dishman

1st February, 2019

To, **Department of Corporate Services** **BSE Ltd.** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. **Ref.: Scrip Code No. : 540701**	To, **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. : (i) Symbol – DCAL** **(ii) Series – EQ**

SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER ENDED ON 31ST DECEMBER 2018 EARNING CALLS

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Thursday, 24th January, 2019 to discuss the financial result and performance of the Company for the quarter ended 31st December, 2018.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

Shrima Dave
Company Secretary

Dishman Carbogen Amcis Ltd. Ahmedabad

Encl.: As above

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Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - Third Quarter Ending December 31, 2018 Earnings Call

Event Date/Time: January 24, 2019/1600 HRS

CORPORATE PARTICIPANTS

Arpit Vyas
Global Managing Director - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

Mark Griffiths
Global Chief Executive Officer & Director - Dishman Carbogen Amcis Limited

Moderator: Ladies and gentlemen, good evening and welcome to the Dishman Carbogen Amcis Limited Q3 FY'19 Earnings Conference Call. As a reminder, all participants' 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' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Arpit Vyas -- Global Managing Director, Dishman Carbogen Amcis Limited. Thank you and over to you, sir.

Arpit J. Vyas: Thank you, moderator. Dear all, welcome back to our regular participants and a big welcome to the new ones. As mentioned in the previous quarter, it is shaping out to be an interesting year. Even with the uncertain global economy, we are starting to see slow, but steady increase in volumes in some of the commercialized products at both locations; India and Switzerland. We are also seeing some delay in delivery of some of the products, but that is purely due to consolidation happening at the customer's end. This is to be expected. We are hoping that everything should get back to what it was earlier, if not better, by the next quarter or the first quarter of the next fiscal year.

We would like to make an important request here. Please refrain from using any names regarding these consolidations. We have been asked by our clients strictly to not use any names till we are formally informed. Until then we would not be able to talk about it for two reasons – One, we are asked not to, and second, we really have no knowledge of the same. Just to give you an indication of confidentiality, we found out about the consolidation only after the formal announcement was made. So please refrain from mentioning anything.

For the first nine months of the fiscal year FY18, revenue from the top-5 products and customers was Rs.91 crores. The same for the first nine months this fiscal year, that is FY19, we have clocked Rs.143 crores, on a standalone basis. Consolidated 9M FY18 was Rs.391.6 crores versus nearly Rs.420 crores in 9M FY19.

Both at the standalone and consolidated levels, we have witnessed changes not only in volume, but also in the top-five customer composition. We wish to share this positive development with everyone.

With that I would like to hand over the call to Mark, requesting his view.

Mark Griffiths: Good afternoon, good evening, everybody. Thanks again for joining us. Operationally, we had a very solid quarter through the nine months fiscal year. We anticipate a very strong final quarter for the entire group. Our pipeline continues to build with exciting and interesting challenging projects. Our philosophy of continuing to transition customers from preclinical into the later phase clinical trials and status, is continuing to build. We are maintaining our guidance for number of products in late Phase-III across the platform at around 15 to 16. Despite the one or two expected commercialization. We are controlling costs at all levels in the platform, whilst continuing to add new customers and working through the large pipeline of orders.

With that I will hand over to Mr. Harshil Dalal and look forward to your questions after the introduction. Thank you.

Harshil Dalal: Thanks, Mark. A Very Good Evening to everybody. Most of you would have had a chance to go through our numbers; however, for the benefit of all, I will take you through the key numbers for the quarter and the nine months ending December 31, 2018. For the quarter ending December 31, 2018, our revenue in rupee terms was at Rs.479 crores as compared to Rs.460 crores in the corresponding quarter of FY'18. The EBITDA for the quarter was at Rs.133 crores, which translates to 28% margin over the revenue, as compared to Rs.121 crores, which translates to 26.4%, in the corresponding quarter last year. We recorded PAT of Rs.51.37 crores for the quarter as compared to Rs.42 crores in the corresponding quarter last year. As all of you are aware, there is an impact of amortization on the goodwill which was created on account of the merger transaction that happened a couple of years ago. Taking out the impact of the amortization, our adjusted profit before tax for the quarter was Rs.96.6 crores as compared to Rs.90.2 crores in the corresponding quarter last year. The cash profit after tax for the quarter was Rs.103 crores as compared to Rs.96 crores in the corresponding quarter last year.

For the nine months ended December 31, 2018 our consolidated revenue was Rs.1,409 crores as compared to Rs.1,243 crores in the nine months ending December 31, 2017. This represents 13.3% growth in revenue. Our EBITDA was Rs.382.5 crores, with the margin at 27.2% for the nine months as compared to Rs.324 crores in the corresponding nine months of the last year, with margin of about 26%. Again, adjusting for the amortization impact, the adjusted profit before tax was Rs.270 crores for the nine months as compared to Rs.222 crores in the corresponding nine months of the previous year. The cash profit for the nine months was Rs.292 crores as compared to Rs.250 crores in the corresponding nine months of the previous year.

As far as our P&L for the quarter is concerned, there is a FOREX impact on the revenue side as well as on the cost side, which is not just for this quarter but also for the year. Since most of our revenue and costs are denominated in foreign currency, there would be an impact on both the sides. Hence the impact on PAT as far as foreign fluctuation is concerned, would not be much. If you see the P&L, there is other operating income which includes FOREX gain on account of the hedges that we had undertaken against our revenue and correspondingly, there would also be FOREX impact on the costs, which would go in the P&L. Hence, the net impact on PAT is not more than Rs.4 to 5 crores for the quarter.

With that I would like to hand over the call to Mr. Sanjay Majumdar, our Independent Director.

Sanjay Majumdar: Good afternoon, everyone. Thank you, Harshil. Just to add on the FX impact which Harshil just elaborated, the other income is on the higher side, which is mainly operating income. I will emphasize that strongly; it is just an accounting part and we explained about the hedges. Since we follow a robust hedging policy, all the hedges have worked well and these are the realized gains; it is a part of an operating income for a company like Dishman which operates in multiple currencies in multiple countries, and predominantly where (+95%) of the group sales are in terms of foreign currency. Therefore, we must look at both, from cost point of view as well as from the operating currency point of view. These are all the realized gains and is going to be there in future as well.

So, I think with that, moderator, I would request the call to now be thrown upon for question-and-answer.

Moderator: Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.

Rashmi Sacheti: As you mentioned that CRAMS India growth was mainly driven by high commercial order, is it safe to assume that the ovarian cancer drug supplies have picked up? Have some other products also contributed towards the growth? If you could shed some light on the same.

Arpit J Vyas: Rashmi, it is other way round, for the first nine months we have not seen that much of an uptick in the said product because of the consolidation that we highlighted earlier. Some other commercialized products have picked up significantly as those have been commercial since close to two to three years. We are witnessing an uptick in those products. We are expecting a batch to be ready next week, which might get picked in this quarter or the next quarter.

Rashmi Sacheti: In nine months, how much has the said product contributed?

Arpit J Vyas: About $3 or $4 million.

Rashmi Sacheti: Does this include both developmental and commercial quantities or only commercial? As you also supply developmental quantities of the same products to other markets and of other indications to the same market; have those too, contributed to revenue growth?

Arpit J Vyas: For us, there's just one client and now that client is consolidating with other companies. So, we await their decision, but we have been asked to start manufacturing; whether that will come this quarter or next, remains to be seen.

Rashmi Sacheti: How much is the contribution from Eprosartan and the TB drug, during the first nine months?

Arpit J Vyas: Eprosartan for the nine months is close to $9 million and TB drug is close to $5 million.

Rashmi Sacheti: Any update on the new antibiotic drug which is expected to be launched or supplied in Feb 2019? Is it on track?

Mark Griffiths: We are in the middle of negotiating the supply agreement with the customer. Once we have the supply agreement in place, we should have some forecasts ready.

Moderator: Thank you. We have next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Mark, with the commissioning of the expansion in the Switzerland facility, over the next year and year-and-a-half, what is the expected impact on the overall business?

Mark Griffiths: Within the next 18-months to two years, it expected to contribute around $5-8mn to the topline.

Nitin Agarwal: In terms of development efforts for the business, does it enhance our capabilities, which can in turn increase the pipeline for us or just equips us to produce more of the same?

Mark Griffiths: It is exactly what we did it. We needed more capacity and we needed to continue tapping the available opportunities. We would not have built this without customers' demand in place. We inaugurated the facility back in August, post which the first order work commenced. We are continuing to add staff as the project opportunities flow in.

Nitin Agarwal: Mark, if you could shed some light on the key order wins over the past 3-6 months and how the business opportunity presented by those?

Mark Griffiths: At the group level, we've channelized our efforts in the last six months towards North America, especially for the Bavla platform. We are starting to see that fructify with couple of interesting clients; one of them is new API and another one is an opportunity for second supply. So, our business development activities in the US are starting to show some promise, with respect to Bavla. Traditionally Bavla supports European customers; but we are starting to look beyond Europe, to increase our penetration in the US market. I am reasonably pleased with the inroads made till now. We won a project yesterday.

Nitin Agarwal: This would be at which stage or which phase?

Mark Griffiths: The one we won yesterday is at early Phase-3; the one with the opportunity for second supply is already validated, it is not commercial yet, but it is validated. We will be taking validated methods from the client, to Bavla and within the next year, that should be commercial and that is for a customer from California. So, we are quite excited about that one.

Nitin Agarwal: Secondly, over the next year or probably two years, how many commercialization do you expect, of the 15-16 molecules, given the current visibility?

Mark Griffiths: Considering our clients' positions right now, we can expect something between one and three. As you know we are not in control of the filing process; it depends on who gets acquired. If our smaller clients get acquired by larger clients; and we are witnessing some activity on that front; then we see an aggressive marketing profile from the larger pharma's end. They spend a lot of money acquiring these products. So, two or three in a year to 18-months, can be considered.

Nitin Agarwal: There's a lot of discussion about the squeeze in China and the opportunity presented by the same for generic API players in India. What have our internal discussions been in terms of tapping that opportunity and our current view on the situation?

Arpit J Vyas: In generics, we prefer to stay focused on the niche segment that we wish to be in. If other players flood the market, we will witness a price war again. FDA of all the countries are now pushing for GMP practice. We started this activity two to three years ago and we are ahead of anyone who might be considering switching to GMP form.

Mark Griffiths: Also, I mentioned in one of the earlier con-calls that we are seeing an interesting trend. New chemical entity innovators are moving back from the US to China and our offer in China, not manufacturing generics, is very attractive for those new chemical entity innovators. This is still evolving, but we are starting to see a nucleus of a small group of innovators going back to China

and are looking for high quality suppliers to provide API, specifically for the Chinese market. It is small but exciting.

Moderator: Thank you. We have next question from line of Mahendra Jain from Way2Health Management. Please go ahead.

Mahendra Jain: What are the fund raising plans?

Arpit J Vyas: Nothing is concrete as of now.

Moderator: Thank you. We have next question from line of Dilip Joshi from SK Capital. Please go ahead.

Dilip Joshi: The first question is if you see any emerging trends in the commercial manufacturing of large or the biopharma molecules or are the new small chemical entities in the oncology and other areas that you anticipate growth in, over the next two to three years?

Mark Griffiths: I think it is more focused on unmet need, than volumes. There's still high demand for new treatments for oncology, but interestingly, we are seeing a lot of development in areas such as Alzheimer's; we are witnessing a lot of venture investments into small biotech which are developing compounds for Alzheimer's, for replacing traditional antibiotics. So those could turn out to be large volume orders, but still at nascent stages.

Dilip Joshi: Sorry Mark, I was referring to the large molecules or the biotechnology molecules, rather than the chemical entities. I understand that Dementia and Alzheimer's are orphan areas where not many large pharmas are interested because it is not a volume play for them., But what about the biopharmaceutical outsourcing; do you see any emerging trends on that front?

Mark Griffiths: That is interesting. You know that Dishman isn't too much into large molecules. It has a role to play in antibody drug conjugate, where we are active but coming to large volume manufacturing of biological products, there are key players operating in that space and there is some available capacity. We have maintained that if an opportunity came up for an acquisition, we would be looking at maybe a small-scale development of large structures. That would be an area of interest to us. Beyond that, we still hear there is a lot of available capacity in biologics manufacturing and the business is dominated by several well-respected players. We see little point in trying to compete with those players on a large scale.

Dilip Joshi: The second question is that the customers / the innovators get conscious about their intellectual property protection when it comes to large-scale commercial contract, over 5 to 10 years. Once the molecule is commercial, they tend to get conscious about their IP. Will that be a challenge if you are trying to shift work to India to increase the EBITDA for those commercial molecules? Is there any specific requirement from the customers' end for the commercialization to happen from the European facilities?

Mark Griffiths: It is the other way around. Most of the clients we are working with range from the smallest customers to the largest companies in the world; they are more nervous about their IP when they are developing the IP. That is one of the reasons why Carbogen Amcis is part of Dishman. We

are less concerned about IP when it is commercial than we are when they are developing their IP. That is more critical.

Sanjay Majumdar: Just to add to what Mark said, this question for Dishman before was more relevant 20 years ago. I do not think any customer was ever concerned about an adverse impact on their IP while dealing with Dishman. It is a matter of culture, that has been established.

Dilip Joshi: Can we attain 29-30% EBITDA Margin level or the next 2-3 years?

Harshil Dalal: That is the goal. We are closer to 28% already. So, to attain 30% level, would mean adding another 200bps. The strategy is clear. We would not be compromising on the profitability aspect by purely going for revenue growth. So, the focus is on delivering the niche molecules and this should help us in expanding our margin. If we want to increase our revenues, that can be easily done, but there are certain internal decisions that we have taken over the last five years, wherein we have ceased manufacturing certain products. Oncology is almost 50% of our portfolio. One of the major reasons is our focus on the niche molecules as well as the molecules which are going to be sustainable in the future. We have been focusing on five key therapeutic areas, oncology is being one of them.

Moderator: Thank you. The next question is from the line of Ashish Thavkar from Motilal Oswal Asset Management Company. Please go ahead.

Ashish Thavkar: Could you highlight the potential in the Indian market for the Soft Gel Capsules? And when is the European launch expected?

Arpit J Vyas: We are still assessing the market, but we do see potential because all the Soft Gel products, especially the formulation that we have in terms of Calcitriol and Cholesterol-derived products, are being reported in the country, and are coming at high costs. So, a market has been established; our operating strategy in the market is still being discussed, but yes, we see an opportunity here.

Ashish Thavkar: Could you help us understand in terms of metric tons or in terms of import substitution market, available for us to target?

Arpit J Vyas: Analyzing from a metric ton perspective is not advisable since the quantity of the active materials is very small and the analogues of the cholesterol we are talking about, are extremely potent when it comes to its efficacy, in the human body. So, we are talking about microgram levels. But at the KG level, costs are substantially higher.

Ashish Thavkar: Is it going to be a prescription-driven model, or will it be a direct retail push?

Arpit J Vyas: We are evaluating two scenarios – one is the pharmaceuticals which could be prescription-driven, and one is nutraceuticals. So, we are evaluating both the models.

Ashish Thavkar: Anything on the launch in Europe?

Arpit J Vyas: When I refer to Pharmaceuticals, it means the regulated market and there is progress on that front.

Ashish Thavkar: Can you shed some light on the capex for the next 2-3 years and would listing of Carbogen Amcis enable us to incur CAPEX upfront?

Harshil Dalal: We are in the process of forming the business plan at the group level for the next five to ten years. Once the business plan is in place, we can decide on the most feasible way for Capex funding. In line with our earlier guidance, we expect annual CAPEX of around 30-35 million which would also include maintenance CAPEX across our subsidiaries. This can be considered as a normalized run rate for the next two to three years. Once the business plan is in place in terms of additional Capex requirements and fund-raising plans for the same, we shall keep you informed.

Moderator: Thank you. The next question is from the line of Cyndrella Carvalho from Kotak Securities. Please go ahead.

Cyndrella Carvalho: Mark, if we look at the nine months performance at Carbogen Amcis, we have witnessed a decline of 1%. Can you help us understand the outlook for the developmental and commercial orders at Carbogen Amcis?

Mark Griffiths: It comes down to timing. As we mentioned earlier, we are not in control of the customers' demand for commercial API. We have a robust quarter ahead of us with a large proportion of commercial supply, expected in the fourth quarter this year. Our development revenues continue to be very strong. Our development pipeline is still around $70 million. Work is yet to commence on this front. So, our pipeline is strong along with our commercial revenues. This is one of the drawbacks of analyzing the business on a quarterly basis; the immediate conclusions that are drawn are that things are not going well. 40-50% of our turnover is commercial revenue and the shipment from our end depends on the customers' requirements. Customers are shipping directly either to their own formulation plant, or the formulation plants of a contractor or they are building stock. We are not in control of their requirement. We get a guidance at the beginning of the year and as the year progresses, we gain some clarity on their expectation. We will be achieving the targets set for ourselves.

Cyndrella Carvalho: Mark, we understand the lumpiness. I am not analyzing on a quarterly basis, but on a nine months basis. We understand that we have a robust pipeline ahead of us and we are working on the pneumococcal drug. Is the something more to this marginal decline?

Mark Griffiths: Categorically no. For the first nine months last year, our commercial revenues were frontloaded. This year there were three products: One for Eye, two for Oncology, which are backloaded; we anticipated those to come late in the year. This cannot be perceived as a trend. We are comfortable with the targets we have set and there are no concerns on that front.

Cyndrella Carvalho: Coming to CRAMS India, you have already highlighted that from our already commercialized drug from our Bavla facility, we have not seen incremental contribution. In the first nine months, besides sartan, which other drugs have contributed towards growth?

Arpit J Vyas: As Carbogen Amcis, Eprosartan was frontloaded. We do not expect much rise in Eprosartan volume or value, this year. We are witnessing an uptick in the MDR-TB drug; this year revenue from the molecule could be close to 7 million compared to 3-4 million since the past four years. That is a positive development. Tropical, which is manufactured for Abbott, has not contributed first nine months; we can expect some revenue generation from this molecule in this quarter. So, again it depends on the customers' requirements for delivery of products.

Sanjay Majumdar: We have a very strong Q4 even at India level.

Harshil Dalal: All these products are out of the Bavla plant. So, apart from the Hi-Po facility, all the other molecules are manufactured in the Bavla plant. CRAMS revenue growth has been driven by output of Bavla Plant.

Cyndrella Carvalho: What has been the reason behind the increase in staff expenses this quarter? Any one-offs?

Mark Griffiths: The new high potency labs are now functional, and we have staff working at that facility.

Cyndrella Carvalho: Can this be considered as the new base?

Harshil Dalal: Yes. There have also been some additional provisions for the bonus payouts to the sales staff and other employees across the organization, made in this quarter. Around Rs. 170 mn, should be a fair run rate.

Moderator: Thank you. The next question is from the line of Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma: Are we going to witness substantial growth in Carbogen in the last quarter in terms of revenue pick up? For the year, can we expect double-digit revenue growth?

Mark Griffiths: Your first question, yes.

Harshil Dalal: We have already clocked 13% growth in the first nine months YoY. We should be able to register double-digit growth for the full year.

Rahul Sharma: Considering the other operating income as well?

Sanjay Majumdar: Part of the other operating income is the operating income, as per the accounting standards.

Rahul Sharma: On pure revenue basis, will we be able to sustain the growth we achieved in the first nine months?

Arpit J Vyas: It is pure revenue. We are not allowed to record it as sales, so we account for it as operating income. We had prolonged discussions with the auditors as well, to make them understand the rationale behind considering it as operating income. Else it would have been booked as FOREX gains.

Sanjay Majumdar: It is a part of sales. You realize sales at a given rate or at a hedge rate. In terms of sales, the difference between the spot and the realized rate, as per the hedging policy, is booked as other operating income, as a part of sales. We do not segregate the incurred cost of foreign currency. That is booked at the actual rate. So, there is a dichotomy. For Dishman, this is always going to be the case. We need to consider this as a part of revenue. The mark-to-market unrealized part is taken to the balance sheet and this does not get reflected in the P&L. This is transferred to the hedge equalization reserve and that will get reflected once we earn it.

Rahul Sharma: So, we stick to earlier guidance of 13-15% revenue growth including your operating income?

Arpit J Vyas: Yes.

Rahul Sharma: Your view on Vitamin D formulations commercialization?

Arpit J Vyas: That is still being developed. In the beginning we had mentioned that it will take around two years. We are in the trial phase. It's just been a year since we shared this with the investors.

Rahul Sharma: Expected commercialization in FY'20?

Arpit J Vyas: Yes.

Rahul Sharma: I missed out the CAPEX bit. How much would be the CAPEX for current year and next year?

Harshil Dalal: It would be in the range of 30-35 million at the group level including maintenance Capex.

Rahul Sharma: Will the entire amount be capitalized?

Harshil Dalal: If there is any maintenance expenditure which would be consumed within a period of 12-months, then that that goes in the P&L; but if the useful life of expansion is going to be more than 12-months, then it would be capitalized.

Moderator: Thank you. The next question is from the line of Chirag Dagli from HDFC Asset Management. Please go ahead.

Chirag Dagli: Can you split the 240-250 crores Vitamin D business in cholesterol Vitamin D API and analogues?

Mark Griffiths: Those two have near equal contribution. 50% from the cholesterol and its different grades of cholesterol; the other half from Vitamin–D and its Analogues.

Chirag Dagli: 50:50 between cholesterol and analogues. So, we do not make any APIs?

Mark Griffiths: Some of the analogues are APIs.

Chirag Dagli: So, there are three components. What is the split amongst these three?

Mark Griffiths: No, there are two components. We do not bifurcate analogues into analogues and APIs. Those are just analogues and some of those are APIs. But you need to bear in mind that some of these are tiny quantities. These are very expensive, and the volumes are low.

Chirag Dagli: Is there a big difference between the realizations in analogues and APIs?

Arpit J Vyas: Analogue is just a short form of a technical name.

Mark Griffiths: Cholesterol business is a mix of feed, cosmetics and some pharma applications. Vitamin D and Vitamin D analogues are further processed cholesterol with very complex intermediates. It is our internal way of differentiating between cholesterol business, which is large volume and is derived directly from sheep wool and the ongoing complex processing of that cholesterol to enable us to manufacture Vitamin D and Vitamin D analogues. Some of those Vitamin Ds are APIs, but we do not differentiate.

Sanjay Majumdar: That's for the customers to decide.

Chirag Dagli: Has it been three years since we started manufacturing analogues?

Mark Griffiths: No, 40 years. We acquired the analogues business. We have then invested in our analogues business and have been able to grow it.

Chirag Dagli: This business in FY'14-15 used to be a 20%-margin business. It has now gone up to 41%. Wanted to understand the reason behind this. As per my understanding, our foray into Vitamin D analogues has led to this incremental margin. Is this understanding right?

Mark Griffiths: In FY'14, this business was not substantial. We were relying on the cholesterol business. From a strategic viewpoint, the cholesterol business was stable and was able to drive the growth of the business. We then took the decision to invest in our new facility in Holland to enable us to process more complex analogues. Because these are more complex and rarer, these demand a higher price and that aspect has driven the margin.

Sanjay Majumdar: Yes, the product mix has improved considerably.

Mark Griffiths: And development of new products along with introduction of new analogues, has been the business growth driver.

Chirag Dagli: We mentioned earlier that our Late phase-III pipeline has 15-16 molecules. All of these will be commercialized from India?

Mark Griffiths: Some of them will be from Switzerland, some from India.

Chirag Dagli: So, it's between India and Switzerland. Any molecules from China?

Mark Griffiths: There are opportunities for China. There are Phase-II molecules currently. We are working on a couple of intermediates which are for a Phase-III make; one is being made in India and the other

one is being made in our China plant; those two intermediates are then sent to Switzerland to manufacture the API.

Chirag Dagli: In a nutshell, the large volume products will be made from India and the small volume high value will be out of Switzerland, is that understanding right?

Mark Griffiths: Yes.

Moderator: Thank you. The next question is from the line of Vaibhav from Ashmore. Please go ahead.

Vaibhav: By when will the 35 new scientists hired in Switzerland, start contributing to the revenues – by Q4 or is there some contribution in Q3 as well?

Mark Griffiths: First quarter next year.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: The marketable molecule segment excluding the Vitamin D business, has witnessed a sharp decline in the first nine months. Is it due to further restructuring in that business? What is the outlook for the same?

Arpit J Vyas: There's a lot of R&D activities taking place in the markets mainly due to the problems in China. The supply of certain raw materials which were imported from China, were impacted. We had to consider alternate suppliers and offer revised prices to them. Even the domestic prices had shot up due to the same issue. Explaining the customers, the reasons behind the revised higher prices due to RM price increase, also proved to be challenge as some accepted and some rejected, to wait and witness decline in RM prices, if any. This is what the market scenario is.

Harshil Dalal: As we mentioned earlier, we are focusing on the high margin products. As far as the others segment margins are concerned, these are relatively lower compared to what we register in the CRAMS and Vitamin D businesses.

Nitin Agarwal: Will this decline continue in the future? Have there been internal discussions regarding the strategy to be adopted in this business segment?

Mark Griffiths: Yes, we are having some discussions at board level about the future direction of marketable molecules. We have some plans and interesting ideas, driven by Mr. J.R. Vyas. We should have more clarity on these by the next con-call.

Moderator: Thank you. The next question is from the line of Srihari from PCS Securities. Please go ahead.

Srihari: What's the next 2-3 years outlook for CRAMS India business, which is around 300 crores for us currently? And if we assume 4-5 commercialization over the next 2-3 years, what revenues do we expect to generate from those molecules? Finally, on the Antiseptic front, you have filed a DMF. Can you please highlight your plans for this segment?

Arpit J Vyas: To address your first question, CRAMS growth again, is not in our hands. It depends on the demand from the customers' end, which vary according to their need to cater to the patients. So that is completely under their control. We are witnessing an uptick in the products which were commercialized three to four years ago; in terms of volume increase. We will not be able to quantify the volume increase though. The customer does not give us that information. Our calculations are in line with yours. Regarding the second question, we see around three potential commercialization in the next two to three years. Revenue contribution from those will not be immediate as going commercial does not mean that the revenue or the volume will increase instantly. It just means that the approval has been given to launch and then the market has to be created by the customer through marketing campaigns and once the patient acceptability is positive, we will witness volume increase.

Mark Griffiths: Just before the filing is done, we see a small uptick in volume because the customers start building stock based on a fast launch. Then there's a lull before true commercial volumes kick in because they then pare down the built-up stock.

Sanjay Majumdar: As Arpit mentioned, it is very difficult to quantify or forecast until we have clarity from the customer. Based on our business mix and growth witnessed in various business verticals, we can consider double-digit growth over the next few years. It's advisable to analyze this way, rather than focusing on a specific product. Of course, the growth at the group level will be driven by CRAMS.

Arpit J Vyas: Focus should be on analyzing the 5-year CAGR, to be able to ascertain the impact of commercial molecules on the overall revenues. Regarding the query on DMF filing, that is an anti-surfactant. We have done a filing. One of the marketing partners earlier had the DMF in their name, which we have now decided to file in our name. Because of no interest from the marketing partner's end in covering US market, we removed that region from the contract and then we filed the DMF ourselves, to gain control over its marketing.

Srihari: Any figure that can be attributed to that?

Arpit J Vyas: Remains to be seen. Since we can now market the product, we will have more clarity post that.

Srihari: Is it going to be a sizeable product for you?

Arpit J Vyas: In terms of volume, yes. In terms of price, it is a low-cost molecule.

Moderator: Thank you. We have next question from the line of Ashish Thavkar from Motilal Oswal Asset Management. Please go ahead.

Ashish Thavkar: As you mentioned that you are the second supplier, what could be the potential allocation in percentage terms?

Mark Griffiths: We have been indicative volumes ranging from 100 Kgs to a ton. But it is a high value product.

Ashish Thavkar: Would it be from India or Carbogen Amcis?

Mark Griffiths: India. There are about seven steps. The initial step is too big for Switzerland and it makes no sense in manufacturing half in Switzerland and then the other half in India.

Moderator: Thank you very much, sir. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you gentlemen.

Arpit J Vyas: Thanks to all for participating in this call and thanks for your questions. I hope we were able to successfully address your queries. If not, then you can reach out to us. Thank you for your continued trust in us and in the company.

Moderator: Thank you very much, sir. Thank you, ladies and gentlemen. On behalf of Dishman Carbogen Amcis Limited, that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.