



“Neuland Laboratories Ltd. Q2 FY17 Earnings Conference Call

November 07, 2016



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Moderator: Good Day, Ladies and Gentlemen and Welcome to the Q2 FY17 Earnings Conference Call of Neuland Laboratories Limited. As a reminder, all participants' 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 an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Diwakar Pingle from Christensen IR. Thank you and over to you sir.

Diwakar Pingle: Thank you, Margaret. Good Morning. Welcome Everyone and thanks for joining the Q2 & H1 FY17 Earnings Call of Neuland Laboratories. Please note, the results have been mailed to you and you can also view this on our website at www.neulandlabs.com.

To take us through the results for this quarter and answer your questions, we have with us the management represented by Mr. Sucheth Rao – Vice Chairman and CEO; Saharsh Rao – Joint Managing Director; and Anil Kumar – who is the CFO.

We will be starting the call with a brief overview given by Saharsh, providing a brief on the company's performance which will then be followed by the Q&A Session.

I would like to remind you that everything said on this call which reflects any outlook for the future or which can be construed as a forward-looking statement, must be viewed in conjunction with these uncertainties and risks are included but not limited to what we mentioned in the prospectus filed with SEBI and subsequent annual report which you can find on our website.

With that said, I now turn the call over to Saharsh. Over to you, sir.

D. Saharsh Rao: Thank you, Diwakar. Good Morning, Friends. A Warm Welcome to all of you for joining this call right at the start of the week. I would first touch upon the numbers for the quarter, followed by the six months performance: For the second quarter of fiscal 2017, the total operating income was at Rs.149.6 crores for Q2 FY17 as compared to Rs.128.2 crores for the corresponding period of the previous year, reflecting a 17% increase. EBITDA stood at Rs.25.2 crores compared to Rs.19.5 crores during the corresponding period of the previous year, an increase of 25%. EBITDA margin at 16.8% for Q2 FY17 as against 15.2% for Q2 FY16. Net profit at Rs.10.4 crores for Q2 FY17 as compared to Rs.6.2 crores in the corresponding period of the previous year, an increase of 67%.

For the six months period, total operating income was Rs.299.4 crores for H1 compared to Rs.251.9 crores in H1 FY16 which is again an increase of 19%. EBITDA stood at Rs.50.21 crores compared to Rs.41.13 crores during the same period in the previous year, up by 22%. EBITDA margin for H1 was at 16.8% as against 16.3% for the same half last year. Net profit stood at Rs.20.1 crores for H1 of FY17 compared to Rs.13.5 crores for H1 of FY16 which is again an increase of 49%. Basic EPS stood at Rs.22.6 as against Rs.15.2, an increase of 49%.



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Our performance in Q2 FY17 follow the trajectory that we set for the company in Q1 FY17 and thus resulted in a robust first half for the company. We believe the business has shaped up well during this period and we have had initial success with some of the key molecules.

From an operations standpoint, we witnessed a strong pick up in one of our APIs for the Generic market, called Brinzolamide as it gets launched in the US. Brinzolamide is an anhydride inhibitor and is widely used for intraocular pressure. So it is an ophthalmic drug. As we move forward, we are likely to witness an increase offtake in this molecule. Besides the other products we do each quarter, we also had launched quantities for another interesting API called Voriconazole for Europe this quarter which is in one of the key markets of Antifungals.

Coming to the CMS business, while the overall shipments in revenues booked in the quarter were low compared to Q1 FY17, we saw a significant ramp-up in the business activities that happened during the quarter. We are progressing well on our projects and we believe the critical projects should start delivering the performance in the coming year and going forward as well. Overall, we are pleased with our performance in the first half. While we are positive on the overall outlook, we continue to remain cautious in the business given the nature of the industry we are in.

Now, I would like to touch upon the business reorganization bit that we announced in the press release. As you all must be aware, the board of NLL in its earlier meeting, in principle approved the proposal to merge Neuland Health Sciences Private Limited(NHSPL), our holding company and Neuland Pharma Research Private Limited(NPRPL), our research entity with Neuland Laboratories Limited(NLL). We are also happy to announce that the board of directors of these three companies has approved the draft scheme of amalgamation among the three entities. The abstract of the scheme has been submitted to the stock exchanges along with the results, and the key aspects of the same have also been shared in the press release as well the presentation. At the management level, we always felt that the merger was necessary and the proposed transaction would be of help in making Neuland stronger and sustainable business enterprise. We firmly feel that the transaction would unlock value by way of consolidation of business, optimization of operation and improved overall capabilities. Having said that, we are also hopeful that this exercise will be value-accretive and in the best interest of our shareholders.

With this, I would like to throw open the floor to Q&A.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Ritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, I look at your press release on the proposed merger, I was unable to comprehend the shareholding pattern pre-and post-merger especially of the promoters because the promoter

number of shares does not increase much and there is a drop in the shareholding. Can you tell us what was the shareholding of the companies which are getting merged?

Anil Kumar: To answer your question specifically, let me just take you through the shareholding pattern, what we have is as in the annexure 88,84,254 is the previous-merger shareholding and post-merger shareholding would be about 1,11,54,889 shares. Pre-merger, the promoter and promoter group including the holding company which is the Neuland Health Sciences held 45,91,748 shares which is ~51.7% of the shareholding premerger, post-merger it has become 46,05,466 as the promoter group shareholding and the non promoter shareholding is 22,56,917 which is 20.2% shares under the category public .

Pritesh Chheda: What I fail to understand from that post-merger shareholding is that do the promoters have no major shareholding in the companies which were getting merged, it was majorly private equity owned because your shares are not increasing whereas there is a total ~23 lakh shares issued and only 1 lakh share is increase in promoter and ~22 lakh shares increase in public shareholding. I want to know what was the shareholding of those companies?

Anil Kumar: Promoter Group including NHSPL shareholding pre-merger was about ~51.7%, post merger become ~41.3% as promoter Group and non promoter group / Public as ~20.2%,

Pritesh Chheda: You have issued shares of about 23 lakhs which is let us say today's price valued at about Rs.250-260 crores for the transaction. On that Rs.260 crores, if I see last year's profit FY16 for NPRPL and NHSPL, there is hardly any profits,, but when I see Q1 profit, that is about Rs.6 crores profit. So if you help us comprehend that valuation that you are referring or possible profit of those entities which is supposed to accrue in FY17 if you could give some color because when I look at FY16 I feel as if there is hardly any accretion happening, but when I look at FY17 Q1 it is a different picture?

Anil Kumar: This CMS business is a growing business for us. For Q1FY17, NPRPL earned a profit of about Rs.5.67 crores. At NLL, in the Q1 we made a profit of about Rs.9.71 crores. post merger the entire profits of NPRPL would be accretive to the listed entity on a consolidated basis and the business is growing.

Sucheth Davuluri: If I can just add a comment here; Pritesh, your questions are good; however, I also get the feeling that a lot of those calculations are also mentioned in the press release, but like the way you said, it may not be as obvious as it maybe. So my suggestion is let us take this offline because your questions are something which we have thought about and we feel pretty comfortable in terms of the numbers and how they add up. So we will be able to give you a lot more clarity without the constraint of time. Is that okay, Pritesh?

Ritesh Chheda: I am okay with that sir.

Moderator: Thank you. The next question is from the line of Sriram Rathi from ICICI Securities. Please go ahead.

Sriram Rathi: My question basically pertains to the financials of the holding company and the research entity. So on the research entity side, last year, you had revenue of around Rs.50 crores and profit of around Rs.5 crores and in Q1 if I look at, that revenue is around Rs.19 crores with profit of Rs.5.7 crores. So basically if I look at revenues of course around one-third of the FY16 part, but on the profit side it is higher than the full year of FY16 profit. So this Rs.5.7 crores of profit in Q1, is it totally recurring or is there something exceptional in that?

D. Saharsh Rao: The numbers that have been shared with regards to NPRPL both for last year as well as Q1 obviously, the numbers that we have based on the business that has realized during those periods and I think the NPRPL financials as you would imagine are largely driven by the CMS business and the nature of the CMS contract that we deliver during those periods. I think it would be difficult for us to comment on the degree to which the recurrence would happen in terms of whether the Rs.5 crores will repeat to what extent, etc., but I think we can safely say that the CMS business is actually on a growth path and the kind of visibility we have about the commercialization of the projects going forward, we expect that on annual basis or on a long-term basis the business will continue to grow; however, on quarter-to-quarter basis it is very difficult for us to compare the Q1 performance and comment whether every quarter will be like that because ultimately this is still a young business and it is lumpy to that extent.

Sucheth Davuluri: I think your question makes a lot of sense but as Saharsh rightly said, it will depend on how the business shapes up, there will be a quarter-to-quarter volatility pressure but in the long run, it is a very robust business.

Sriram Rathi: The thing that I want to understand here is that for FY16 the full year profit was around Rs.5 crores and in Q1 FY17 it is higher than that to Rs.5.7 crores, though the revenue is much lesser compared to FY16 in Q1 this year. So if I look at profit margin, seems to have moved up significantly, in fact, basically, it is like net profit margin is coming to some 34-35% versus 10% in FY16. The profit figure is what is basically somewhat difficult to understand out here just to get these numbers?

Anil Kumar: This again depends on the product mix. So the CMS business in certain quarters, we sell some of the NCE molecules which can give very high margins, so the Q1 had those revenues and that is where the margins were looking very steep or higher in terms of Q1; however, as we said, there will be volatility and the next quarter may not have exactly the same margin percentages, but over a period of time it will have good margins for the CMS business. So the first quarter was looking good because of the product mix what we had for the Q1.

Sriram Rathi: On the CMS business side, I think there were two ANDAs which were filed last year in 2015 and we were expecting launch somewhere in the second half of 2016. So any update on that?

D. Saharsh Rao: No update as of now.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanaban from Sundaram Mutual Fund. Please go ahead.

S Padmanaban: One is very clearly about a few years ago you had basically taken the research entity out given that it used to be very lumpy in nature and now we are kind of amalgamating it back into the system. Second is at least I am not able to comprehend the exchange ratio because one is there is a holding of the research entity by this NPRPL and also you had given share swap ratio of probably 4:1 directly for four shares of every NLL for almost every one share of the research entity. Can you just elaborate how the holding structure is and probably what exactly is going to be the swap ratio, one is through the entity that holds NPRPL and one is directly which you have given? Second is on a broader term, how does it change your thesis, because now you are amalgamating a company, which you have actually hived off in the past?

D. Saharsh Rao: Neuland Health Sciences, the holding company had equity shares worth Rs.100 each and what has been worked out as a swap ratio based on the valuation report is that for every 100 shares of Neuland Health Sciences, they will get 552 shares of Neuland Labs NHS is also a holding company of NPRPL and shareholders of NHS will be allotted shares in NLL for NHS holding in NPRPL. however, for Neuland Pharma Research Private Limited, the conversion rate is for every 100 shares of a Pharma Research company, there will be 410 shares of the listed entity which are at par value of Rs.10 each.

S Padmanaban: Just one small thing additional to this; if I am looking at, working at, would we be looking at valuing that research business at around Rs.200-250 crores kind of because if I am looking at your overall size, this hardly contributes about 10% to the profitability or about 11-12% in terms of top line, but it appears that we are valuing this company much higher than probably what we are valuing the parent company that is NLL itself. I am just trying to understand here, this is also in line with the earlier speaker, it is very difficult to see because the first quarter you have done more profits than what we have done in the last year, so what is it that we are valuing this company for and what is the kind of future that one can look at in terms of some guidance what can be the profits, at least you can give us some idea of what is the valuation that you are looking at both for yourself as well as for the company that is the Pharma Research?

D. Saharsh Rao: Sudarshan, the question about the basis for the valuation, I think I have mentioned it briefly, let me talk a little bit about what is the business around NPRPL because I think that is something that we have not covered earlier, so NPRPL engages in the business of doing contract research as well as identifying opportunities for contract manufacturing for innovator companies and as you know in terms of the assets or its strengths it basically has a research facility where it does process development and tries to identify new processes for innovator companies and that facility is that is housing NPRPL also earlier this year was FDA approved for the first time.

Now, in the arrangement that used to exist till now or till amalgamation of the three companies, Neuland Laboratories Limited was only the contract manufacturer for NPRPL and therefore the value for Contract Manufacturing business or the CMS business which we have been talking for several years now, is being shared between NPRPL and NLL. Post the pending amalgamation, the value will no longer be shared between the two companies that is the comment that Anil and Sucheth were making earlier on is that the value will be accretive to Neuland Labs earnings. So that is one positive that we are anticipating. Second of all the valuation basis, I think this is something that is being done at arm's length war, so we as promoters or as members of the management, do not wish to comment about the valuation or trying to justify the valuation because ultimately this is a very important and sensitive process and recognizing that we have engaged very competent people to do that work, I think I mentioned earlier, Deloitte is doing the valuation and SBI Capital Markets is providing fairness opinion and they are following whatever practices they follow in terms of doing valuation, I believe they have done many such valuation over the last several decades keeping all these kind of sensitivities in mind. So we kind of look at them for ascertaining these values.

Moderator: Thank you. The next question is from the line of Abdul Puranwala from Centrum Broking. Please go ahead.

Abdul Puranwala: Basically, if you could give me a breakup between the new issue shares for Neuland Health Sciences and Neuland Pharma Research, so out of the 22 lakh shares, what are the shares going to be issued for both entities like existing shareholders of these entities?

Sucheth Davuluri: I have a suggestion since their questions around the shareholding pattern. Based on what we have released, Anil, why do you not take it from the top, quickly summarize what the current equity is, how many new shares will be issued and which entity will end up with how many shares and what will be the ensuing percentage, just provide quick snapshot of the summary based on what we have released?

Anil Kumar: Pre merger Neuland Health Sciences company had 51.7% shareholding (comprising of 34.7% as Promoter group and non promoter group as 17%) and the public had 48.3% of the NLL. Post merger Promoter Group has 41.3% shareholding and non promoter group classified under public has 20.2% shareholding.

Abdul Puranwala: The balance sheet side of Neuland Pharma Research, that has been reduced from the March almost Rs.38 crores which has reduced to around Rs.36 crores in June quarter, so there is a reduction in this balance sheet size even though the company is making profits. So I just wanted to know was there any write-up in asset or what actually led up to that decrease in the balance sheet size?

Anil Kumar: The balance sheet size comprises of not only the net worth of the company; it also has other assets and liabilities. The net worth of the company has gone up; the creditors have come

down. So, that is why you are looking that the Total balance sheet size has come down; however, the net worth of the company has gone up. This is basically reduction in the sundry creditors of the company.

Abdul Puranwala: Also, could you just give a breakup of the total debt which were there in the balance sheet of Neuland Health Sciences as well as Neuland Pharma Research?

Anil Kumar: Neuland Health Sciences and research company both companies are a debt-free company, they do not carry any debt.

Moderator: Thank you. The next question is from the line of Karthikeyan from Suyash Advisors. Please go ahead.

Karthikeyan: What would be Plan-B of the existing incumbent investor who is coming into the listed entity – would you know what exit plans they have... is there something that you can talk about?

D. Saharsh Rao: Not really, as far as the information that is already available, there is an investor in the holding company and post amalgamation, that investor along with the promoter group will become shareholders of the public limited entity and at this point of time we cannot comment on their plans.

Moderator: Thank you. The next question is from the line of Pawan Kumar from Unify Capital. Please go ahead.

Pawan Kumar: I just wanted to understand, what are the kind of synergies or in terms of saving of cost structure that can happen through the deal, in the sense at least I want the numbers which can be say quantifiable?

Anil Kumar: Basically, we would be able to leverage the businesses very well, because the CMS business, API business go together, we would be able to leverage for the customer, we will have advantages where we can cross-sell both the businesses to the customer. In terms of cost, basically, we will have a reduction in operating cost because we will maintain one financial structure for all the companies, we would probably consolidate all of them at one place so there will be synergies in terms of administration cost, there will be benefits in terms of tax benefits as we do more in-house R&D, we are also recognized by the DSIR so we will have additional tax advantage for our spending on in-house R&D. So, those will be cost advantages in terms of tax and there will be benefits of operations.

Pawan Kumar: Can you just maybe at least suggest a kind of a number that can be attributed to the whole cost saving that can be expected from the merger?

- Anil Kumar:** We get a lot of intangible benefits in terms of operating cost, administrative cost etc. Also as we do more of in house R&D we would be able to get in house R&D tax benefits also. We spend almost like Rs.10 crores on research and development and we should be able to get tax benefits on the same for the in house R&D.
- Pawan Kumar:** But this is going to be the major benefit, is it?
- D. Saharsh Rao:** Yes, these are the several other benefits I think Anil also in the initial part of the questions talked about the synergies of having the facilities altogether, I think in terms of catering to the needs of the customers both for the generic customers as well as innovative customers, we see a lot of synergy coming in because now the facilities will be much more tightly integrated, I think from contracts points of view when we engage with customers, since we will pitch as one company, we also expect to see a lot of synergistic benefits from those. I think the tax benefit that we directly quantified is one of the benefits but I think there will be several others as well which we have not quantified.
- Pawan Kumar:** Maybe on the administrative side or some other side where it is much more quantifiable, is there going to be any kind of substantial reduction?
- D. Saharsh Rao:** I think what Anil has commented is the taxation is a substantial one, I think administrative side, there could be benefits but we do not think that they would be that substantial.
- Anil Kumar:** Also, there would be ease of operations between the companies, now there are taxes whenever you move goods between one company and second company, On one integrated company or a consolidated company, all those taxes would not be applicable.
- Pawan Kumar:** So maybe at future some point of time, you would be able to share your estimation of number maybe at least approximately?
- Anil Kumar:** There will be a lot more intangible benefits also.
- Sucheth Davuluri:** What we will do is that whatever benefits can be quantified we will be happy to share those with you in the future; however, I think like what Harsh and Anil are saying, there is a lot of intangible benefits and one of the reasons why we are not giving a specific number is those are the numbers which are kind of difficult to quantify; however, what can be easily quantified we will be happy to share those with you.
- Moderator:** Thank you. The next question is from the line of Ranvir Singh from Systematix Shares. Please go ahead.
- Ranvir Singh:** Neuland Pharma Research was catering to only Neuland or this unit is catering to others also for R&D related one?

- D. Saharsh Rao:** Neuland Pharma Research was essentially in the business of Contract Research and Contract Manufacturing. In the case of Contract Manufacturing, Neuland Laboratories was the exclusive contract manufacturer for Neuland Pharma Research. However, as part of the R&D services model, there is a lot of laboratory-related services like process development, process optimization, analytical development, etc., which Neuland Pharma Research would do as Contract Research Services, those services would not really relate to Neuland Laboratories since they are all lab-related activities. For services provided in that space, Neuland Pharma Research would directly bill the customer and raise invoices for those service-related fee. So those businesses would not have been connected with Neuland Laboratories Limited's business.
- Ranvir Singh:** So revenue we see, in the name of Neuland Pharma Research, includes revenue from third parties also?
- D. Saharsh Rao:** Yes, it does.
- Ranvir Singh:** Whatever profit we are seeing is after tax?
- D. Saharsh Rao:** Yes, it is profit after tax.
- Ranvir Singh:** We have not taken any tax benefit on R&D?
- Anil Kumar:** Yes, the research companies do not have DSIR recognition, so the tax benefits do not accrue to the research company .
- Ranvir Singh:** So, after merging it, we have to obtain that DSIR certification and then benefit will stand, that is what we have planned?
- Anil Kumar :** NLL has the DSIR recognition. So, benefits will accrue for doing in-house R&D. So, if it expands its research work and does the more of in-house research R&D, it will be entitled for the benefit of research work.
- Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.
- Darshit Shah:** Can you give details of the first half results of Neuland Health Sciences and Neuland Pharma if possible?
- Anil Kumar:** We have given the audited results of Q1, the Q2 is not yet ready. So, we would not be able to share it right now.
- Darshit Shah:** So, once it is done, you will be able to publicly share that?

D. Saharsh Rao: Yes, in due course of time once it is finalized, we will share it, Darshit, but I think it is also since we are filing the documents with SEBI, we just want to make sure that we will follow the practices that are in sync with SEBI's expectation.

Moderator: Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.

Dheeresh Pathak: For FY16, can you share revenue, EBITDA and PAT of Pharma Research and Health Sciences?

Anil Kumar: For the Pharma Research, revenues of about Rs.49.66 crores and PAT of about Rs.5 crores, EBITDA would be Rs.6.36 crores which is like 13% EBITDA for last year. Neuland Health Sciences is very nominal and I will share you the numbers; for last year Neuland Health Sciences, the revenue was about Rs.2.39 crores and they had made a loss of Rs.1.44 crores.

Dheeresh Pathak: You are giving 20% of the equity, NPR hardly getting any earnings from the equity that you are giving up?

Anil Kumar: If you see the profit & loss account of the listed entity, last year full year we made about Rs.26.41 crores of profit at the listed entity, the research entity had Rs.4.93 crores PAT for last year, current year also the first quarter, Neuland Labs, the listed entity had PAT of about Rs.9.7 crores, the research company had a profit of Rs.5.67 crores in terms of profitability.

Dheeresh Pathak: But for the full year FY'16 it was Rs.5 crores, so how come in the first quarter itself the PAT is as good as FY16 PAT?

D. Saharsh Rao: No, again, I think I would just explain that the CMS business is a growing business and it is lumpy in nature. So, we continue to see that the CMS business, the earnings, the profits from the ramp up of the CMS business will continue to grow and therefore the NPRPL financial we expect going forward, whether it is FY17 or the future years, will continue to ramp up; however, the quarter-to-quarter variation will continue to be there, so there will be some quarters where there will be high profits recognized largely because of the nature of the projects that are delivered in that quarter. So Q1 we have seen high profit because there were CMS projects of high profit that were delivered during that quarter, it does not necessarily mean that every quarter will be like that but at the same time it also shows that the business itself is growing and that is the reason why there is a strong performance in comparison with the whole of FY16. However, since it is still business that is young and growing, it will have its lumpy nature and we must look at the continuum of next two-three years to see the full value of the business.

Sucheth Davuluri: The only comment I want to add to your question and your underlying thought the profitability of the CMS business or NPRPL in the first quarter is strong is a direct reflection of the

potential of the business. It is a very robust business; it is a highly profitable business and that is obviously one of the largest rationale for the amalgamation of all the three organizations. So while what Harsh said is absolutely right that there will be lumpiness because it is a highly performing business but volatile at the same time. The profitability of the first quarter of NPRPL are also a reflection of the underlying strength in profitability of that overall business as well.

Dheeresh Pathak:

So, can you put forward more detail time series financials of the Pharma Research entity for us to evaluate the dilution that we are seeing by merging these entities and make our own judgment of whether it is a reasonable dilution it will be helpful to us if you can put across more time series details.

Sucheth Davuluri:

I will make a couple of comments and let the others add to it; one of the reasons why we had Deloitte and SBI CAP do the valuation and give the fairness opinion is so that to do exactly what you just said is take the past performance of these organizations as well as the expected future performance and get to value that their thought was fair; however, as Saharsh was saying earlier, in terms of what we expect in terms of the overall performance or the clarification of numbers, we will follow what is expected of by SEBI because on one side, we want to make sure that we do not release information which is trade-sensitive or could put us in a position where we are divulging information which could be misused by competitors. But at the same time, we want to provide information which provides adequate clarity to our investors. So, for that, we will always fall back on SEBI to provide information on what was required to make sure that we are providing adequate level of transparency.

Moderator:

Thank you. The next question is from the line of Ranvir Singh from Systematix Shares. Please go ahead.

Ranvir Singh:

This is related to the operational part. So how has been the traction?

D. Saharsh Rao:

I think it continues to go as per plans, Ranvir. At this point, we do not have any significant update, I think we talked a lot in our previous earnings about the offtake, etc., it continues to be as per our earlier plans. So, we are reasonably in place.

Ranvir Singh:

I can understand the shareholding has been different. So apart from this R&D, what other benefits we can expect from getting all it together, that operational efficiency we are talking about. So, in terms of is this just an administration or we will get some other traction also?

D. Saharsh Rao:

I think the logic behind the amalgamation has been not just the synergy in terms of the reduction of cost which is obviously an important ingredient, but it also is about trying to synergize the businesses to make sure that we are setting ourselves up strongly for the business both the Generic APIs and the CMS. One of the important things to recognize about the changes in our industry also is that the lines between the Generics business and the Innovation

business is also thinning, we have seen acquisitions of large generic companies like Teva acquiring innovative companies like Actavis and Actavis acquiring Forest Lab. So, lot of innovator companies today are having Generics business and generic companies are also pursuing innovation. So, when we deal with such kind of changes in the industry it is very important for us to be unified as a company to be able to cater to both their requirements. Also, in the world of increasing regulations where even research facilities are being audited by the FDA, we are currently in a very strong position with NPRPL being recently audited by the FDA with no 483s, we are in a situation where we will have in-house to a manufacturing site and a research facility, all inspected by the FDA. This company being able to do not just contract research for innovator company, but also to be able to produce Generic APIs for the generic pharmaceutical industry. So, there is a lot of intangible benefits that will arise out of the amalgamation of these three companies, the ease of doing business, the ability to project one uniform set of operations. So, I think the changes are going to be realize over time. So, it is not just going to be based on the accretion of the value just coming directly from the margins of NPRPL, or the benefits of the synergies of the cost, but it is also because of the changes in the industry and our better ability to cope up with these changes.

Sucheth Davuluri: In summary, we will have synergies in terms of cost savings which have directly impacted the bottom line, on the upside obviously, it will have a positive impact on the overall EBITDA margin of the organization as well.

Ranvir Singh: My question was when we do the CRAMS value chain, what I understand is that commercial supply has been from our listed entity and development part of that R&D probably have Pharma Research unit have been doing it. So, taking it together, if we do all the value chain at one place, the EBITDA margin, should I expect some incremental benefit apart from that tax benefit that anyway we will get in bottom line?

Anil Kumar: Yes, you are correct.

Moderator: Thank you. The next question is from the line of Krishna Kiran from Spark Capital. This will be the last question.

Krishna Kiran: Is it possible to share that Deloitte valuation report? In the past BSS shared the same.

D. Saharsh Rao: With regards to that, I think as Sucheth has mentioned earlier, we will follow whatever is the practices that are in line with SEBI's guidelines. I think we should just balance two things; we should ensure that we are providing adequate transparency of the valuation process but at the same time we should make sure that any sensitive information about the company is not available to competitors or market. I think in due course of time, as we progress with SEBI, we will make whatever information that is possible to be available. At this moment, I think the swap ratios have been already disclosed on our website. I think as we go forward, if there is more information that is possible to share, we will share that.



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Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

D. Saharsh Rao: I would like to thank all our friends for joining the call this morning. We appreciate all the questions and your interest in the company. I think there were a lot of good questions about the amalgamation as well as the performance of the businesses, NLL, NPRPL as well. I think there were a few questions that were not very clearly answered in terms of the shareholding pattern post-merger. What we will do is we will create a 'Power Point Presentation' which will explain the shareholding pattern pre-and post-merger, that will make it very clear and uploaded on to our website. I can also understand that some of you who's questions have not been answered, we will take it up offline, so please get in touch with Ankit or Diwakar at Christensen and we will make sure that we respond to as many questions as we can. We thank you again for your interest in Neuland Laboratories and hope to be in touch with you over the next several quarters.

Moderator: Thank you. On behalf of Neuland Laboratories Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.