



10<sup>th</sup> February, 2016

<b>To,</b> <b>The Manager,</b> <b>Listing Department,</b> <b>National Stock Exchange of India Ltd.</b> "Exchange Plaza", C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.  <b>Ref. : (i) Symbol – DISHMAN</b> <b>(ii) Series – EQ</b>	<b>To,</b> <b>Department of Corporate Services</b> <b>Bombay Stock Exchange Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.  <b>Ref. : Scrip Code No. : 532526</b>
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**Sub: Transcript of Conference Call - Quarter and Nine Months ended 31<sup>st</sup> December, 2015**

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Monday, 8<sup>th</sup> February, 2016 to discuss the financial result and performance of the Company for the quarter and nine months ended 31<sup>st</sup> December, 2015.

Kindly take the same on your record.

Thanking You,

Yours faithfully,  
**For Dishman Pharmaceuticals and Chemicals Ltd.**

**Tushar D. Shah**  
**Company Secretary**

**Encl : As above**

**Dishman Pharmaceuticals and Chemicals Limited**

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## Earnings Conference Call Transcript

Event: Dishman Pharmaceuticals and Chemicals Limited Earnings Call

Event Date/Time: Monday, 8<sup>th</sup> February, 2016 at 05.00 P.M.

**CORPORATE PARTICIPANTS**

**Janmejay R. Vyas**

Chairman & Managing Director – Dishman Group

**Arpit Vyas**

Managing Director – Dishman Group

**Harshil Dalal**

Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

**Mark Griffiths**

Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

**CALL PARTICIPANTS**

**Ranjeet Kapadia**

Senior Vice President - Centrum Broking, Mumbai

**Anil Shah**

Managing Director - Birla Mutual Fund, Mumbai

**Ranveer Singh**

Analyst – Systematics, Mumbai

**Kushal Rughani**

Research Analyst - India Infoline, Mumbai

**Saravanan Viswanathan**

Vice President - Unifi Capital, Chennai

**Runjhun Jain**

Senior Research Analyst - Nirmal Bang, Mumbai

**Tushar Bohra**

Assistant Vice President – Reliance Capital – Mumbai

**C Srihari**

Senior Research Analyst - TCS Securities– Hyderabad

**Chetan Badia**

Analyst - JHP Securities – Mumbai

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**PRESENTATION**

**Palak - Moderator**

Good evening, ladies and gentlemen. I am Palak, the moderator for this conference. Welcome to the Conference Call of Dishman Pharmaceuticals and Chemicals Limited. Mr. J. R. Vyas will be your call leader today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer interactive session will be conducted for all the participants' in this conference. I now hand over the call to Mr. J. R. Vyas. Thank you and over to you, Sir!

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**Janmejay R. Vyas - Chairman - Dishman Group**

Good evening everybody for joining this concall. From now onwards, I have made a change and I will be asking Arpit Vyas, my son who is the Managing Director to take over the conference call as we does the investors conference call and so on. Thank you. Arpit.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Thank you. Good evening to all of you. It gives me immense pleasure to welcome you to discuss the results of the third quarter and the first nine months of FY 2016. The company has witnessed strong operating performance during the third quarter of FY 2016 marked by significant expansion in operating margins while the revenues decline marginally during third quarter because of the change in product mix as we have been discussing through the year. The overall quality of business improved significantly leading to increase in EBITDA margins to 28.3% during quarter three of this fiscal year compared to 19% of the corresponding quarter last year. In addition to improved profitability across various business segments we have also been able to bring operation efficiencies across our global operations. The CRAM business witnessed improved profitability at Carbogen Amcis and India.

The Carbogen Amcis business is operating at 95% capacity utilization and sees strong revenue visibility backed by more than \$100 million order book. The India CRAMs business witnessed strong growth driven by increased traction in high quality commercial manufacturing and developmental orders. The Hypo division also shows healthy pickup in revenues. The hypo unit is completely booked for 12 months with a good revenue visibility and with more than 50% EBITDA margins.

With focus on optimum capacity utilization we shall continue to focus on high margin order but most importantly orders, which have value, addition and which caters the medical needs at both Carbogen Amcis and India. The Vitamin D business also continue to perform as our strategy of consolidating our presence in higher margin Vitamin D analog and optimizing the selling strategy leading to higher EBITDA margins.

The China facility post becoming profitable during this year is also witnessing increasing business from supplying intermediates and API. We are due to get export GMP license later on in this quarter which will enable us to accept orders from clients other than the Dishman Group who have already audited the facilities.

Going forward we shall continue to focus on increasing our operational profitability while maintaining steady growth in revenues. We have robust order book across all business segments providing us with good revenue visibility. We see improved business activity backed by a strong pipeline of oncology drugs where we have proven expertise as well as we foresees a good number of drugs entering commercial sale in the near-term leading to healthy commercial production from India.

Now to conclude I would like to inform you all of an important update. We understand that our business has been a blanked for you all as we have to abide by the confidentiality of our clients. We have raised this issue with our clients and the good news is that we have come to a mutual agreement to what can be informed to our investors for better understanding of our business.

For this we will update our website where we will provide the information of the developmental projects that lie with us in Phase I, Phase II, Phase III and Phase IV with the therapies. Unfortunately we will still not be allowed to name the clients or name the products. So I request you to bear with us regarding that aspect but this information should be uploaded in the website very soon, which will enable you to do further analysis of how your company is performing during the coming years. Thank you all and I would like to now pass on the call to Mr. Mark Griffiths our Global CEO for a few words.

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

Thank you Arpit. Good evening everybody and thank you very much for taking your time to speak with us. As Arpit said, our main this year continues to be operational efficiency and driving better margins out of the work that we do. We have been very successful this year in transitioning a number of projects out of clinic Phase II into clinical Phase III and in fact we have already commercialized two drugs this year for our clients out of Carbogen Amcis.

Our pipeline for Europe is exceedingly strong and we continue to see clients taking great value in the services that we offer them especially from the United States of America supporting the Carbogen Amcis continued growth. We are looking at minor capex expenditures in the coming year to enable us to take even more work. So the pipeline is very strong. As Arpit said our consolidation and restructuring of operational level in facility is now bearing significant fruit.

Although the topline has not grown significantly the bottomline has grown massively and our strategy of selling direct to customers rather than to distributors is starting to really bear some fruit towards that

business. At the Bavla site we have also been very successful in taking a number of our key customers through out of phase II into phase III and we have a number of projects which are undergoing invalidation work there. One of which is in our new hypo unit and that project should be evaluated by the end of this fiscal year and then we will be working with the clients who agree commercial supply revenues.

So thank you very much and grateful listening to our presentation and we look forward to your questions.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

I would like to pass on the call to Mr. Harshil Dalal. Thank you Mark for the update. Mr. Harshil Dalal will provide you with the financial update.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Thank you Arpit. The quarter three that is quarter ending December 31, 2015 was a very good quarter for the company as a whole in terms of the profitability parameters that we had also discussed with the last quarter. So the turnover for the company on a consolidated basis for the quarter ending December was 382 Crores versus a turnover of 385 Crores in the comparable quarter as on December 31, 2014.

There was a significant improvement in the EBITDA margins. So the EBITDA margins, which were about 21% in the comparable quarter last year, moved up to 29% in the current quarter. The profit before tax, which was 8% in the comparable quarter last year, moved up to 17%.

We have been able to almost double our profit before tax in the current quarter. The profit after tax also shows significant improvement as against 6% in the comparable quarter last year we did 12% in the current quarter.

For the nine months ending December 31 the story more or less remains same where in the profitability parameters have again shown remarkable improvement. The turnover which was 1140 Crores in the nine months ended December 31, 2014 moved up marginally to 1156 Crores in the nine months ending December 31, 2015.

The EBITDA margin, which was 22% for the nine months, last year, moved up to 28% in the current year. The profit before tax, which was 9% last year, moved up to 14%. The profit after tax which was 7% at 81 Crores moved up to 10% which was 121 Crores for the nine months ending December 31 2015.

Overall it was a very good quarter for us and the nine months performance showed a significant improvement from the profitability perspective largely on account of the improved product mix and all of our subsidiaries including China doing immensely well in the current financial year.

With this I will hand over the call to Arpit to throw some more light.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Thank you Harshil Bhai. You guys would have gotten the presentation of the numbers as well and you would now have the confidence of whatever we have been discussing with you all since past two years now and now we have been able to achieve. So that is a very positive sign from us to you for our investors.

One update that I would like you guys to know is that we have also have on this call Dr. Himani Dhotre who is the CEO of the Bavla facility. So if you have any technical questions regarding some premier it could be catered by her.

Also for this quarter I would like to inform you that because of the change in product mix we might see a little bit of decrease in the topline but as you all know that we are solely focusing on the profitability and EBITDA margins and that would remain in-line with what we have suggested during the entire year. I think moderator, we can start the Q&A session.

**Palak - Moderator**

Sure sir. We will now begin the question-and-answer interactive session for all the participants' who are connected to audio conference service from Airtel. Participants' who wish to ask questions may please press "\*" "1" on their touchtone enabled telephone keypad. On pressing "\*" "1" participants' will get a chance to present their questions on a first-in-line basis. To ask a question participants' may please press "\*" "1" now. The first question comes from Mr. Ranjeet Kapadia from Mumbai. Mr. Kapadia, you may please ask the question now.

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**Ranjeet Kapadia – Senior Vice President - Centrum Broking, Mumbai**

Hearty congratulation for good set of numbers. My question relates to Sirturo that is Johnson and Johnson product. How it has fared during the quarter and what are the future prospects for that and my second question relates to your margin improvement material cost has declined by almost 1100 basis point on year-on-year basis. So if you can throw some more light on this?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Unfortunately Mr. Kapadia on the Sirturo front we have been informed by our customers that we are not allowed to make any statements in the public forum. As you know that BSE the concalls are now becoming a public forum and are listed on the BSE. So Sirturo is not allowed to discuss and what was your second question sorry.

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**Ranjeet Kapadia – Senior Vice President - Centrum Broking, Mumbai**

It is regarding material cost. It was declined by 1100 basis points on year-on-year basis. So this sharp decline relates to what are the elements of this.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

The sharp decline mainly relates to the operational efficiency, Mr. Vyas had been working very hard in the R&D and has been able to bring down the material cost significantly, which is been reflected in the books. Carbogen Amcis have also gotten high margin orders, which have been catered in this quarter, which has brought down the material cost. Also at Netherlands focusing on the Vitamin D analogs as a raw material cost is low have been reflected in this quarter. So you see a decrease in the raw material cost.

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**Ranjeet Kapadia – Senior Vice President - Centrum Broking, Mumbai**

My question relates to personnel cost which has increased significantly by 440 basis points from 29% to almost 34%. What is the main reason for this?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

The main reason is that in this quarter we have booked all the increments. We have issued all the increments from this quarter onwards of the year and plus Diwali bonuses in this quarter and the order book of Carbogen Amcis that you see of \$100 million that consists of almost \$65 million of developmental work for which to cater to them as quickly as possibly we have added few personnel and that is the major manpower rise that we have seen.

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**Ranjeet Kapadia – Senior Vice President - Centrum Broking, Mumbai**

What is the capex plan for this year and next year?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Currently except for the normal capex we have not actually declared any major capex. What we are doing is we are currently concentrating on the capacities that is the utilization to be optimized but I would say that for next year around 50 Crores plus is what the current normal capex planned as and when we free some capex there are lot of projects which are in pipeline. We might have to see so we will look at it after March.

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**Ranjeet Kapadia – Senior Vice President - Centrum Broking, Mumbai**

Wish you all the very best.

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**Palak - Moderator**

Thank you very much Mr. Kapadia. The next question comes from Mr. Anil Shah from Mumbai. Mr. Shah you may please ask the question now.

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**Anil Shah - Managing Director - Birla Mutual Fund, Mumbai**

Congratulation good set of numbers. You made a statement on hypo being booked for 12 months, which is currently at about 50% utilization. Just wanted to know that that would mean from a full year perspective in a book for 12 months. What kind of turnover and you talked about 50% margins sorry not utilization but you talked about 50% margins as far as hypo is concerned. So when you say book for 12 months what kind of revenue should we be looking at from hypo please.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Anil Bhai for unit nine I will explain you a couple of things. One is that in unit nine as of now we are only working with the new chemical entities where we are helping them develop the molecule as well as manufacturing the API for clinical trial purposes. We have as of now four to five customers who have already procured material for the clinical trials. Since we only have two operation cells we have given the option to our clients to book the cells according to the need of when they would require for the further manufacturing of the API for further clinical trials or studies or even collecting for launched phase. So for that reason the entire 12 months have been booked. The three to four products for the new entries in unit nine depending on when the authorities give them the approval should be launching anywhere between 12 to 18 months at least two of them and if all goes well we have a visibility of the next fiscal year to be around 10 to 15 million.

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**Anil Shah - Managing Director - Birla Mutual Fund, Mumbai**

From hypo alone and sorry the capex number that you spoke about was 50 Crores for the year.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

50 Crores for next year without considering any additional capex that we might have to look at for which we will take a call after March.

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**Anil Shah - Managing Director - Birla Mutual Fund, Mumbai**

Thank you, I will join the queue back for further questions.

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**Palak - Moderator**

Thank you very much Mr. Shah. The next question comes from Mr. Ranveer Singh from Mumbai. Mr. Singh you may please ask the question now.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

Thanks for taking my question. One thing is related to Sirturo that supply has already been started during this quarter.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Unfortunately we will not be able to comment on it. What I can tell you is that there will be a constant supply the year-on-year from our clients and we are in talk with the clients to allow us to reveal some information to our investors when we have that permission we will be able to give you a light on the product.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

As far as India CRAM is concerned what has actually made it to give this kind of margin. Have you started some new products or how is this?

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**Janmejay R. Vyas - Chairman - Dishman Group**

Basically, we are all seeing pretty heavily for the development programs of certain new products. There are at least 13 products right now where we are endorsing for the development work that is going on at our plant. That is the main reason.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

So can you give some sense about Eprosartan whether we see their volume growth also or pricing wise how the thing are going up.

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**Janmejay R. Vyas - Chairman - Dishman Group**

No Eprosartan already the product is gone. The product expired last year and now we cannot comment anything on where it will be difficult.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

Okay and for Carbogen Amcis, Switzerland what would be the order book size right now?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

The order book size is sitting at \$500 million Swiss Franks out of which 65 million are development projects, which have not yet started. So the order book is very strong in this.

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**Ranveer Singh - Analyst – Systematics, Mumbai**



This order book Sir executable within a year 12 months.

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

It is a rolling basically we have been rolling 65 million through for the last year, which means when we finish projects there is a backlog of projects to complete. So as Arpit Bhai said one of the increases is the staff costs we added a few additional people in Switzerland. So main time the through projects as the order is coming we have been very, very successful this year in continuing that 65 million average which rolls across and just keeps rolling.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

Last on accounting Chinese revenues we are accounting in CRAMs or in other marketable molecules?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Currently it is classified under others. In the presentation, which has been sent out, it is classified under others.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

So what has been the revenue from Chinese facility this quarter?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

For the current quarter it did about 7.5 Crores of topline with 45% EBITDA margin.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

We continue to supply that two intermediate process Carbogen Amcis right?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

Part of this strategy is really twofold. At the moment to get the business profitable, it is supplying critical intermediates for Carbogen and for Bavla the additional site in Bavla. We will be by the end of March fully GMP compliance and then will be start tracing full API. We had two audits already this month. That have been very successful by clients and we continue to hope that Shanghai would continue to be profitable business going forward.

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**Ranveer Singh - Analyst – Systematics, Mumbai**

Thanks.

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**Palak - Moderator**

Thank you very much Mr. Singh. The next question comes from Mr. Kushal Rughani from Mumbai. Mr. Rughani you may please ask the question now.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

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Congratulation for great set of numbers. Question was related as you mentioned rightly said operational efficiency and what set of product mix, which led to such high margins but how sustainable are this margins. So what should be in we take base for the margin I mean for the operating margin?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

The benchmark base I think at a consolidated level Sir you can take at around anywhere between 25% and 27%. We could always hope to achieve a 27% but may be providing for a few surprises we can easily assume that between 25% and 27% is the acceptable number for margin at a consolidate level.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

That is for FY2017 we can assume right.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Yes when in this current quarter as well as in next year. Endeavor is to improve margin but at present I think this looks to be a decent range to work with.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

Sir secondly at Carbogen Amcis level you can share information like how many projects are in phase III, phase I and phase II?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Exactly initially when I had before Q&A question what I informed is you all is that we have spoken to our clients and they have agreed and they have allowed us to post this information and we will be doing that not only for Carbogen Amcis but the entire group.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

Hypo facility gave how much revenue for this quarter?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

For the current quarter it did 2.5 million of topline.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

Currently I guess debt is around 850 Crores. So what sort of debt equity would be comfortable to look for going forward?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

It is anyway less than one and it will in fact there is a debt reduction target progress is net reduction. So that by the end of the year.

**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Basically as he said currently our debt is around 855 Crores and this is also taking into accounts forex fluctuations. So on a dollar term basis because lot of our debt has been converted to foreign currency debt. So on a dollar term basis there is already a reduction of about 14 million. So we are very comfortable with the debt equity ratio, which currently stands at around 0.6, and there would be further reduction in the next year as well. So it can be assumed safely anywhere between 0.4 and 0.5.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

So 70, 80 Crores debt reduction can be.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Net debt reduction could be that extent next year.

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**Kushal Rughani – Research Analyst - India Infoline, Mumbai**

Thank you.

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**Palak - Moderator**

Thank you very much Mr. Rughani. The next question comes from Mr. Saravanan Viswanathan from Chennai. Mr. Viswanathan you may please ask the question now.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

Thanks for taking my question. Out of the total CRAMs revenue how much would be from the projects that have been commercialized and how much is from the developmental work.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

You are talking about the consolidated level. The Carbogen Amcis side Mark, would you like to share product mix of developmental and commercial?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

It is about 60% to 65% development and the remainder is commercial revenues. These are products that we are manufacturing and the GMP direct to clients who are selling in the market. So those products going to the US predominantly to Europe and the neighbouring territories are Korea and the rest is WHO development revenues. So preclinical phase I and phase II and primarily phase III work.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

Non-Carbogen?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Non-Carbogen at India level you can say that 60% would be commercial products and around 35% to 40% would be developmental.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

Is it fair to assume that commercial part is more repetitive business?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Yes.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

So only the development part there could be some volatility in terms of how the projects are developed.

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**Janmejaya R. Vyas - Chairman - Dishman Group**

It is a normal phenomenon and that you finish one project and then you have all the projects.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

A follow question and in terms of the commercialized projects are you seeing any price reset that are happening because any part of it linked to crude or something?

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**Janmejaya R. Vyas - Chairman - Dishman Group**

No not at all. We have not even heard I mean in the research developmental side nobody will look at prices of crude.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

Not on the development side only commercialized part of it. Commercial supply.

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**Janmejaya R. Vyas - Chairman - Dishman Group**

In our company I have not commercialized anyone asking for a price reduction on commercial side also.

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**Saravanan Viswanathan – Vice President - Unifi Capital, Chennai**

Okay that is good Sir. I will join back in the queue.

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**Palak - Moderator**

Thank you very much Mr. Viswanathan. The next question comes from Ms. Runjhun Jain from Mumbai. Ms. Jain you may please ask the question now.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Thank you for the opportunity. I have few clarifications first. In the opening remarks Mr. Arpit Vyas said about the China GMP coming by this week by this quarter end. Can you just throw more light on it and what he meant by this?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

Basically the facility to get it ready for API rather than intermediate there is another step change in the quality requirements and demonstrating the qualities that one needs to do. So we took a stepwise approach to get the facility backup for running utilizing its capacity to supply intermediates to both Switzerland and for Bavaria and the next step is to go through the qualification process to enable to manufacture products under GMP. The facility was designed to operate under GMP whereas I am sure you will all appreciate there is a step in documentation and quality correction, training of people etc and we are significantly through that work now and we anticipate being ready by the end of this quarter to take GMP products for our customers.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

So in short you are saying that you are expecting the GMP certification to come by quarter end and with this you would be able to supply intermediate against currently API?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

Yes we will be able to do both the complex intermediates and also the products being done at the moment, which is why we are able to charge such high margins because these intermediates are very complex.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Great. Second thing is for the China sales you said that it is 7.5 Crores and if I am not wrong for the current quarter. It was same for the Q2 FY'16 also for the sequentially quarter.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

No sequential quarter the sales was only about 1.5 Crores.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

1.5 Crores is 40% of EBITDA margins.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

No negative EBITDA, no last year there was a negative EBITDA of 26 Crores for the entire year.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

No I am talking about Q2 FY'16.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Q2 was about 8 Crores.

**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

8 Crores with 40% kind of.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Yes 40% of EBITDA

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

So there is no much increase on sequential basis. So with this GMP certification coming do you think that we can see an increase in the quarterly revenue?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Also another point to note is we consolidate the September quarter for the December quarter end consolidated results because China operates on a calendar year January to December. So we should see an improvement in the topline as well in the last quarter, which could be December.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Second thing is we have seen a good improvement in the EBITDA margins for both the subsidiary business and the standalone business. My question pertains to only subsidiary. Do you think these margins are sustainable for going forward also?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

I think so yes they look sustainable on the basis of the current business mix and also the new strategy, which Mark explained.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Fair enough Sir just one more clarification just with earlier question you were saying that we have done \$4.5 million of revenue. I just missed that point. I think in the discussion you were saying about one of the unit revenue of.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

That was unit nine, 2.5.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

2.5 so it is unit nine.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

That is our hypo facility.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

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So you did \$2.5 million of revenue for Q3 and what would be the figure for YTD Sir.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

YTD would be 8.5

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

8.5 and for this year we can expect it to be at \$10, \$11 million right. That figure you expect to be around 10 to 15 for next year.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

That is right.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Thank you.

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**Palak - Moderator**

Thank you very much Ms. Jain. The next question comes from Mr. Tushar Bohra from Mumbai. Mr. Bohra you may please ask the question now.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

Thank you so much for the opportunity and congratulation Sir for an excellent set of results. I just wanted to ask about the update on Clovis drug regarding which there were some issues with Clovis side earlier in the year. Is there any update from their side or something that we can share?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

As Arpit Bhai said we are giving more concerned about mentioning data about customers for what I can say is that Clovis remains bullish about the products they will be filing in the next month or so and we are continuing to manufacture intermediates and API.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

So the filing is on track. It will delayed may be by a quarter but it is on track, as we understand now?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

As we understand is where its own track.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

Just to clarify further on Runjhun question and on the guidance on margin so while we maintain 25% to 27% guidance on margins we believe that this current margin of above 28% is sustainable right. That is how we should take it for next year.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

That is what the target is because the whole endeavor is now focused on the bottomline in terms of the products, in terms of the operations, in terms of the efficiencies everything. We will try I think as of now as Arpit explained in a previous question you should take 25 to 27 as a range obviously endeavor will be to improve and we will share with you as we move forward.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

Very quickly is there any change in the tax rate or if you can just explain the taxation structure one as things stand?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

So on the taxation front we are working at our subsidiary level as well as India level to reduce the tax rate wherever possible. So we should see the effective tax rate coming down starting next financial year.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

So what is the tax rate we should benchmark for next year?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Next year you can around 24%, 25%.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

This is what we think it would be this year Sir for the full year?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

We will just wait for things to fructify post that we can table what tax rate right now we can take as around 25%.

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**Tushar Bohra - Assistant Vice President – Reliance Capital – Mumbai**

Thank you so much and once again congratulation for very good set of results.

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**Palak - Moderator**

Thank you very much Mr. Bohra. The next question comes from Mr. P Srihari from Hyderabad. Mr. Srihari you may please ask the question now.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**



**Dishman Pharmaceuticals and Chemicals Limited Conference Call**

This is C. Srihari. So firstly I wanted to know if you have any updated guidance for fiscal 2017 topline guidance and secondly your finance cost has decreased significantly during the quarter big sequentially or YoY. So I wanted an updated on that. Thank you.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

There was some disturbance Mr. Sri can you repeat the first question?

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

The topline guidance growth?

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Topline guidance we will maintain at 10% to 12%.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

For fiscal 2017.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

Yes.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

Secondly the finance cost has decreased significantly. What is the can you throw some light on that please.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

It was mainly to convert our rupee debt into foreign currency.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

So this 18.5 Crores is that kind of a number that we should pencil in for our estimates per quarter.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Yes I mean it can come down even further but right now you can assume this 18.5 Crores. So what we have done is we have converted lot of rupee borrowings into foreign currency debt and also there has been repayment of some high cost debt at India level.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

So what is the average cost of borrowing at the moment?

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

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Right now it would be around 9%.

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**C Srihari - Senior Research Analyst - TCS Securities– Hyderabad**

Thank you. That is all from my side.

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**Palak - Moderator**

Thank you very much Mr. Srihari. The next question comes from Mr. Saravanan Viswanathan from Chennai. Mr. Viswanathan you may please ask the question now.

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**Saravanan Viswanathan - Vice President - Unifi Capital, Chennai**

You are talking about minor capex in Carbogen. So could you please quantify and also the headcount in Carbogen where do you see from now?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

We are sitting at 403 FTEs in Switzerland and we expect that to grow next year so round about 450. The capex is likely to be in the range of 5 million Swiss Frank.

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**Saravanan Viswanathan - Vice President - Unifi Capital, Chennai**

Did you mention 450 or 415?

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

415.

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**Saravanan Viswanathan - Vice President - Unifi Capital, Chennai**

Thanks.

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**Palak - Moderator**

Thank you very much Mr. Viswanathan. The next question comes from Mr. Anil Shah from Mumbai. Mr. Shah you may please ask the question now.

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**Anil Shah - Managing Director - Birla Mutual Fund, Mumbai**

Just two follow up questions one, we talked about the employee cost this quarter going up and you explained in terms of bonuses and increments etc., I just wanted to know is there a backdated payments that we have made what should be take as a running quarterly cost in terms of employees that is my first question. Second question is if you could we talked about the debt equity being at 0.6 and aspirations to moving to 0.5 and lower next year. Could you quantify in terms of the debt repayment that we are looking to do in FY'17 as well please.

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

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At FY'17 we will maintain the same debt reduction plan of around 80 to 100 Crores. Regarding the employee cost, I think at consolidate level at India level you can take an average of around 4 to 5 Crores per month and at Carbogen level Mark would you throw some light on the Carbogen level for the employee cost.

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**Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited**

Well employee costs are rising quite as high in percentage terms anyway in Europe because inflation is still very low. So with the efficient of about another 12 people you are probably looking at addition in cost laboured cost of around million Swiss Franks that is fully allowed first of all the way include insurance and pension and those things.

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**Anil Shah - Managing Director - Birla Mutual Fund, Mumbai**

Thank you.

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**Palak - Moderator**

Thank you very much Mr. Shah. The next question comes from Mr. Chetan Badia from Mumbai. Mr. Badia you may please ask the question now.

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**Chetan Badia - Analyst - JHP Securities – Mumbai**

Thanks for the opportunity. Sir can you just reiterate the debt target that you have said for end of FY 2016 and 2017 at what kind of debt level you would like to reach.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

For end of FY'16 around 80 to 100 Crores and same in 2017 this is the reduction target.

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**Chetan Badia - Analyst - JHP Securities – Mumbai**

80 to 100 Crores reduction.

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**Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited**

Yes you can say about 80 Crores this year and about 100 Crores next year.

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**Chetan Badia - Analyst - JHP Securities – Mumbai**

That is all from my side. Thank you.

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**Palak - Moderator**

Thank you very much Mr. Badia. At this moment there are no further questions from participants. I now hand over the floor back to you. Over to you Sir!

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**Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited**

## **Dishman Pharmaceuticals and Chemicals Limited Conference Call**

Thank you all for joining the call. We have as explained earlier very eventful year coming ahead of us and we really, really appreciate your constant support for your company and I hope that we are able to deliver to your expectations. We will try our level best. Thank you all and have a good day.

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### **Palak– Moderator**

Ladies and gentlemen, this concludes the conference call. You may now disconnect the lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.