Dishman Carbogen Amcis

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13th August, 2022

To,	To,
Department of Corporate Services **BSE Ltd.** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	**The Manager,** **Listing Department,** **National Stock Exchange of India Ltd.** "Exchange Plaza", C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.
Ref.: Scrip Code No. : 540701	**Ref. : (i) Symbol – DCAL** **(ii) Series – EQ**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL - QUARTER ENDING 30TH JUNE, 2022

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, pls. find enclosed herewith transcript of earnings conference call arranged by the Company with Investors on Wednesday, 10th August, 2022 to discuss the financial result and performance of the Company for the quarter ended on 30th June, 2022.

The aforesaid transcript is also being hosted on the website of the Company, www.imdcal.com in accordance with the Regulation 46 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

SG Dave

Shrima Dave
Company Secretary

Carbogen Amcis Ltd. Dishman Ahmedabad

Encl.: As above

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited – First Quarter Ending June 30, 2022 Earnings Call

Event Date/Time: August 10, 2022/1715 HRS

CORPORATE PARTICIPANTS

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

Pascal Villemagne
Chief Executive Officer - CARBOGEN AMCIS entities, Company's wholly owned subsidiaries

Moderator: Ladies and gentlemen good day and welcome to Dishman Carbogen Amcis Limited Q1 FY'23 Conference Call. As a reminder, all participant lines will be in 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' zero on your touchtone phone. Please note this conference is being recorded. I now hand over the conference to Mr. Harshil Dalal. Thank you and over to you, sir.

Harshil Dalal: Thank you moderator, and a very good evening to everybody. Thank you for joining on this call for the First Quarter of Financial Year 2023. I'm sure all of you would have had a chance to go through the "Investor Presentation" that we had uploaded and the "Published Results." The June quarter was a quite progressive quarter for us as a company and there was a good indication that we are in the right direction as far as the business is concerned. The quarter saw a very strong pipeline of molecules in phase-III, progressing quite well. We are happy to state that we have started work of almost US$96 million on the development side which is a significantly strong order book that we hold right now. We are getting closer towards operationalizing our expansion in Switzerland for the ADC molecule as well as the French plant for which Pascal can give you greater insight later on the call.

The quarter also saw the India business getting quite a bit back on track from a revenue perspective at both the Bavla and the Naroda sites. We do expect the margins for the Bavla site, that is predominantly focused on the CRAMS business to keep ramping up from here on and this will be driven by a significant amount of revenues that we are expecting this particular site to generate over the next few years.

The focus generics as well as the Quartz business did quite well in the first quarter both from a revenue as well as margins perspective, and we do expect even this business to keep ramping up and keep on contributing to the profit as well.

The quarter on the cost side was also impacted. This was largely on account of the high energy cost that we have been experiencing in Europe, the higher cost of raw materials for our Dutch business and the higher logistics cost that we are seeing across the businesses, largely attributable to the geopolitical situation. While we do expect that most of this cost would be passed on to the customers in the foreseeable future, there is definitely a time lag due to the already accepted orders, as well as the competition.

Overall, we are excited about the growth for the group as a whole and we do envisage the India business to progress significantly and play an important role in the overall growth for the group on the financial number side. The new revenue stream that we would be starting or would be having as part of our group revenue from the next financial year, that is the business from the new French facility, as well as the significant opportunities that we are seeing from the Swiss business on the NCE side.

So, all of this put together, gives us a very good visibility for the future and we definitely thank you for your continued support and reassure that we are doing our ultimate best to take the company to the next level of growth.

With that, I will hand over the call to Pascal, our CEO for the Carbogen Amcis Group.

Pascal Villemagne: Thank you very much, Harshil for this introduction and good evening, everybody. You are absolutely right the first quarter of this year has been marked by the geopolitical events around the globe which have affected our financial results and cost of energy has been clearly affecting our results by the end of this quarter. We're working with the commercial department across the world to renegotiate pricing, wherever it's possible on the short-term to integrate those rates, that means, as we mentioned that we are on a good way to circumvent those issues. Obviously, those negotiations as you can imagine are not the easiest that you can get because everybody is suffering to keep their margin. However, I'm very optimistic that Carbogen Amcis result we can improve, our EBITDA significantly in the coming months regarding that.

Some few words about the French Affiliates. We are entering in the very last straight of the project. We have successfully filed the open dossier to the French authorities to get their opening green lights. The Office response will come within the next six months. In the meantime, there will be some back-and-forth questions and answers from the authorities that we are extremely confident from today that we will get that opening approval in near time. So, that has been a tremendous work that has been performed by the quality and the regulatory affairs group in France, and that's going to drive us into the opening during the first quarter of 2024.

Obviously, some work needs to be done in that point. From qualification and validation territory, we're still working on the new lines which are now right on sites and we are some confident that we are going to perform over the next seven months all the work necessary to start at the first quarter at best, and then launching our first project from this new facility by end of the Q1'23 successfully.

With that achievement, just for this big project has been inspected, although we have fights against a lot of price increases here and there, we successfully conclude some great negotiations from the petroleum point of view and we kept our customer control over the construction of that inside, which is going to give us a significant competitive advantage in front of some competitors that are building the same kind of facility. In the meantime, where we knew that we haven't been successful to buy equipment at the level. So, in that respect, we have maintained our competitiveness and that's a great news for the future.

Last part regarding the market perspective from CRAMS and also fill and finish markets, which is fairly positive. The mass numbers coming out of different studies demonstrated that although the geopolitical situation is kind of difficult, there is still a high level of money invested in the pharma industry in US and Europe. So, that's giving us a good and solid market to end in, and we are fairly confident that we can maintain our high level of project pipeline as we mentioned.

Now, it's 96 million which is giving us more than a year of work in front of us. So, that's a very, very comfortable situation for a company at Carbogen Amcis.

Now, I'm done. I think I should hand it over to Sanjay.

Harshil Dalal: Sanjay, are you online? I think Sanjay bhai's line got disconnected. We're just getting back on the call. I think in the meantime, what we'll do is we'll go over the financial results for the quarter and then I can hand over the call to Sanjay Majmudar.

So, as far as the quarter was concerned, the revenue from operations on a consolidated basis stood at about Rs.541 crores and the good number or as far as the gross contribution is concerned, we were at about 82% which is something that we definitely hope on maintaining throughout the course of the year, because typically about 20% is the cost that we aim for. The cost for this particular quarter included higher raw material costs, especially for our Dutch business, and when we get into the segment-wise revenue and EBITDA breakup, we'll see that the Dutch business EBITDA was lower than what it has been traditionally, largely because of the higher input cost.

The employee expenses for the quarter stood at about Rs.256 crores. The employee expenses are more or less in line with what we had in the last quarter of financial year '22 and we do expect the employee expenses to be more or less in this range for the remainder of the quarters of the current financial year.

The other expenses stood at Rs.104 crores for the quarter. Other expenses included a foreign exchange loss of about Rs.9 crores, because of which EBITDA was lower by that much amount than what we were actually expecting, and hence the reported EBITDA stood at Rs.88 crores. The other expenses also include the impact of the FX interpretation that we had mentioned in the last quarter results where there was a one-time impact of Rs.18 crores, that impact in the current quarter is about Rs.2 crores which has also been stated, specifically in the reported results. So, on a normalized basis, the EBITDA would stand about Rs.90 crores.

The finance cost for the quarter stood at Rs.19 crores. This looks to be a bit higher than what we had in the last quarter of financial year '22. The important reason is the FOREX loss which is also booked as part of the finance cost. This is to the extent of Rs.3 crores.

As far as the segment-wise break-up is concerned, Dishman India, the APIs and the intermediates business did a revenue of Rs.62 crores as compared to Rs.32 crores in the first quarter of last financial year. So, obviously last year first quarter or the first two, three quarters, the revenue wasn't great from the India business, because we were still expecting the approvals from some of our customers so that we could restart the production of certain APIs, and that has begun from the last quarter, and also in the current quarter we saw huge amount of shipments of the APIs and intermediates happening from the Bavla site. So, that translated into a revenue of Rs.62 crores, which is almost 92% growth as compared to Q1 of last year.

The cost in generics business also showed a 7% growth and the revenue stood at about Rs.51 crores. But the good thing was that we were able to hold the cost and the focus generic at a good margin and that obviously had a positive impact on the overall EBITDA margin.

Carbogen Amcis CRAMS business did a revenue of Rs.363 crores, which is about 3% growth as compared to last year same quarter. So, it was again a good quarter in terms of revenue at Carbogen Amcis. However, most of this revenue is dominated by the development revenue as compared to commercial. So, there were certain commercial product supplies which could not go out in the first quarter and which are going out in the current quarter of the financial year. So, we would see a higher amount of commercial sales from Carbogen Amcis CRAMS segment in the current quarter and in the remainder quarters as well.

The Carbogen Amcis BV business which is our cholesterol and Vitamin D analog business did a revenue of 63 crores. So, this is a drop of about 46% as compared to last year same quarter. However, last year in the same quarter, we had a significant amount of supplies of cholesterol that went out to one specific customer and that was the reason the revenue was exceptionally high and which comprised almost 38% of the annual revenue in a single quarter for the BV business, which is obviously not the case in the current quarter, but we do expect the revenue to ramp up as we move to the remainder of the year both on the cholesterol as well as the Vitamin D analog side.

As far as the margin analysis is concerned, India did report a positive EBITDA on the APIs and the intermediates side. We did an EBITDA of about 10%. Carbogen Amcis CRAMS, the EBITDA margin stood at 19.4%, and the cholesterol and Vitamin D analog business, the margin stood at 19.3% which is quite lower than what our norm has been historically which is somewhere around 30% margin mark. And the major reason for this drop in the margin is largely on account of the increase in the prices of wool grease which is our primary raw material for manufacturing cholesterol as well as the analog. We do expect that the prices should normalize in the course of the year and we are trying to increase the selling prices of some of these products to the extent possible in order to get back to the margins that we were making earlier.

Secondly, the energy cost have also increased. And out of our European business, we have seen the largest impact in Netherlands. Just to give you an idea, the energy cost differential is almost three times to what it was in the first quarter of last year. So, that did have an impact on the margin. We keep on trying and negotiating with the customers to pass on, if not fully part of this cost, as part of increasing the selling price, but there would definitely be a time lag and that could be at least two quarters before we start seeing the full effect of the cost being passed on to the customer. I think that's about it as far as the financial highlights were concerned.

Just one last point on the EDQM as far as Bavla site is concerned. So, we do expect to be completely ready in October this year for informing the authority about performing the reinspection and there have been a lot of technical changes, a lot of improvements in various areas that have been carried out at the Bavla site. So, we feel pretty confident as and when there is reinspection to successfully pass it. As we had mentioned in our previous calls, we have successfully passed many of the customer audits and which has allowed us to resume the production of almost all of the products for our customers on the CRAMS side.

So, that's a bit update on the EDQM. And I think with that I would hand over the call to Mr. Sanjay Majmudar, our independent director. Sanjay bhai, over to you.

Sanjay S. Majmudar: Yes, good evening everyone and thanks for joining this call. I think since we are already a bit late, very quickly an update as Harshil has explained on the numbers. In spite of a little bit of headwinds in Europe due to the pricing and the cost pressures, I think overall performance in Q1 has remained quite in line with what was expected, with a marginal positive consolidated profit being reported as against the loss that was reported in the previous quarter. We believe going forward quarter-over-quarter, both Bavla and Naroda…of course, Naroda has performed exceedingly well and Bavla will also start catching up from second quarter onwards. We believe that at the end of the year, we should definitely see at least a 10% top line growth this year and a significantly positive profit being reported for the year as a whole. That is how the internal working is indicating and we are quite reasonably certain about it.

More importantly, if we talk of next year with the co-investment project going on very satisfactorily and likely to be commissioned next year, and with the French facility at the Riom also getting commissioned next year, and of course Bavla and EDQM behind us. I think from next year onwards we should be back to the old golden days of consistent performance and good profitability.

I think with this, moderator, let's throw the house open for Q&A.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Mr. Subrato Sarkar with Mount Infra Finance Private Limited. Please go ahead, sir.

Subrato Sarkar: Sir, just a clarification like when we were attending your con call last year, you said that year will be normal and then from this year onward everything will come back to normalcy and then we will see that previous performance. Now sir, again in this con call, you are stating this year will be normal and then from next year onward, things will become whatever like prior to that drop period like you will revert back to that. So, why this kind of shifting of goal post that is happening? I can understand there is a bad performance from cholesterol and Vitamin D, but it was quite expected you could have easily understood because of normalcy in the situation, demand, then abnormal demand last year would have normalized. So, can you clarify because as a shareholder what is happening, sir, every time you are shifting your goal and commenting from next year onwards, things will be great, but nothing is happening basically for last two years. So, please help us to understand the situation in more detail so that we can put faith on the management, otherwise it becomes very difficult to you come into the con call, make some comment and then you shift your goal, it becomes very difficult as a shareholder to rely on the management and put faith on the management.

Harshil Dalal: What we had mentioned last year was that as far as the India business is concerned, we expect 70% normalcy should be achieved in the current financial year. And that we are very much on track for achieving, that is number one. As far as the Dutch business is concerned, obviously there is a pressure as far as the cost is concerned, but we do expect the margins to come up at least to around 25% to 30% as we get into the remaining three quarters of the year. The revenue as far as the Dutch business is concerned, it is just that the first quarter did not have significant amount of revenue, but that is the nature of our business. For us it is very difficult to compare this quarter versus last year same quarter because there would be certain quarters where the revenues would be significantly higher than what the previous quarters have done. The right way to look at our business is on a yearly basis and on a yearly basis even as Sanjay bhai alluded, we are quite confident of achieving at least 10% kind of growth as far as the revenue is concerned. The EBITDA should grow at a much faster pace and that should result into a positive PAT. So, I think from what we had stated earlier, it is just that from a quarterly perspective, it's very difficult to give a guidance. If we can give a guidance more so on a yearly basis and there is something that we did last year and that we are pretty much confident of achieving this year.

Subrato Sarkar: Sir, we are tracking your company for pretty long time, so we understand. I'm not at all talking about quarterly guidance and quarterly performance, I'm talking of full year performance. You can go back to your previous year con call and prior to that Q4 of FY'21 and you can you can see that whatever you have committed, nothing n delivered, those are all documents, so we can have a discussion. This is one thing. And second thing now sir on a more specific parameters like the molecules which we have got and we keep on presenting on our CRAMS molecules which are in research phase. So, just to understand because of the slowdown in the overall situation or whatever for other reason, is there any slowdown in the development of those molecules, is there any delay that you are facing while that molecule comes into the market? I understand it's not your own decision, but it's partners decision and it depends upon certain approvals and certain things. I understand but if there is some change in the overall situation in terms of a molecule, then it will be great if you can clarify us on those things?

Pascal Villemagne: Just to come back on your first question, obviously from the promises that have been done last year, the war in Ukraine and the cost of the main raw material we are using for the cholesterol and Vitamin D products has primarily shifted the profitability of this product over the last quarter. This is one of the major impact as well as Harshil mentioned, there is a kind of a product mix effect on last quarter. I fully understand the disappointment and we are the first to be disappointed in that matter. We really are looking to get back on track earlier, but of course the significant events and situation in Ukraine has affected a lot of the raw materials for instance on the cost of energy which affected our revenues. Coming back on your second question, with the CRAMS business, is there any impact? So, far we haven't been advised by our customers there are delays. Those late phase-III programs are significant in our portfolio and some of the applications are very broad and are treating long-term disease which means that the results coming out of the clinical trials are quite long to get. So, that's why it takes a lot of time to get through all those steps. to develop a drug, you need eight to ten years to finalize the clinics and the later phase, the phase-III can take three to five years depending on the kind of disease you are treating together, all the data then justify the market application. But so far, we don't have any delay reported by our partners. We have to also clarify that are in these steps to get money for us, we do a lot of money out of that. So, the fact that the product is staying in phase-III doesn't mean that we are not generating what is quite the contrary. We actually do sometimes more money into the development phase because there is a lot to do than a commercial side. In the commercial side, then we start to have a big pressure on pricing. People want to fight and prepare from the very beginning, the time when the product can come to generic. So, we do more margins on the R&D phase. So, having those products into that phase is not that bad for our company. Quite good. So, yes, the commercial side, more predictable revenues, but you have a lot of price pressure and it's harder to defend high margin, it's quite a control in the R&D side. We have a bit less of our vision because yes, it's clinics, but you have a much better margin and you see a lot of margin in R&D, in analytics and so forth. So, it's good to get this product true in market because it's giving you the baseline for sure. But having those sustaining to the revenue, we still generate somewhat out of that. It's two-third of the Carbogen Amcis revenues. Those are the fact where we do a lot of hours and we spend a lot of time to our customers as we are in business.

Subrato Sarkar: My last question is like we have 17 phase-III molecules. If we assume another three years' time period till FY'25 end, out of the 17 molecules, although it's a partner decision, but at least to the shareholders if you can give us some guidance out of this 17 phase-III molecules, what is the number of molecule ballpark that you expect to get commercialized?

Pascal Villemagne: So, once again as what you said, it's not totally in our hands because it depends on the customer how successful they are to collect all the clinicals there are, how they can demonstrate and win the case to get their NDAs. We can make and look at our historical data, and yes, historically two to three molecules are going to the market from the 15 to 20 molecules we have in our pipeline. that's what we can give as a as a guess, but once again, it's just a guess, because we highly depend on how successful the molecule in this phase-III, how they can demonstrate the big differentiators from the competitors or if it's breakthrough, how quick they can collect all the data. We have three projects that are very, very likely to come to the market in next 12 to 15-months. That's what our partners are asking. But once again we can do it how successful is to collect the data, then some of those molecules are quite difficult because they are embracing some very complex mechanisms in the body, so to demonstrate addition to take time. Yes, that's probably three molecules out of the 18 molecules that could come to the market if everything goes as planned by our customers.

Subrato Sarkar: At least if we see from a historical perspective, let's assume last three years, how many molecules from phase-III has moved to commercialization phase?

Harshil Dalal: Roughly, about six to seven molecules.

Subrato Sarkar: In last three years like six to seven molecules has moved from development stage to commercialization stage?

Harshil Dalal: Correct.

Moderator: Our next question is from the line of Mr. Nikhil Chandok with JM Family Office. Please go ahead, sir.

Nikhil Chandok: My question was from a capital allocation policy. Where do you see more CAPEX happening going forward? In the last two, three years we've done a significant CAPEX in the European region. Now, if you compare Europe and India, clearly, the economics of manufacturing will never match up, your asset turns in Europe or your margins in Europe just given the cost base will always be I presume higher than what it will be versus India. So, do you continue yourself seeing investing more in the European region because that will be less ROE-generative as compared to what it can be in India? And longer term, is there a potential to shift the manufacturing from Europe to India?

Harshil Dalal: So, as far as the capital allocation is concerned, right now as we are investing in France for the parentals project which would be our foray into formulations, supporting our customers. And the second thing that we keep on investing are the development assets and the small-scale manufacturing in Switzerland. So, that is something that we will have to keep on doing in order to make sure that we keep on getting more and more molecules for development which would eventually turn into commercial molecules in the future. As far as the larger scale manufacturing is concerned –

Nikhil Chandok: Why can't those molecules be contracted from the Indian entity, whatever new development is happening?

Harshil Dalal: As far as the early phase development work is concerned, what we have seen is that most of our customers they are extremely comfortable sharing the IP and getting the work done in the initial phases from a site in the western world. And that is the reason we have close to about 450-odd molecules across different phases of development that we are working.

Nikhil Chandok: The Indian companies are doing it, right, this is not a unique business only to Dishman, there are so many other Indian companies which do the contracting from the Indian entity and customers are confident of sharing information and data.

Harshil Dalal: So, some of the Indian companies that we have seen, they start with the discovery process, which we are not into right now and there are other companies which have only a small portion of their total portfolio which is dedicated to NCE. So, as far as our competition is concerned, our competition comes from other players in Europe and also from US. We don't face any competition from any of the Indian players as far as the NCE business that comes to us at Carbogen Amcis is concerned. And Pascal, correct me if I'm wrong and if you want to add something.

Pascal Villemagne: You are absolutely right. There is a strong fight for some of our customers to stay and then start the development of products in Europe, especially on those complex molecules. Keep in mind that at Carbogen Amcis in Europe, we have some assets that we don't have in India in terms of size. So, we are more well equipped to address this clinical phase in Europe with the smaller cells that we have in our plants. On top of that, we were talking about investment. The fact that we have invested in France, it was also linked to the fact that we got some grants from the French authorities, which have been anything else to reach some nice return investment as well. We also got from the local community a very fair price for the land. As I said, we have conveyed very strong negotiations to keep the cost of this investment at a fairly low level, which is going to guarantee high competitiveness of that asset, and then a short return on investment. So, the market is completely global those days in the pharma industry. I understand your feeling by if we can move those assets in India, we might find a better profitability and shorter return investment. Yes, if we have had the same assets. But we don't have exactly the same assets. So, we have to find the right product, right volumes to play and trigger those leverage, where they are located right now we can get the best out of it. When they got to commercial, if they reached the high level of volumes, we expected some of the products, of course, we are going to see the customers and the idea is to transfer this business in India and fulfill the India facility as well. So, there's a large business model there. Firstly, we go and develop those products in Europe with the high confidence of the customer and then later on once it's commercial, when we face some clear competitions in terms of pricing, then we can transfer that to India and get nice profitability out of the India assets.

Harshil Dalal: Nikhil, as far as the large-scale manufacturing is concerned, we don't expect that to happen out of the Swiss or any of our European businesses. We would try and utilize China as well as the India size for the larger scale manufacturing and that's how we are looking at the synergies to play out between our Swiss entity and the India-China business.

Moderator: Our next question is from the line of Mr. Praveen Shreenivas with Samsung Asset Management. Please go ahead, sir.

Praveen Shreenivas: I sort of missed the start of the call. Could you just tell me what happened in the Netherlands business due to sort of our margins fell, because if we look quarter-on-quarter the revenues are roughly in line, and the margins essentially decreased by 10%. So, what drove that decrease and how do you expect to get the margin back to those levels again?

Harshil Dalal: So, as far as the Dutch business is concerned, we have two major so to say product segments in this particular business, the cholesterol and the Vitamin D analog. The basic raw material for this product is the wool grease, that we sold from a supplier, who is one of the largest procurers of that material from the supplier. Unfortunately, one of the other companies had sourced too much of wool grease from this particular supplier because of which the prices had increased significantly. And in order to manufacture this analog and the cholesterol, there are also other sources which could be utilized, so, for example, one of our competitors in China who uses another source, which is not a wool grease**.** So, one obviously because of the increase in prices of the wool grease, the input cost increase and that had a negative impact on the cost for the Dutch business. As far as the revenue is concerned, we do expect the revenue to pick up in the remainder quarters, because we do see that the demand for calcifediol for the global market remains strong, which is one of the Vitamin D analog that we manufacture. So, that was definitely one of the impacts. Second was the energy cost in Netherlands. So, we did see the power and fuel cost in Netherlands go up significantly as compared to last year and that was almost 3, 3.5x of what the costs were in the same quarter last year. And this is largely on account of the Russia-Ukraine war whereas you would have heard in the news, the gas prices in Europe have gone up significantly. So, that was the second negative impact as far as the margins were concerned. And the third was obviously the logistics cost that we have seen across all of the businesses and that would be true for almost all industries, again, because of the geopolitical factors. So, because of these three things, we did see the margins dropping in Netherlands. Having said that the sales team is working extremely hard in trying to up the sales prices for both the product segments to the extent possible, and in that way we try to pass on the cost, as well as we do expect especially the raw material cost should kind of pull off in the remainder part of the year. So, that that was the major reason. Pascal, do you want to add something?

Pascal Villemagne: I think you rationalize the situation regarding the margin in the Netherlands.

Praveen Shreenivas: Just a couple of follow up questions in that. So, one is do you expect going forward that the other competitor who was making large orders for the raw material, he's going to pull off, like is there any visibility around that, like has the raw material costs dropped, Q2 has started, right, it's just been more than one and a half months, has helped us seen a downward trend, how are you sort of looking at that and thinking about it? And secondly, why is the higher logistics cost affecting this quarter, like it should have ideally affected in Q4 FY'22, but then it didn't seem to be as much of an issue as it has been currently, so what has changed like why suddenly bigger, faster than the previous quarter?

Harshil Dalal: To answer your first question, yes, we are seeing the prices come off a bit as far as the wool grease cycles are concerned and that is our expectation it should kind of normalize as we move further into the year. We might not see the 30% maybe in this quarter, but maybe in the later quarters. So, that is our expectation as far as the Dutch business is concerned. The logistics cost was high in the last quarter, that is the fourth quarter of FY'22 as well as in the current quarter. So, that did contribute to the to the increased cost in both the quarters. So, if you're comparing just these two quarters, yes, then the logistics costs were more or less similar. Then the major two reasons if you're just seeing the differential, that's the wool grease prices and the power and fuel costs.

Praveen Shreenivas: Why was the assets loss impact a one-time expense like why is it not something you expect to have in the future, how does it work?

Harshil Dalal: So, this FX loss that we had incurred in this particular quarter, that was largely on account of a large repayment of a loan, which we had to make in the June quarter. It was like a realized loss on that particular repayment that we had before. We have hedged close to about I would say 60%, 70% of our exposures for the remainder part of the year and we do not have any major repayments that are coming up in the next nine months. And that is the reason we believe that this Rs.9 crores of loss in a single quarter is so to say more of an exception and that is in line with US dollar-INR movement that we saw. And then there was a bullet repayment of that particular loan which is not going to happen in the remainder part of the year. So, with the hedges that we have in place, and with no major repayments coming up in the remainder part of the year, we don't think so there should be a quarter with such a large amount of FOREX loss.

Praveen Shreenivas: Finally, so what is your guidance about FY'23 in terms of revenue growth as well as margins?

Harshil Dalal: We do expect the revenues to grow by at least 10%. On the higher side it could be somewhere around 12% to 14%. So, that's kind of the broad range that we're looking at as far as the revenues are concerned, which could be much higher in the next financial year once we have started the supplies of the molecules as well as the linker and the Pedo for the ADC molecule as well as the French operations beginning to add to the revenues and the profitability.

Praveen Shreenivas: So, that is what our expectation is on the revenue side. On the margin side, we believe that it should be in the range of around 20% as far as the EBITDA is concerned.

Praveen Shreenivas: For the full year?

Harshil Dalal: Yes, for the full year.

Moderator: Our next question is from the line of Hari Bilawat with Tech Fin Consultants. Please go ahead, sir.

Hari Bilawat: This is regarding new projects. It is told that some $96 million has been spent on the new project so far. What are the sources of funds for this debt, equity and internal accruals, how is the distribution in this?

Harshil Dalal: The $96 million that you see in the presentation, that's the product pipeline that we have right now. So, that is the amount of development orders, but the value of the development orders that are yet to start. This basically gives us a good amount of visibility for the next 12-months and which clearly shows that the development pipeline is quite strong. We are not funding of development expenses.

Hari Bilawat: No, I agree with you. That is different part of development, but for the new projects you are raising some CHF100, somewhere it is mentioned or about Rs.1,000 crores of fund. So, what will be the distribution of these funds for new projects, I'm talking about that?

Harshil Dalal: So, the 100 million of funding that we have raised and which is not utilized completely. So, that is basically to fund the expansion for the Greenfield project in France, number one. So, about 50% gets incurred on that particular project. The other utilization of the remainder 50 million, one is for our Swiss business where we are doing certain amount of CAPEX for increasing our development as well as the costing, manufacturing. And third, we are incurring certain effects on the top suppliers especially things like SAP, so we are getting the SAP implemented across the Carbogen Amcis group, we just did implement in France. We are also putting in a new SAP, new quality software. These are the software aspects which the remainder part of that 50 million.

Hari Bilawat: So, these are the internal accrual for equity and debt. What is the distribution? I want to know those figures.

Harshil Dalal: So, essentially the bank has given us a line for the entire CAPEX, but then somewhat how much of that is being utilized and how much of that will be utilized and how much of it gets funded through internal accruals. So, right now, since most of the CAPEX is so to say front-ended and we want to get done with this project as quickly as possible, we might see the debt being taken right now, later on cash paid off as also the cash flows that we generate.

Hari Bilawat: That means the entire funds are tied up for these things?

Harshil Dalal: Yes, yes, absolutely.

Moderator: As there are no further questions, I would like to hand over the conference to Mr. Harshil Dalal for closing comments. Please go ahead, sir.

Harshil Dalal: Thank you, moderator. Thank you everybody for getting on to this call and being patient listeners and asking some quality questions. We would like to re-emphasize that all of us are working extremely hard in order to make sure that we are able to deliver the performance that all of you are looking forward to as far as the financial numbers are concerned. We have a very strong outlook as far as the molecules are concerned. We are developing and manufacturing certain molecules which are extremely mission-nature and which would definitely help in improving patients' lives, and that is going to be our sole focus area as we move into the future, and we thank you very much for your strong support and we look forward to having you again on the call in the next quarter. Thank you very much and all the very best.

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