



“Granules India Limited  
Q2 & H1 FY2023 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Q2 and H1 FY2023 Earnings Conference Call of Granules India 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 an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Irfan Raeen from Orient Capital. Thank you and over to you.

**Irfan Raeen:** Thank you Yashashri. Good evening, everyone, myself Irfan Raeen from Orient Capital. We are an Investor Relation Advisor to the company. I hope that all of you and your families are safe and healthy. On behalf of Granules India, I extend a warm welcome to all participants on Q2 and H1 FY2023 financial discussion call. Today on the call I am joined by Dr. Krishna Prasad, Chairman & Managing Director; Dr. KVS Ram Rao - Joint Managing Director and Chief Executive Officer; Ms. Priyanka Madam - Executive Director, GPI; and Mr. Sandip Neogi - Chief Financial Officer. I hope everyone had an opportunity to go through our investor deck and press release that we have uploaded today on exchanges and on company’s website. Before beginning with the call, I would like to give a short disclaimer. This call may contain some of the forward-looking statements which are completely based upon our beliefs, opinions and expectation as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. With this I hand over the call to Dr. Krishna Prasad Sir. Over to you Sir! Thank you.

**K P Chigurupati:** Thank you Irfan. A very good evening to all of you ladies and gentlemen and thank you very much for joining us today. I am sure all our investors had received the proceeds from the buyback by now and are happy that the company has interest of the investors as a priority. All of you would have gone through our numbers and Sandip will also take you through them. Let us only dwell on some key indicators.

During the current quarter we continued and improved on our performance on all fronts compared to Q2 of FY2022 and Q1 of FY2023. While net profit has grown the most important and satisfying parameter is the cash position. We had generated operational cash of Rs. 218 Crores as compared to Rs.181 Crores during Q1 2023. After accounting for capex, we generated a free cash of Rs.124 Crores compared to Rs.98 Crores in Q1. As explained in our last call our focus continues to be free cash and we will continue to focus on this. As of today, we have completed the buyback and had incurred an outflow of Rs.310 Crores including taxes and other expenses. We are confident that after taking this amount and future capex into account we will end up with a positive cash flow and reduced net debt by the end of the current fiscal year as compared to March 2022. On the business front while we continue to see price erosion in the US, we will continue to offset this through increased sales in other geographies and increased focus on operational efficiencies. This had been an ongoing issue for the past many years, but Granules had been able to successfully manage this. On the positive side the slow downward trend in raw material prices is continuing but the cost of energy had gone up adding to our cost. The international freight rates especially for reefer containers had not reduced much during the last

quarter but we see a downward trend in Q3 already. To supply PAP and DCDA some of our important raw materials had been stable and we expected to continue and possibly improve.

The political situation in Europe had caused disruption in raw materials coming out of this region but for us we were impacted only on excipients. We are mitigating this by qualifying alternate sources from other geographies. Work on the DCDA project is proceeding smoothly and we expect to see results in less than two years. R&D is progressing smoothly and details of the ANDA filings, approvals and DMF filings are in the investor presentation. While we continue with our current business model and keep trying to grow it, I am greatly excited that our journey towards Granules 2.0 is proceeding smoothly, and we are all excitedly looking forward to the positive outcomes from this. As usual I request our JMD, Dr. Ram Rao to take you through this journey. Over to you Dr. Ram Rao!

**KVS Ram Rao:**

Thank you Mr. Chairman. Good evening, everyone on the call. I echo the views of the Chairman on a very satisfying second quarter performance of the company. In my last quarter remarks, I spoke about Granules' long-term strategy on science, technology and innovation. I am very happy to confirm that our strategy relating to this is on track. We made decent progress on the enzyme and fermentation technology driven product development and completed proof of concepts for a couple of projects. We are also making good progress on the continuous process development effort and DCDA and as pointed out by the Chairman we should see the commercialization of this product in the next couple of years. The R&D and portfolio management strategies are much more robust now and are based on the initiatives of science and technology and we have also made a very good progress in institutionalizing ESG as a way of doing business for us. All these science technology related initiatives are going to increase the R&D spend in the subsequent quarters. I have also communicated in the last quarter we see huge untapped market potential for our core molecules in Europe, South Africa and AMEA countries. We have now started expanding in these markets. The first set of European launch of some of these molecules through our partners is likely to happen during Q3. With this I hand it over to Sandip for financial highlights.

**Sandip Neogi:**

Thank you Sir. Let me now take you through the top financial parameters now.

**Revenue:** The second quarter revenue was Rs.1,151 Crores as compared to Rs.888 Crores in Q2 FY2022 growth of around 30%. This growth is mainly attributed to increased business in the US especially in the API segment. The revenue share of noncore molecules stood at 16% which is higher mainly because of the increased core sales in the current quarter. Even though in percentage terms the others have decreased but in absolute numbers showed a marginal growth. The sales breakup as per business verticals and details are presented in our investor presentation which is available on the website.

**Value addition** which is basically sales minus cost of material consumed. Value addition percentage in Q2 has contracted by 1.1% mainly due to segment mix as in this quarter API sales was more.

**EBITDA and EBITDA margin:** EBITDA for the quarter was Rs.243 Crores when compared to Rs.151 Crores in the previous year same quarter an increase of 61% over the previous year mainly on account of increased business across major geographies.

**R&D:** Our R&D spend for the quarter was Rs.25 Crores as compared to Rs.47 Crores in the same quarter in the previous year. It is expected that R&D spending will be in the range of Rs.40 to Rs.45 Crores in each quarter going forward.

**Net debt:** Our net debt was Rs.553 Crores as compared to Rs.613 Crores in the last quarter mainly on account of repaying of the long-term debt. Our focus on cash collection has also resulted in free cash of Rs.124 Crores in the current quarter.

**Cash-to-cash cycle:** Our cash-to-cash cycle was at 141 days in the current quarter compared to 144 days in the previous quarter. The decrease of 3 days was mainly attributed to a reduction in the receivable days due to factoring of invoices.

**Operational cash flow:** Operational cash flow for the quarter was Rs.218 Crores when compared to Rs.101 Crores in the previous year same quarter. Higher operating profit and a focus on working capital management contributed to higher operating cash flow in the current quarter.

**Capex** spend during the year stood at Rs.94 Crores.

With this I open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Rahul Veera from Abakkus. Please go ahead.

**Rahul Veera:** Sir just wanted to understand that is the gross margin on Paracetamol lower than other products because sequentially when the sales have gone up in Paracetamol specifically the gross margin is not up to the mark?

**K P Chigurupati:** You are right Rahul. Gross margin on Paracetamol is lesser than other products.

**Rahul Veera:** Was there any one-off in this Paracetamol sales in this quarter or we are seeing this kind of traction going forward as well?

**K P Chigurupati:** There is no one-off Rahul. Actually, basically the whole thing came from availability of raw material. Now the supply of PAP has stabilized we see this going forward. Market was not a problem for us we had marquee customers and they continue to be with us.

**Rahul Veera:** If given the incremental sales from Paracetamol and from US the percentage of sales has increased sharply but we were targeting to more markets like Europe or even the LATAM markets right so how is the shape up now?

- K P Chigurupati:** You mean Paracetamol in US compared to other geographies was that your question?
- Rahul Veera:** Is Paracetamol in US increases sharply as compared to other geographies?
- K P Chigurupati:** No, we have some marquee customers in the US and also we are trying to convert most of them from API to finished dosages and also our European launch of Paracetamol formulation is happening now in this quarter Q3 so there will be increases in both segments but I think US will be higher share for Paracetamol.
- Rahul Veera:** The contracts are large or key customers that we would have added in the past couple of quarters?
- K P Chigurupati:** No, I do not think so. These are customers who have been with us with increased wallet share we are getting with them.
- Rahul Veera:** What will be the capacity utilization of our plant for Paracetamol as of now?
- K P Chigurupati:** Paracetamol is between 90% and 95%.
- Rahul Veera:** Okay fair point. I will come back in the queue.
- Moderator:** Thank you. We have our next question from the line of Krish Mehta from Enam Holdings. Please go ahead.
- Krish Mehta:** Thank you for taking my question. I just had a question to clarify in the finance cost given that the debt has come down could you explain what contributed to increasing the finance cost for the quarter and what the blended cost of borrowing was?
- Sandip Neogi:** So, finance cost has increased. Actually, for everybody because the SOFR rate has increased so when we started the year and where we are seeing the SOFR now there is a 3.5% to 4% increase in the SOFR that has resulted. The spread has not increased for any of us, but SOFR rate increase has actually resulted in a kind of cost borrowing being higher.
- Krish Mehta:** How do you view the finance cost over the next few quarters as you now when debt comes down how do you view the mix changing?
- Sandip Neogi:** We do not see that the SOFR is coming drastically; if the SOFR continues at that level we can only ensure you that the spread will not go up, so obviously it will be the same range.
- Krish Mehta:** Okay thank you so much.
- Moderator:** We now have our next question from the line of Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.

- Ashwini Agarwal:** What I am saying was I am trying to figure out the way forward last two years have been very challenging for the company because first we saw excessive one-off gains because of COVID-related shortages especially in Metformin and excessive demand for Paracetamol and then we saw product shortages and shipping cost coming down, now at least on the raw material shortages and shipping cost things are normalizing the FD contribution to overall revenues have also gone up and we are kind of right sizing the sales across various geographies so if I look at the long-term history value addition has been more or less around 50% and if I look at the long-term EBITDA margin has been in the region of about 21% to 22% in some years, but on the lower side with **(inaudible) 16:56** over the next two to three years where do you see gross margins and EBITDA margins stabilizing given all the initiatives that you are taking?
- K P Chigurupati:** First of all let me say like you said 21 and 22 both are aberrations, 21 is a positive aberration and 22 is a negative aberration and 23 it start off returning to normalcy but due to uncertainties today in the world I am not able to say how much improvement we will make, so I do not see any possibility of deterioration, any normal possibility but in this uncertain world we do not know where we will go. I always said we will be slowly creeping from our 20% so we crept a bit and year-on-year we will definitely creep up and our target is to get to 25% and when it comes to value add the situation is it is the product mix that always dictates so we are going towards high margin products but all these things will be visible only after two years onwards. Like I said it is Granules 2.0 which is going to transform the company and there we will see definitely higher margins. Meanwhile we continue to face and mitigate the challenges that are occurring in today's world especially price erosion in the US and disruption of supply chains in different parts of the world, initially it was China now it is Europe. There are many mitigations that are going on so I cannot see gross margins going up but definitely once 2.0 takes place we will definitely see a great upside and we are all looking excited for that.
- Ashwini Agarwal:** On a more specific basis could you quantify the size of savings that are possible on shipping rates?
- K P Chigurupati:** I will just give an example for reefer container prices were as high as I would say \$12,000 to \$13,000 per container Q1, Q2 it come to around 12 but this quarter we are already seeing 8.5, 8 and looks like they are still going to possibly go down.
- Ashwini Agarwal:** Pre-COVID these rates were at 3, 3.5 would that be fair?
- K P Chigurupati:** No, reefer container would have been around 4 to 5.
- Ashwini Agarwal:** Would this kind of offset the R&D expense pickup because R&D has obviously helped the EBITDA margin in the current quarter, but R&D is being normalized over the next two quarters that we suggest so will lower shipping cost kind of offset the R&D headwinds?

- K P Chigurupati:** There are a few areas where we see savings coming in and definitely freight cost is one. If we see in the second quarter the freight cost has drastically played a very important part of our cost so freight is one and there are few other areas where we see which will offset the R&D expenditure.
- Ashwini Agarwal:** That is all I had. Congratulations once again.
- Moderator:** Thank you. We now have the next question from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.
- Rashmi Sancheti:** Hi good evening management and thanks for the opportunity. First I want to know about US related to the price erosion in the first quarter you all mentioned that Granules is facing high double digit price erosion so what are the current status over there whether it has really come down or not and how many new launches have we done in first half and if we can quantify out of the new launches how many new MUPS technology launches we have done from Gagillapur?
- Priyanka Chigurupati:** To answer your first question in terms of price erosion, there is still slight a bit of price erosion that we are having to deal with but the good news is that it not as drastic as high double digits right now so the market is slowly beginning to stabilize but we are positioned and we are positioning ourselves to make sure that we do not lose out market share of price alone. In terms of the number of launches from MUPS we have done two launches in Q4 of this last year, and we have been increasing market share and winning more awards for those two products. Outside of those two products we will be launching a few products in Q4 of this fiscal and Q1 of next year. In addition to that we did one more controlled substance launch from the US.
- Rashmi Sancheti:** How many would be total new launches which include MUPS & other products in first half?
- Priyanka Chigurupati:** We did about three launches in the first half and going forward in the second half we will be doing about one to two more launches and we have not reached our target market share for these three products yet so we will be aggressively bidding on these products as well.
- Rashmi Sancheti:** What about Metoprolol succinate approval we had some query on it have you responded to the USFDA or what is the current status over there?
- K P Chigurupati:** Rashmi you seem to be knowing more than us about what is happening.
- Priyanka Chigurupati:** Everything is going on track, and we should be able to launch it as planned.
- Rashmi Sancheti:** Related to the Paracetamol the revenue has gone up this quarter we should take it this as a pent-up demand because PAT has stabilized or based on some order visibility and all we believe that Paracetamol revenue run rate would be higher in the second half as well as in FY2024 also?
- K P Chigurupati:** The same trends will continue Rashmi. It is not a pent-up demand. People were waiting for us to come back on track, and it is also like I always said we cannibalize on other suppliers, so it is a shift from some other supplier to us.

- Rashmi Sancheti:** Okay understood. Can you give some direction in terms of revenue growth for API, PFI, and FD because this quarter we have seen some extraordinary growth and even the first half the growth is extremely high especially in the API as well as in the PFI segment is first half would reflect similarly in the second half or we are seeing that there would be some lower growth which would be due to the season in the second half?
- K P Chigurupati:** We could see improvement in the second half but mainly Rashmi it is not revenue that we are looking at and it is not even the bottomline it is the cash that we are generating so without revenue without bottomline we cannot get the cash but it is also a product mix and what business to take what business not to take that determines the margin, so definitely we will be improving on our cash position and bottomline so let us not focus too much on revenues.
- Rashmi Sancheti:** Alright Sir. Thank you. That is, it from my side.
- Moderator:** Thank you. We have our next question from the line of Varun Basrur from Julius Baer Wealth Advisors India Private Ltd. Please go ahead.
- Varun Basrur:** So, a couple of questions first what percentage of the finance cost in this quarter is attributable to factoring of receivables and the second question is of the cash-to-cash cycle what percentage or what kind of raw materials inventory are we keeping on hand?
- Sandip Neogi:** Factoring cost is around 40% of the total finance cost for this quarter and regarding the inventory cost you may want to.
- K P Chigurupati:** I do not have just the raw material number with me it is the total inventory which includes inventory here on the sea and also in the US. Last quarter we had 179 days as compared to 182 days in the previous quarter and receivable days have come down it was 74 from 83 and payable days also have come down from 121 to 112 so overall the net effect is three days on cash-to-cash cycle. Again, let me just clarify a bit Varun when Sandip said 40% is the cost of factoring if not factored, we would have had to take some working capital debt and the difference is not much between factoring cost and the working capital PCFC it is a marginal difference.
- Varun Basrur:** I understood Sir. Thank you.
- Moderator:** Thank you. We have our next question from the line of Maitri Parikh from Pi Square Investments. Please go ahead.
- Maitri Parikh:** My first question is that what is our market share in Paracetamol domestically and globally if we have the number?
- K P Chigurupati:** I do not think we can give out that information Maitri it is a little sensitive with competition and we prefer not to discuss this is in open forum.
- Maitri Parikh:** The second question is that what is the revenue concentration of the top five customers?

- K P Chigurupati:** I think it should be around 30% to 40% Maitri a little more than 30% I would guess. I do not have the number offhand with me, but I can definitely tell you top 20 customers will not be more than 60%.
- Maitri Parikh:** The third question that I have is that is the raw material that we import so what is the percentage of total raw material that we import and from which countries do we import?
- K P Chigurupati:** Mostly we import from China and Europe, a little bit from US also, about 10% of our total imports may be coming from the US and overall, our imports should be about 30% of our revenue.
- Maitri Parikh:** How much are we dependent on China, there is some problem and if we are not able to import from China do we have the alternative?
- K P Chigurupati:** The two materials we import from China have been DCDA and PAP and now PAP there was a shortage in China that is streamlined now. We also have Indian manufacturers and other international manufacturers who have come up so there is lot of mitigation that has happened, and we do not see a very great challenge on this product. On DCDA we have one supplier out of Europe so now with the cost of energy going up in Europe they are not very economical. Now China is economical so basically if you say DCDA we are still quite dependent on China and again to add to this the whole world is dependent on China for Metformin for the intermediate of Metformin no other country makes this expect one company in Germany.
- Maitri Parikh:** Okay no issues. I think that is all from my side. Thank you.
- Moderator:** Thank you. We have the next question from the line of Tushar Bohra from MK Ventures. Please go ahead.
- Tushar Bohra:** Thanks for the opportunity and congratulations to the management for excellent set of numbers. Sir couple of things (A)- I wanted to understand about some of the new initiatives so details around the hypo and onco plant and also the biologic asset that we acquired if there is clarity on the strategy regarding biologics as a whole going forward as well as some of the other work that we are doing under Granules 2.0 if you could sort of explain in more detail?
- KVS Ram Rao:** As I mentioned in my speech. We are focused on high potential oncology block and hypo block. I think earlier also we indicated that we are going to focus on the oncology formulations and as discussed and the progress is in the right direction. We are able to see good traction with the customers in terms of business development teams and also how we can use the capacity utilization there, so I think it is going in the right direction as far as the hypo block is concerned. Coming to your second point on the entire enzyme fermentation and what R&D assets and capabilities that we have got we are able to really foray ourselves into enzyme driven product development and we have done a proof of concept of a couple of products and we seemed to be quite happy in the direction in which the results have come and very soon we will see this getting

commercialized through our enzyme and fermentation technology route into that API manufacturing, so I think as a part of the strategy what we started in the beginning as explained in the first quarter we continue to have this journey and we have made sufficient progress to see that the strategy has now started into the execution mode and definitely fermentation enzyme is much ahead of ours and also on the continuous process development we have started looking at couple of products and including DCDA and the Chairman has pointed out in his speech and he also told in the next couple of years we should be able to come out with commercialization of the continuous process development of this molecule and we are also looking at several others, so suffice it to say that the strategies that we are now calling it as Granules 2.0 has taken off both in terms of execution of the products, projects and also reshaping our portfolio as a long-term strategy for the organization.

**Tushar Bohra:**

Thanks Sir as a followup to this, also on the MUPS side and some of the complex generics we have been filing last four years and pretty much last two, two-and-a-half years we have got a number of approvals in place, which we have steadily been launching in US markets, just want to understand as a execution where we are vis-à-vis what we were envisaging this portfolio to be and how soon can we see real traction in the other molecules such that it starts to become a much more meaningful percentage of the total?

**K P Chigurupati :**

Some of the very important filings which we have made are yet to be approved in the MUPS area, as Priyanka said we will see some in Q4 of this year and some in Q1 of next year, so those will be decent products, meanwhile we have some products which have been approved and we are steadily launching them and the strategy of going slow I think it is better we hear it from Priyanka.

**Priyanka Chigurupati:**

In terms of going slow like we have always said Granules will continue to focus on maintaining and gaining market share with our threshold of profitability in line, so in the US market with an increased amount of competition for all the products our first goal is to maintain security of supply and too slowly but steadily gain market share which involves a little bit of patience and making sure we have a certain amount of inventory ready to go at given point of time. So if we have to get a large market share, the only way to do it overnight is to cut down the prices which is not what we plan on doing, so like I said we are in the third quarter of gaining momentum for two of the products from the block in India and we continue to gain market on those two products, but customers themselves reached out to us say your competitors are not able to supply to us, can you give us.. so with that we are able to make sure that we set a value proposition right in the US market and that is why we want to be as a company. Going forward we have been doing the same with all the MUPS products coming out at this time.

**Tushar Bohra:**

Great. There is one point based on Metformin I think on the DCDA on the supply side some issues, overall Metformin has been slightly flattish for us in the last couple of quarters in fact even this quarter Y-o-Y we are flattish, is it something that due to supply security or supply related concerns we are not able to fully leverage the potential or do we see this as a transient phase and we should be able to grow back in Metformin aggressively?

- K P Chigurupati:** In the US we already have a decent share and I do not think we should try to get more share at the cost of margin, so like Priyanka said we are going slow, we expect to maintain our margins. There is price erosion, we can give in some but we cannot give too much, so we would like to stabilize that rather than increasing market share at low margin, but other geographies we have just started launching, this quarter we are launching Paracetamol products in Europe and possibly next quarter we should be launching some Metformin products in Europe and other geographies in the form of formulations, so this should keep growing, but it would not grow at a very rapid pace. Europe is still virgin, but we will do well.
- Moderator:** Thank you. We have the next question from the line of Kaushik Mohan from Ashika Group. Please go ahead.
- Kaushik Mohan:** Sir, I just wanted to know on the PAP side do we buy PAP from India?
- K P Chigurupati:** We do Kaushik.
- Kaushik Mohan:** Can I know the supplier; is it from Sadhana Nitro Chem or something like that?
- K P Chigurupati:** Not from Sadhana Nitro Chem that I can tell you.
- Kaushik Mohan:** What are the Indian prices that we buy Sir?
- K P Chigurupati:** Prices are almost the same competitive everywhere today, there is a surplus product, and it is almost the same.
- Kaushik Mohan:** It is as equivalent as the China?
- K P Chigurupati:** A little bit here and there, they vary but more or less.
- Kaushik Mohan:** What is the strategy for Paracetamol in Europe, how are we go there in Europe?
- K P Chigurupati:** We sell a lot of Paracetamol, API and PFI in Europe and we also do some contract manufacturing of Paracetamol tablets for certain customers including some brands, but right now we are launching our own dossiers along with our partners. We have filed for some products and this quarter we will launch in two countries.
- Kaushik Mohan:** Is there any changes in Paracetamol because of the quality of PAP?
- K P Chigurupati:** The quality of PAP is not bad; it is the same quality. We had some problems with one or two new suppliers but work with them to make sure the quality comes out well.
- Kaushik Mohan:** There is a new evolution in this PAP right it is Nitrobenzene route, do we buy PAP in that route or in any other format of PAP that we are buying?

- K P Chigurupati:** Nobody makes it from Nitrobenzene today for sale in the market.
- Kaushik Mohan:** Thanks Sir and Happy Diwali.
- Moderator:** Thank you. We have the next question from the line of Maulik Varia from Anand Rathi. Please go ahead.
- Maulik Varia:** Good evening, Sir. Our sales have grown on the API side and mainly from the Paracetamol side, so just wanted to know that is it because of increase in realization of that product or is it increase in volume of that product?
- K P Chigurupati:** It is actually volume; I do not know if you are here in the call right from beginning, we mentioned that we have availability of more raw materials and that has led to increased production and increased sale.
- Maulik Varia:** Sorry I would have missed that. Thanks a lot.
- Moderator:** Thank you. We have the next question from the line of Suresh Agarwal an Individual Investor. Please go ahead.
- Suresh Agarwal:** Good evening, Sir. What is our dividend policy Sir?
- K P Chigurupati:** You know the amount of buyback with it, we will give it back in the form of dividend or buyback whichever way, our priority is to make sure the investors are benefitted and if you calculate the amount of money that was given you can understand what we are planning to do.
- Moderator:** His line is disconnected. We will move on to the next question from Ashwini Agarwal from Demeter Advisors LLP. Please go ahead.
- Ashwini Agarwal:** Just a followup question from me. I am referring to your opening remarks where you said that notwithstanding buyback and the client capex you still expect to generate free operating cash flow, which will be used to reduce debt and considering that the value addition margins and EBITDA margins are likely to be steady that kind of hints at very strong second half in revenue growth and I just wanted to understand what driving that contract?
- K P Chigurupati:** It is mainly going to be working capital management Ashwini and it is working with our customers where quicker payments and reducing the receivable days and also we are working with our suppliers to increase the payable days and inventory is a very cautious approach we are taking because if you do not have enough inventory in the US you could end up with failure to supplies, penalties which could be disastrous, we need to really study this but we are very cautious on that. So, to answer your question once again to summit up it is mainly reduction of receivable days and increase of payable days and also raw material inventory in India we could possibly reduce, but not the finished product.

- Ashwini Agarwal:** It is essentially working capital is going to get a lot tighter in the second half?
- K P Chigurupati:** All our money are conversion of operational profit into operational cash was not great in the past because all our money was getting added to working capital and our borrowing was so low the cost of borrowing we felt it was okay too, at point of time it was only 0.6% before the SOFR went up, so we did not really bother, but now we thought the focus has come on cash and cash alone, so we thought let us get the cash in.
- Ashwini Agarwal:** That is helpful. Thank you and all the best and Happy Diwali.
- Moderator:** Thank you. We have question from the line of Tushar Manudhane from Motilal Oswal Financial Services. Please go ahead.
- Tushar Manudhane:** Just one question on the overall investments into onco, hypo and biologic assets till date and how much do you intend to invest maybe in FY2023 and 2024?
- Sandip Neogi and K P Chigurupati:** Onco investment is Rs.90 Crores and for this biotech company we have only invested Rs.13 Crores. We have given guidance for this year and next year is going to be Rs.300 Crores each. We do not expect to invest anything in the onco plant, but on the biologic side we will definitely be investing and after this the investments could be higher after this year, next year, we will see how it turns out, but this year, next year will be Rs.300 Crores each.
- Tushar Manudhane:** Fair enough. Thank you.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Dr. Krishna Prasad for closing comments. Over to you Sir!
- K P Chigurupati:** Ladies and gentlemen once again thank you very much for joining us today and I would like to reiterate that we are working hard to continue the run up just like we had in Q2 and we will try our best to make sure that we continue to grow profitably, so thank you very much.
- Moderator:** Thank you Sir. On behalf of Granules India Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.