on, there will not be any further increase in operating expenditure.
- Sachin Kasera:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Devesh Mehta, an Individual Investor. Please go ahead.
- Devesh Mehta:** Hi Sir just wanted to understand what is your total debt outstanding as on June?
- Sundeeep Bambolkar:** The total debt outstanding is short term plus long term is Rs.299 Crores, compared to December we have brought down the debt by about Rs.29 Crores.
- Devesh Mehta:** All right Sir. Thank you so much.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for their closing comments.
- Sundeeep Bambolkar:** Thank you everybody for your active participation. Have a nice evening. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Nirmal Bang Institutional Equities Private Limited that concludes this conference call for today. Thank you for joining us. You may disconnect your lines.