23rd May, 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 AND YEAR ENDED ON 31st MARCH 2019 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, 16th May, 2019 to discuss the financial result and performance of the Company for the quarter and year ended on 31st March, 2019.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

Sh. Dave

Shrima Dave
Company Secretary

Dishman Carbogen Amcis Ltd. Ahmedabad

Encl.: As above

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - Fourth Quarter and Year Ending March 31, 2019 Earnings Call

Event Date/Time: May 16, 2019/1600 HRS

CORPORATE PARTICIPANTS

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

Mark Griffiths
Director – Global Marketing and Strategy - Dishman Carbogen Amcis Limited

Moderator: Ladies and gentlemen, Good Evening and Welcome to the Dishman Carbogen Amcis Limited Q4 FY19 Earnings 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 entering '*' then '0' on your touchtone telephone. Please note this conference is being recorded. Now, I hand the conference over to Mr. Mark Griffiths, Dishman Carbogen Amcis Limited. Thank you and over to you, sir.

Mark Griffiths: Thank you very much, moderator. Good afternoon, good evening, ladies and gentlemen, supporters of Dishman Carbogen Amcis. This is Mark Griffiths -- Director – Global Marketing and Strategy of the Dishman Carbogen Amcis Group.

We hope to be able to give you today an understanding of our Q4 Performance for FY'18-19 and how we see things developing in this New Year. I will later hand over the call to Mr. Harshil Dalal to walk through the numbers with you and, later I will invite Mr. Sanjay Majmudar, Independent Director to add any remarks he may wish to add. So, thank you very much indeed.

We are very satisfied with the year that we have had. There has been a number of very interesting developments in line with the guidance that we have been giving you over the year. Certainly, our CRAMS platform seems to be very popular still with our clients and we continue to win good work of business. Our quality profile in the CRAMS area has been very strong. We continue to bring molecules at a early phase development into late phase and commercialization for our clients, and that is continuing to positively impact the business.

We see little at the moment in terms of impact on Brexit in Europe. There are of course a number of rather crazy things happening with the UK parliament and such like but we are not seeing any tremendous negative impact to that area at all and thankfully we are heavily diversified in terms of locations both in UK, Europe and the rest of the world.

Our product platforms comprise of Vitamin D Cholesterol business, which has a very strong performance in line with what we have been advising. We see growth in the Vitamin D analogs, the small volume, higher in value side of the business and the projects that Mr. Vyas Sr. and myself are working on to extend the capabilities in Vitamin D and Vitamin D analogs and innovating for new products is starting to gain some headway, and I am sure you will be interested to hear more about that as we move through the presentation.

The other product lines are market to molecule segments still remain stable. We are looking to start stimulating potential opportunities for introduction of new products and the R&D team led by Mr. Vyas Sr. in Naroda and Bavla, who is working on introduction of new products.

So, with that I would like to hand over the call to Mr. Harshil Dalal – our CFO and he will walk you through the highlights of the numbers. We will then proceed to Mr. Sanjay Majmudar to add any comments before we open for Q&A. Thank you. Over to you, Harshil.

Harshil Dalal: Thank you very much, Mark. Hello, everybody. Very Good Evening to all of you. We have uploaded the presentation for the fourth quarter and the full year 2019 on the website as well as on the stock exchange. I am assuming all of you would have an opportunity to go through the same. I will give you the brief overview of the numbers and what were the key highlights on the financial side for the quarter and the year ended March 31, 2019.

The quarter ended March 31, 2019 was the strongest quarter for Dishman ever in the history, and this is a significant achievement by the entire team of Dishman Carbogen Amcis. The growth in the revenue was 44% if we compare the Q4 2019 versus Q4 2018. The revenue number was Rs.650 crores including the operating income. The EBITDA for the quarter was Rs.170 crores, that was a 40% jump as compared to the comparable quarter last year which equates to about 26% of the top line. The profit after tax showed a growth of about 48% and the absolute figure was Rs.75.77 crores which equates to about 12% of the top line. So, this is a very significant quarter in terms of the financial numbers for us.

This also translated into significant growth for the full year numbers. The revenue for the company grew by about 21% from Rs.1,695 crores to Rs.2,058 crores. So, one of the points I wanted to make was that we crossed the milestone of Rs.2,000 crores in this financial year and we are extremely proud about the fact. The EBITDA for the year was Rs.552 crores which is a growth of about 24% as compared to what we achieved last year which was Rs.445 crores. The profit after tax was Rs.210 crores which equates to about 10% of our consolidated revenue which last year was Rs.155 crores. This was an improvement by 36% over the last financial year. So, on all fronts, revenue, profitability, the cash profit, we have grown this year tremendously as compared to the last year.

Some of the significant contributors to the growth in the revenue were all the three major operating entities across the globe, the India CRAMS business grew by about 50% as compared to the last year same quarter as well as for the full year. Carbogen Amcis grew by about 31% in the current quarter as compared to the last year and on a full year basis it grew by about 7%. Our Vitamin D business that we do out of Netherlands grew by 65% in Q4 as compared to the last year same quarter and for the full year it grew by 39%. The increase in the revenue in India and Carbogen Amcis was driven because of the large amount of commercial orders that were supplied to in the fourth quarter and Netherlands of course because of the Cholesterol and Vitamin D Analog business that we do in Europe over there in that part of the subsidiary.

If you look through the P&L, there were three major expenses which had increased as compared to the last year: One was the employee cost. So, that was because of the additional scientists that we had recruited in Switzerland for the new building, that we had acquired about a year and a half back or now close to about two years back.

The second was the additional provisions that we had made for certain pensions and bonuses for our employees. So, that was also inching to Q4.

The depreciation and amortization expense had increased. That was because of two reasons: One was the additional depreciation on the new building in Switzerland and second was on account of the additional amortization of intangible which was an additional amount of about a million dollar.

The third important expense was what is classified as other expenses. The major component which had increased over there was the foreign exchange loss. So, that is the Rs.20 crores of foreign exchange loss which is sitting in the other expenses and that is one of the contributors for that increase.

As far as our capital expenditure is concerned, for the full year we did total CAPEX of about Rs.200 crores. And our gross debt at the end of the year was Rs.1,041 crores, on a net debt basis we were at about Rs.828 crores. Since most of our debt is in foreign currency, it equates to about 120 million of US-dollar denominated loan which is a reduction of about 14 million as compared to what we had as of March 31, 2018. So, our net debt is reduced by about Rs.100 crores as compared to the last year. These were some of the key highlights for the financial statements for the year and quarter ended March 31, 2019.

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

Sanjay Majmudar: Thank you, Harshil. Good evening to all my friends. As Mark and Harshil have explained, this has been one of our best quarters ever and we are really happy. I would like to add a couple of points, of course one noteworthy feature is that perhaps this is for the first time that all our subsidiaries are in positive profits, none of them have contributed including China also in positive, so that is a very good sign. Secondly, as Mark said, there are quite a few projects which are in pipeline. While the challenge therefore is that while this quarter has been extraordinarily strong and therefore there is of course lumpiness in the sense that our fourth quarter generally tends to be very-very strong and this was again an extremely strong quarter. While we do not expect a similar aggressive growth that we posted this year, almost 21% in terms of revenue as against our general guidance of around 10%. It would be the endeavor and of course the positive challenge on part of the management to see that how is this growth and to what extent the growth momentum can be maintained given that this will become the base.

Having said that, I want to caution that our business continues to depend to a very large extent on the customers and how they want and at what point in time they want the product from us. Endeavor is to diversify to the maximum possible extent in terms of as Mark saying having maximum number of keeping from and hoping that many of them converts into premises. So, I think overall quite satisfactory. Of course, I also want to say that this should not be extrapolated as a word of caution but the endeavor would be to see what best the management can do going forward.

Mark Griffiths: Just one more point. Direct apologies for Mr. Arpit Vyas. He is traveling at the moment. So unfortunately, he is unable to join the call.

I think with this remark; we should open the house for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: I have two questions: First, I wanted to understand did for any of our segments particularly CRAMS the business get preponed in Q4 and was there any one-of a kind of the event in any of the segments?

Harshil Dalal: There was not any kind of preponement of any kind of orders. On the contrary you can say that there was postponement of orders from the earlier quarters to Q4 and that is what we were trying to say in our earlier calls as well because Mr. Sanjay Majumdar also mentioned lot of these commercial orders get supply according to the requirements of the customer and obviously we cannot dictate to the customer to take the supply just because we want healthy quarters numbers.

Anand Bhavnani: Second question, if you can give us some sense of FY'20 CAPEX if any and the debt that you expect for FY'20 ballpark figures?

Harshil Dalal: The CAPEX for the next year should be similar to what we did this year because one of the major components of our CAPEX is the repairs and maintenance expenditure of close to about Rs.120-130 crores that we have to incur and we do incur every year. So, that will continue and on top of that we expect growth CAPEX of close to about Rs.75-80 crores. So, growth CAPEX would be largely one in Carbogen Amcis for the new development capacity plus there would be certain additional expenditure for the Vitamin D business in India. So, apart from that we do not see any major CAPEX happening in the current financial year.

Anand Bhavnani: Sir, what is the guidance on debt, how do you see it changing?

Harshil Dalal: On the debt side, we do believe that anywhere between Rs.50 to 100 crores is something that we might keep on reducing, but it could be that some of the CAPEX that we do might be front-ended and at the cutoff date you might see that the debt has not reduced but eventually it would.

Moderator: Thank you. The next question is from the line of Chirag Patel from Atom Investments. Please go ahead.

Chirag Patel: My first question was regarding the ROC or the return on capital employed. Over the last six years, I am tracking from 2013 round about you are around 11% ROC, currently are on 14% whereas if we look at the custom synthesis industry that is way above this number. So, can you just shed some light on what you aim to achieve on ROC over the next foreseeable future because your current ROC is nowhere close to industry?

Harshil Dalal: Thank you for your question. It depends upon which companies you are considering as comparable because the kind of business model that we have especially what you classify as CRAMS is all NCE. So, as far as the NCE side of the business is concerned, it is the capital-intensive industry, both from CAPEX perspective as well as from working capital standpoint.

So, we would need to keep on deploying that kind of money every year like the Rs.200-odd crores that we are talking about, that is something that we have to incur each year. Having said that we do have certain pockets of idle capacity which is sitting at a consolidated level. So, there are pockets like for example the China plant, certain capacities in India in our Bavla plant as well as now the new development building that we have acquired in Switzerland. So, these are the pockets of CAPEX where the CAPEX has been incurred but the returns would start now. It is now that we are seeing that amount of growth one on the development side because earlier if you would have attended our earlier calls or the ones that we have been saying is that Carbogen Amcis was operating at about 95% capacity utilization. What is meant was we were unable to take on additional orders for development and hence there was immediate requirement to acquire this building for adding that capacity. But the return on that particular CAPEX would begin now. So, over the next three years or so, we should see the optimum utilization of that particular building. Similarly, in China, the plant is GMP approved and obviously we are manufacturing the intermediate or the final API and eventually we might be able to even manufacture the final API. So, we would be able to get better returns over there. In India, we have the first molecule into our Hypo facility. So, there was certain amount of CAPEX which was incurred in the past where the returns start flown in but now with the kind of growth that we are seeing in the business and the number of molecules that we have in Phase-III, we do expect that the return on capital employed should keep on improving hereon.

Sanjay Majumdar: If I may just add to what Harshil said, it is unfortunately part of our intrinsic business model that we have to incur the CAPEX, be with the innovator and partner with him till the entire lifecycle of the development comes to an end when the product goes commercial. The very first contract that we executed where we started our journey as a CRAMS player in 1996-97, after the LoI, we took two years to build the capacity and another four years to start the commercial supply. Today we have some 15-odd Belgium projects which are running, lot of products are in late Phase-III. In fact, last year we commercialized this Hypo product as Harshil talked about. I think the development were started way back in 2008 and then the CAPEX around it. So, you see it is a CAPEX cycle, then you have to wait for the validation batches and then get the eventual approval from the regulator. But once you are onboard, the customer is with you for life. So, it is an intrinsic path. I would say internally our ROC target is around 18-20% and we are at about 14-15%, I think another couple of years you should see things improving as more and more projects go commercial.

Chirag Patel: You mentioned Rs.200 crores or thereabout is the CAPEX. What was the free cash flow that we generated in FY'19?

Harshil Dalal: Basically, out of the Rs.200 crores of CAPEX about Rs.120-125 crores is the maintenance CAPEX. The free cash flow that we generated for the full financial year was close to about Rs.130 crores. So, our cash profit was about Rs.430 crores, of which the CAPEX was about Rs.200 crores. So, that leaves us with about Rs.230 crores of the cash flow before the additional working capital changes. And our working capital cycle is close to about three to four months. That would mean an additional working capital because our revenue increased by about Rs.350

crores, so that would mean an additional working capital of close to about Rs.100 crores. So, the free cash flow is close to about Rs.130 crores.

Chirag Patel: Do you expect that free cash flow number to sort of grow year-on-year at a certain percentage?

Harshil Dalal: It would be difficult to give a percentage because at the end of the day what our entire focus is on improving the free cash flow as much as possible. So, that could be either by way of increase in revenue or by increase in margin. What has happened over the last five to ten years is that our focus has shifted from the therapeutic areas that we were earlier into versus now into the more niche therapy. So, like oncology for example currently constitutes almost 45-50% of our CRAMS revenue which about 10-years back maybe about 10%. So, our entire focus has been on this kind of niche molecules where the margins are actively higher as compared to on the therapeutic area. If you take our P&L or our balance sheet as on March 31, 2015, our EBITDA margin was at 19%. From 19% we have now traveled to about 27% and there is still room for growth in this EBITDA margin and that is what we are striving for. So, we would not accept the product for manufacturing and sales unless and until it meets our minimum EBITDA guidance.

Chirag Patel: This US-China trade war that is getting from bad to worse, how does that affect the China facility? Do you see any sort of opportunities because we keep hearing that lot of the US corporations are moving their supply chain away from China, so is there a possibility that you could start supplying more from the Indian facility? Will China facility suffer because of the US-China issue?

Mark Griffiths: On one side, as you summarized there will be opportunities that US customers move away from China, but all are not going to move away because moving high value projects which are Germany APIs, there is a big regulatory burden. So, I think there is a number of customers who are sitting, waiting to see what happens, they are developing their contingency plans. That being said, there is an opportunity. We are not seeing a slowdown. Next week we have a very important US customer going to our China facility to look at manufacturing for a very complex large-scale intermediates for an API that has been manufactured in Switzerland. So, on the other side of it, there is no lease but I think customers are looking long-term. The pharmaceutical industry unfortunately is not a very fast dynamic industry. So, I think there are people sitting and watching. Yes, there is an opportunity, but I do not think it is going to happen until the trade war really is a trade war. I think there is a lot of talk in the press about it being a trade war but I think it is tactics for Trump's to bring the Chinese back to the table. That is my personal opinion. But I do not know any more than anybody else. Yes, there are opportunities. I do not expect them to fructify within the next six months to be honest.

Moderator: Thank you. The next question is from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.

Rashmi Sancheti: This question is related to your ovarian cancer drug. What was the sales that you have booked during the year?

Harshil Dalal: For the full financial year, we booked a total sales of 9.5 million.

Rashmi Sancheti: Out of that how much was commercial sales and how much was developmental quantities?

Harshil Dalal: That we would not know because we are the API supplier, it depends where the customer has used that particular API. They will not communicate that to us.

Rashmi Sancheti: Apart from the US which all countries is it expected to be commercial in or is currently commercial in?

Mark Griffiths: There is four European countries now. The issue is that company has been acquired by GlaxoSmithKline and they are going through a large portfolio review. I think it is fair to say Glaxo did not buy that company for the product we are working on. They bought the company for some of their immunotherapy indications which were in earlier phase development. So, we are a registered manufacture of the commercial API and we await to see what developments happen as the companies start to integrate. We are in contact with the client. At the moment, the responsibility to decide commercial volumes, sits with the smaller US customer but ultimately, I think it will be taken over by GSK and then it maybe a different story, we just do not know.

Rashmi Sancheti: What about the bacterial pneumonia drug, the supplies were expected in March quarter, so is it currently reflecting in our numbers or it is expected to come in Q1 FY'20?

Harshil Dalal: We do not have any sales that has been booked in the fourth quarter for that particular drug.

Rashmi Sancheti: So, it would be coming from next year onwards?

Harshil Dalal: Yes, that is what we are expecting in the current financial year.

Rashmi Sancheti: But have we already started supplying?

Harshil Dalal: No, as of now, we have not started supplying.

Rashmi Sancheti: Sir, lastly on the CAPEX front, you said that 75 to 80 crores will be divided on a new building for Carbogen Amcis and something you mentioned related to Vitamin D facility in India. If you can give an understanding on what are you planning for the new facility in India and whether we will be supplying any Vitamin D product from Indian facility?

Mark Griffiths: We are already supplying Vitamin D and certain intermediates for analogs out of the Indian facility. This project is related Mr. Vyas Sr. So, we are working on which is to open up new markets for highly developed and new development and new APIs for Vitamin D. Both will be manufactured in the Bavla site. So, we have a plan to do some CAPEX this year to create some more capability and capacity to enable us to do that. We are working with colleagues in Switzerland on continuous flow reaction set ups which will enable us to manufacture larger volumes at a more efficient pace. So, these are the sort of developments that CAPEX is related to. On the other side, for Switzerland, as Harshil said, the game is very simple for us. The more

we commercialize the more we have to feed the pipeline. So, what we are focusing on is the development capability and then better utilizing our larger scale capacity in China and India to manufacture the APIs going forward. So, we will continue to invest an additional technology and development capability in Europe. We do not ever see that stopping. I think that is fair to say. Harshil?

Harshil Dalal: Yes, I think that is fair enough.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, what revenue did we book out from the Hypo facility this year and last year?

Harshil Dalal: This year it was about 12 million from the Hypo facility and last year it was a similar kind of number, close to about 11 million.

Pritesh Chheda: Basically, the way you gave for the ovarian drug about $9.5 million, that is bunch of three, four products, right, out of the whole pool. So, there what would have been the combined revenue?

Sanjay Majmudar: Rs.300 crores including the Epro.

Pritesh Chheda: No, that is basically HRT, Eprosartan, Bedaquiline, all those things?

Harshil Dalal: All of that put together would be close to about Rs.350-odd crores.

Pritesh Chheda: On the Vitamin D Gel, what is the progress?

Mark Griffiths: We have developed some formulations which we are exploring at the moment. We are, as we mentioned before, on the clinical trials at the moment in the US, obviously clinical trials take a month. So, we are waiting for the mid-term readout but in the meantime, we are already developing soft gel opportunities both in fatty acids, in oils, in corn oils, things like that, we are developing those formulations. So, once we are waiting for the clinical trials to come through, we are working on development of formulations so that we are ready to go.

Pritesh Chheda: This year Vitamin D growth rate, what would be the contributors to the growth?

Mark Griffiths: Predominantly opening up new markets where we have not been acted before because of the cost of manufacturing. And as we developed better processes, and innovative ways to make these products at a better price, that makes us more competitive. So, we would be opening up some markets. We will be working with a couple of specialized organizations that have penetration into the European market for bulk Vitamin D3 and of course the growth in the analogs which we continue to see steady growth. Those are the very low volumes that are manufactured predominantly in our Netherlands facility. We see continuing stabilized growth in the smaller volume ones.

Moderator: Thank you. The next question is from the line of Cinderella Carvalho from Centrum. Please go ahead.

Cinderella Carvalho: Coming to Carbogen Amcis, Mark, we have seen around 7% growth. Over FY'20 what is your expectation and in terms of pipeline any products that we are seeing to come for validation, can you allude to some of that?

Mark Griffiths: Yes, we have got the FDA in one of the sites in June for oncology projects that we have been developing for four years with the US customer. So, the FDA come for pre-approval inspection in June. We see at least two other potential PAI this year, looking forward and looking what is in the pipeline and trying to understand what the clients are doing. One of those could well be an antibody drug conjugant. And we are really excited about that. As a German customer, we are basically doing everything for them. It is a landmark project for the group actually. We are manufacturing the API, we are manufacturing intermediates, we are manufacturing pie load, we are doing the conjugation and we are doing the clinical trial still in our French facility. So, it is the first project where we are providing full service for that client. Yes, that has really started to pick up now. Our IDC capability is starting to get really-really busy. So, it has taken a little bit of time as we have always said, these things do not happen overnight but we are really starting to see some activity there now, building the reputation of being able to market on the back of having reputation rather than just having the facility. So, I think reasonably to approve to further pre-approval inspection this fiscal year and one of those that will be three, we got one in June and then two others I think is an reasonable expectation with Switzerland.

Cinderella Carvalho: Anything in terms of the base commercial molecule where do you see already commercialized molecules from Carbogen Amcis and growth, how is the demand and any update over there?

Mark Griffiths: Demand is strong. In the commercial, what customers are doing is they are looking at their sales, they are either stocking up or reducing the stock holding. Most of the products now are pretty well established and we do not see any massive growth, we just see very stable, steady demand which is good for us because that enables us to plan very carefully and optimally and to squeeze in a more dynamic development work. So, we do not see a huge amount of growth. Obviously if a project goes commercial, then that goes into our commercial portfolio and you see an uptick. But until they go commercial, they develop the projects until validation is complete.

Cinderella Carvalho: In terms of our new capacity, we have already hired some 50 new scientists. So, how is it picking up and how should it go ahead according to your perspective?

Mark Griffiths: We are already busy in these new facilities that we have been spending sometime building. I see this year being the opportunity to fill those capacities and then we are already looking at what next. So, in the next sort of three to five years, we are doing quite a bit of detail long-term planning now. So, looking what next because we still need to use up our Shanghai capacity to its full capability. We still have as Harshil said some available capacity in India and we want to make sure that we utilize those so that we can positively impact ROC. So, these are the sorts of things that we are working in and as a leadership team this is what Arpit, myself and the

management team and the various businesses are working on beyond what I am working on with Mr. Vyas Sr. which is really focused on Vitamin D.

Cinderella Carvalho: Coming to Vitamin D like what would be the key drivers? You did mention that we are expanding to newer markets and we had earlier highlighted that we would be expanding the use also to an extent. So, where are we and would you be able to add something more than what you have said?

Mark Griffiths: The clinical trial is going to help us. The results of the clinical trial which so far seem to be good. But again, all you have is a feeling because their plan as you know involved in marketing the information at these trials. But so far things seem to be positive. We are using that clinical trials to generate data on a number of different areas, not just for this specific indication that we are trailing at the moment. So, we see that opportunity as being able to open up new opportunities for Vitamin D use both in nutraceutical and to a degree and fee. What drives the fee is the cost of manufacturing and we have developed through Mr. Vyas Sr. some really clever technologies to enable us to manufacture those products at a much level price which really does make us highly competitive and we will be looking in taking market share. We have not been able to do that before because we just not had the right sort of engineering processes. But we develop new processes for these. So, it looks quite positive. On the other side, opening up new markets is looking at our Vitamin D analogs which at the moment many of them are tiny, tiny volumes, 800 gms, kilo a year and looking at how we could extend those therapeutic areas for those molecules. And that is really a very intimate relationship and discussion with people in the industry, clients, and people like that to look at what opportunities exist to widen the use of Vitamin D. So, that is what we are trying to achieve.

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

Rahul Sharma: Just wanted clarity on a couple of things: Probably you must have gone through it. One was the material cost has gone up for the quarter and so as our staff and our other expenses. Could you just run through those key line items?

Mark Griffiths: I will take it very quickly and then I will hand over to Harshil for the specifics. But if you look at the Q4 numbers as we said this has been an awesome Q4 because we have been supplying commercial products. Those commercial products require raw materials. So, that is one of the drivers.

Harshil Dalal: Rahul, as you correctly pointed out, the material cost had increased but the major contributor as far as the revenue for Q4 is concerned is the commercial revenue or the revenue coming from the commercial orders as compared to development. So, in Carbogen Amcis for example here we see a ratio of about 60:40 in favor of development versus in this particular quarter the ratio was about 50:50. So, the revenue composition was more from the commercial and hence the material cost as a percentage of revenue is higher. That was the reason why you see higher material cost. But if you take on yearly basis it is similar to what it was last year, close to about

19, 20% and that is the kind of material cost that we booked. As far as the employee cost is concerned, I had already mentioned in my opening presentation that we had recruited additional franchise in Switzerland, that is one of the major contributors for the increasing in the employee cost as well as there are certain additional provisions made for the pensions and the bonuses of our employees. That is the reason for the increase in the employee cost. As far as other expenses are concerned, the major component over there is FX loss of close to about Rs.20 crores which is obviously part of the other expenses.

Rahul Sharma: Just tell me one thing, these additional scientists, is it over and above what you all are already recruited in the last year?

Mark Griffiths: It is people to populate the new facility that was completed in the year. So, we hired a few upfront to enable us to start immediately and as that facility is being populated, we have added more people to demand. And this facility if you remember from previous concalls is a hypo development capability. And we know that is very popular and it is very-very important part of our platforms. So, we had a very high level of confidence that would be filled quickly and that has been proven to be right and the capacity is not the facility really, it is the people. So, we needed space to add more people to do more development work. So, we had to create the space and then populate.

Rahul Sharma: What about depreciation? Any particular reason why that has jumped?

Harshil Dalal: I explained that also in my opening presentation that there were two things: One, additional depreciation on the new building that we acquired in Switzerland. Since that was put to use, there was an additional depreciation charge of about 500,000 on it. And secondly, we have provided for additional amortization on the intangibles which is sitting on our balance sheet, that is close to about a million dollar. So, overall 1.5 million additional charge because of this to meet them.

Rahul Sharma: All in USD, is it?

Harshil Dalal: The figures that I am telling you all in USD, million dollars for the amortization and 1.5 million for the depreciation on the new building.

Moderator: Thank you. The next question is from the line of Purvi Shah from Sharekhan. Please go ahead.

Purvi Shah: Sir, my question is regarding other expenses for full year. So, that has also jumped significantly to Rs.100 crores. So, is there an FX element there as well?

Harshil Dalal: Yes, there would be a FX element both at the Q4 level and at a consolidated full year number as well. So, for the full year the FX component in the other expenses is about Rs.28 crores. So, these are all the FOREX losses other than those related to the sales. Whatever is related to the hedges on the sales, that goes as part of our operating income and the rest is split between the finance cost and other expenses or the other income as the case maybe.

Purvi Shah: Sir, the quarterly rate of sales around Rs.650 crores. So, is this sustainable in the upcoming quarters or is it going to be lumpy going forward as well?

Harshil Dalal: As Mr. Sanjay Majmudar already explained in his opening remarks that Rs.650 crores is the highest ever that we have achieved in a quarter but this cannot be taken as a benchmark or a run rate for the quarters going forward and as we have been explaining in earlier as well that we are a company that cannot be measured on a quarterly basis because lot of the sales is driven by how the customer wants the products, when he wants it and when the FDA actually calls for the additional validation batches. So, Rs.650 crores cannot be taken as a run rate for the quarter going forward.

Purvi Shah: Could you just tell us what is the growth rate you are expecting for FY'20 and '21 for sales because this year we have done (+20%), so is that sustainable what I would really like to know?

Harshil Dalal: If you were there for the previous calls as well, we have been quite conservative in giving the projections as far as the revenues or the profitability is concerned because we believe in overachieving whatever we give out. So, we do expect that there would be a good amount of growth in the revenue and the profitability in the current year as well as the next year; however, it would be better that as the quarters go by or maybe after the first quarter or so, you will get more clarity on how the year looks like and it is better to give a proper guidance at that particular point in time.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: What is the EBITDA margin that you look at going forward?

Harshil Dalal: Thank you Charulata for your question. We do expect that the EBITDA number should be at least 27% but our target would be to go towards 28% by the end of the current financial year.

Charulata Gaidhani: So, with this new mix of Vitamin D and additional commercial supply, you should be able to achieve around 27%?

Harshil Dalal: Right now we are not building in any kind of revenue from to be commercialized molecules, we are just talking about the base business or the additional molecules on the Vitamin D side that might become the outlets that would be the additional upside. We are just basing our projections based upon the current commercial molecules and the molecules that we have under development.

Charulata Gaidhani: Can you share the revenue from Niraparib and Eprosartan?

Harshil Dalal: As we mentioned earlier, Niraparib was close to about 9.5 million for the full financial year in FY'19 and Eprosartan was close to about 15 million.

Moderator: Thank you. The next question is from the line of Chirag Patel from Atom Investments. Please go ahead.

Chirag Patel: A quick question for you, Mark. How do you see the future of chemistry pharma vis-à-vis biopharma? There is a lot of discussions, media coverage going on between biopharma in the future and chemistry pharma will just die down. What is your take at a fundamental bird's eye view level, where this chemistry pharma industry is going in emerging biopharma trend?

Mark Griffiths: Next time whenever I am in India, maybe you and I can meet up and we can spend time, talk about it. It has not been true in 35-years in this industry. I have been through six or seven of these cycles. Basically, you never ever going to get rid0 of a chemist in a laboratory developing molecules. Okay? People have tried. That being said, the role of immunotherapy is something that we are looking at very closely as part of our future plans. We see immunotherapies having potential advantages over traditional therapies in oncology. That is something is emerging. Who knows what is going to turn out like we are watching it very closely. So, elements of it are interesting. But if I go back 15-years, there were people saying that all old traditional chemistry is gone, everything is going to be done at very low temperature and sub-minus 50 Degree Celsius and where are we today. I have got 3 minus 50 Degree Celsius vessels and they are reasonably busy. Most of the work we get and we continue to get is chemist working in laboratory developing synthetic molecules. So, I do not think we will ever replace chemistry. I am not too concerned about that. But immunotherapy is something we are really looking at very closely.

Chirag Patel: Is that something where we are partnering already with the innovators and the work is underway?

Mark Griffiths: That is where it would be. We are looking at it. We have customers asking questions about our ability to handle immunotherapies. And that really is starting to peak our interest. So, as a result of a few questions, some of my commercial team have specific responsibilities to start looking at mapping the potential opportunity there. What they will do then is to provide a report back to the management and then we will look and see whether there is an opportunity to invest at a small level to enable us to explore it further. So, if you remember, our philosophy especially in Europe is that we create smallish capability, we understand the market, we understand how to work and then we grow from there. So, I can foresee in the next year to 18-months that there will be a need to invest in a smallish capabilities to handle immunotherapy. And bear in mind we are already dealing with some biologic material through the antibody drug conjugant capability. So, I already have biochemist onboard. So, I have actually some people who understand the other side of the business as well. Really a good question. But I could talk for days on that.

Chirag Patel: Yes, definitely. Thank you so much and all the very best and speak to you guys again. And yes, definitely, when you are next in India, may we can catch up, look forward to.

Mark Griffiths: I will ask Harshil to organize that, yes.

Harshil Dalal: Sure.

Moderator: Thank you. The next question is from the line of Ashish Thakkar from Motilal Oswal. Please go ahead.

Ashish Thakkar: Harshil, a question on the anti-TB drug. So, based on WHO recommendations since they are now saying that this treatment should be given globally. In the last concall, we were saying that we have some capacity constraints and to that extent we were looking for some more facilities outside of Dishman. So, what is the status here?

Mark Griffiths: There are detail plans being put into place and we are getting very close to having an internal board discussion about where we are going next with that.

Ashish Thakkar: But you believe this work could be carried in-house or we need to outsource it?

Mark Griffiths: No, I think generally speaking, we will always try and bring work in-house. But we will always do across benefit analysis because there are certain things that it just does not make sense. We are contracting but that is all part of the assessment. So, data is being collected, business plans are being compiled and they are being challenged and then once we gone through that process, then there will be discussions at board level to discuss potential ways forward. So, it is under assessment.

Ashish Thakkar: How do you see the ramp up in this drug now?

Mark Griffiths: Difficult to say. Really this is the problem. I would love to be able to give you a number. I would love to be able to give you a perspective. We just do not know. We listen to customers with their projections and I would say in my 20-years of Carbogen Amcis 2% of the customers are being right, either they underestimated or they overestimated. So, not to take too 0much notice of what they are discussing. So, that particular projects we are now at the point where the customer has given us something which we believe is a realistic volume for this year and if that is what they go with, then we have the capacity internally to do that.

Ashish Thakkar: And you believe you will get a better pricing on this?

Mark Griffiths: Yes, we believe it will make sense for us to do that. But again, we are still going to get the customer to sign the final contract. So, we are not going to do anything concrete and invest any more time than we have now until the customer signed up and we made that clear to the customer. We will give a commitment when they give a commitment.

Ashish Thakkar: My second question is on the Hypo drug that we are making for Abbott. So, what is the object there like have we actually started to make shift from intermediates to API?

Harshil Dalal: No, Ashish, we are speaking the intermediate, but still we are in active touch with the customers as the customers might want us to manufacture the final API as well.

Ashish Thakkar: But that work has started?

Harshil Dalal: So, right now we are not manufacturing but we do know the technology improvement process to manufacture the final API as well. Right now the customer himself is manufacturing the final API. So, it could be that particular API could come to us maybe in a year's time or so. But right now we are focused on just manufacturing intermediate.

Ashish Thakkar: So, that is some 12-months away you are saying?

Harshil Dalal: Yes, if it comes, but otherwise the intermediate itself is wonderful, it is a very complex technology that Mr. Vyas has been able to crack and that itself is building us to very good numbers in terms of revenue and profitability.

Ashish Thakkar: Ballpark number would be like $5 million in FY'19, we could have done?

Sanjay Majmudar: Correct.

Moderator: Thank you. The next question is from the line of Dhruv Shah from Ambica Fincap. Please go ahead.

Dhruv Shah: I just have one question for Mark. For soft gel your clinical trials will be three months, right?

Mark Griffiths: No, it is a little bit longer than that because of the patient population, it is not a routine patient population, it is quite a small niche. So, recruiting for is not the easiest thing in the world. We are hoping to get a readout within the next three to four months.

Dhruv Shah: Do you think any numbers will come in this financial year or it will be in FY'20?

Mark Griffiths: Not for that one, no. That will be the next financial year at the earliest we believe.

Dhruv Shah: I know you spoke about the GSK-TESARO deal. But do you expect any growth from 9.5 million in your ovarian cancer drug?

Mark Griffiths: To be perfectly honest, I think it is probably going to be on or about where it is today. But again who knows? It depends on launching, it depends on the volumes that they are supplying to new territories that are being launched and again they do not tell us that, they now got stock of material and they are burning their stock down, some of its going into the commercial arena, some of its going for clinical trials, they have a number of partners, it is a very complex set up now because they have got a number of large pharma partners for Tesaro who are now owned by a large pharma. So, it is a rather complex scenario but of course those is a supplier where the last people who is going to find out what they are doing. Just a lay works unfortunately. So, I would say there is something along the lines where we are maybe little bit more depending on launching is probably where we should be thinking. But again, I just do not know.

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

C Srihari: Two questions primarily. Firstly, if you can give sales breakdown of commercial orders for the quarter and the full year for the group as a whole? Secondly, as far as your Phase-III molecules are concerned, it is a good at around 40 right now, so can you please walk us through how this number has grown over the years and what is the future outlook?

Harshil Dalal: Mr. Srihari, that should be close to about I would say Rs.300 crores, that is for the Q4. Our total CRAMS revenue is about Rs.472 crores for the quarter. If you may break it up between development and commercial close to about Rs.280-300 crores would be the commercial and the rest would be the development.

Mark Griffiths: I think what we have got to do when we look at the commercial revenues, there are two things: One is we have a natural balance and they need to because if we are too heavily dependent on commercial revenues and we do not have capacity to bring in new development work and therefore continue to grow the business. I think if you look at over the last five years, that is probably the timeline you should look at. And the reason why I say this is that it now takes nine years and about a billion dollars to get a drug to market for discovery. So, looking at it from QoQ basis does not actually tell you anything in my humble opinion. So, if you look over the five years I can absolutely tell you that our commercial revenues have grown significantly and they diversify significantly which is also really good because if you go back five, seven, eight years, we were essentially for commercial revenue, rely not two products. Eprosartan and one product in Europe for an American company we were really dependent on those. And I think the most important message out of our commercial revenues today is they are in balance with our development capacity but they are diversified. So, if something got pulled from the market and that can happen. We are not fundamentally desperate and desperately relying on one or two molecules. We have a very nice spread of therapeutic volumes and geographic location and things like that. So, those were a couple of things to think about while I buy time for Harshil to find the numbers.

Harshil Dalal: Sure. I would just like to add that the growth that you are seeing in the CRAMS business QoQ and YoY most of it in the last financial year or in the last quarter has been driven by commercial. But having said that, as Mark explained, our focus is definitely on the development orders because those would be the molecules which we would drive to or the customer would try to get into the commercial phase as soon as possible.

C Srihari: Can you give us a figure for the entire fiscal?

Harshil Dalal: We can take that offline because I do not have that with me right now.

C Srihari: The reason I am asking is just to get to know, YoY growth for commercial order would have been significantly higher than the overall number. So, just try to get a sustainable growth rate for the overall business?

Harshil Dalal: If you see the overall CRAMS revenue, that has grown by about 17.5%. So, most of this 17.5% would be contributed from the commercial. If a question is more related to FY'20, the

commercial revenue would keep on growing. If you just talk about the existing commercial molecule, but maybe they might not grow at the same pace as the last financial year or that could be a different set of commercial molecules which might show higher growth as compared to the ones which have grown in the last financial year.

Sanjay Majmudar: But as Mark said, I think a longer horizon would be more logical rather than just one year or maybe of course not a quarter.

C Srihari: The second part was pertaining to the 40-odd Phase-III molecules. How that number has grown over the year and what is the outlook for that?

Mark Griffiths: That is a life blood of the business, late phase-2, late phase-3, really phase-3, and that is one of the key KPI, that continues to grow. And a lot of it is because it is organic growth through three, four years we have been developing compounds and they are starting to ease in. So, three pre-approval inspection this year is what we expect, one is already booked. So, we continue to see that sort of run rate conservatively, and that means we have got a very healthy pipeline. This year for Carbogen Amcis we have got about 18 million already booked excluding commercial revenue. So, we have got a very-very healthy pipeline.

C Srihari: So, all these 40 molecules have grown with you through the pipeline?

Mark Griffiths: I would say probably 75% of them have come through working on them in the preclinical arena and then moving them through the clinical steps. I would say about 20-25% of projects have come in, either they are being transferred from another vendor because of their performance or capacity or they have been acquired by customers and so customers have already and they pull them in because there is an element of trust that exist. So, we have 35 key clients that we work with on a routine basis over and we take the horizon at about two to three years. We have significant long-term business with and they acquire molecules and they want to bring them to us because there is a level of trust that exist. And I would say that is about 25%, rest is bought in for our sales people bringing in early phase opportunities. That is the life blood.

C Srihari: So, would it be right to say that the annual incremental could be between 10-12 molecules every year in Phase-III?

Mark Griffiths: I would be a little more conservative because again if you just look at it from a quarter or a yearly perspective, it is difficult. What we are trying to do is we are trying to distill them 10 years of investment and a billion dollars of investment into a quarter-by-quarter performance basis. It is very difficult to do. I would say in Phase-II 50% of what we see dies or get delayed in some way. Once you get into Phase-III I would say the dropout rate is probably 15% to 20% but it still happens. So, we do not know. I would say that if we continue to have somewhere between 10, 15 and 18 molecules in Switzerland which are in Phase-III and 5 to 6 in India which are in Phase-III then I think that is a pretty healthy KPI.

Moderator: Thank you. We have the next question from the line of Deepesh Rathod from Alchemy Capital. Please go ahead.

Deepesh Rathod: Can you help me with the Carbogen Swiss additional building, when it will reach to its peak utilization and what would be the revenue?

Mark Griffiths: I think peak is probably another 18-months from now where it is going to be full, but of course we have space to enable us to continue to expand. So, we are not terribly worried about that. The individual revenues to that facility are not stellar because they really face development work, it is lab work. But if we do not have that capacity, we cannot drive the commercial revenue and the validation revenue. So, I do not think it would be unreasonable to say somewhere around about CHF10 million, Harshil, full capacity just for that labs?

Harshil Dalal: Yes.

Deepesh Rathod: In terms of the hypo unit we have started the unit-1 and which is giving us this revenue. How about Unit-2 or 3, are there any plans to start them in this year?

Mark Griffiths: Unit-2 is already in operation and has been for a while. So, we have two units and we are working on developing Unit-3 and 4 as we speak.

Deepesh Rathod: Would it get operational this year or it will depend on customer order and…?

Mark Griffiths: Towards the end of this year and dependent on customer orders, yes.

Deepesh Rathod: This onco drug Niraparib, the GSK acquiring it and they have not given you the order, how that will move even you are not aware. So, what will be the plan for you like are you the top two and still along GSK for this drug or there are other guys who have entered and which is why there is more uncertainty?

Mark Griffiths: As far as we know we are the primary supplier, there is another supplier in Colorado in the US and anecdotal information tells us that we are the primary supplier.

Deepesh Rathod: The Soft Gel capacity, you said will give revenue in FY21 only?

Mark Griffiths: I would think that there may well be some domestic nutraceutical sales out of that facility, but I think the real kicker comes in '21, that is the plan anyway, the plan is the real uptick is in '21.

Deepesh Rathod: Harshil, you mentioned about free cash flow of Rs.120 crores this year and reducing debt. So, next year debt can come down by large number if free cash flow improves?

Harshil Dalal: We might pay off some of the high cost if there is any, but provide the cost of that for is on working capital side is not more than 2% and it all depends upon how the molecules also come through from the development to the commercial side. As Mark mentioned like some of these molecules might go through in a year's time. We might have to reassess if there is additional

CAPEX that needs to be done for those molecules. So, as of now on a conservative basis we do believe that Rs.50 to 100 crores it could be even more, but it all depends upon how the molecules go through.

Sanjay Majmudar: With 560, 570 odd crores EBITDA and a debt of about 800 crores I do not think we are really worried about debt and given the fact that we will keep on growing, there could be now some incremental debt as well for the growth, but overall debt levels are very comfortable and honestly internally that chapter is now no longer discussed.

Deepesh Rathod: May be a link to this question, we spoke about the next five year business plan and finalizing that. Where we are in that stage and what is the thought process, can you give us some additional information?

Mark Griffiths: We are working through and this is for the entire business not just for CRAMS, not just for Carbogen Amcis or India but the entire business, so we are looking at marketed molecules, we are looking at the Vitamin D, we are looking at CRAMS, we are looking at other potential opportunities like immunotherapy as I mentioned like enlarging our capability in sterile formulations, so all of these things. We are trying to encompass all of these into one strategic long-range plan which can then be shared with the board of directors and we can start to really do some long range planning. Now we have what we believe is a stable, reliable business. We feel we are quite happy now to start looking at much longer range of planning. I anticipate that we would be talking to the board probably Harshil, August, September time I would think is probably the timeline?

Harshil Dalal: Yes, I think that would be the right timeline that we can plan for the remainder of the year and five years down the line.

Mark Griffiths: Because once we start to put the actual technical plans together then of course we got to work and accommodate and pull in all of the individual business plans or these individual projects and then Harshil's team in global finance needs to consolidate all of that into set of numbers so that we can look and see what we are planning to do. As you can imagine with 9 manufacturing sites in 6 or 7 countries with lots of different sort of codes on requirements and things, it is not the work of five minutes, but we are substantially along the way.

Moderator: Thank you. We have the next question from the line of Vishal Manikarna from Nirmal Bang. Please go ahead.

Vishal Manikarna: Could you share the contribution of the new Custom Synthesis facility during the quarter?

Harshil Dalal: Right now, there is no incremental revenue that has been booked from that particular Carbogen Amcis facility. We would have the incremental revenue coming in from the current financial year. Till now it is a very insignificant revenue. Most of it would be realized in the current financial year.

Sanjay Majmudar: As Mark said it is more of a support to ensure that the pipeline continues to grow.

Vishal Manikarna: As Mark said it would reach 10 million Swiss Franc during the year?

Mark Griffiths: At peak, not before 18-months.

Vishal Manikarna: Regarding the antibody drug conjugate, what indication it is being developed for?

Mark Griffiths: All oncology, at the moment that is the only use for antibody drug conjugates because for other indications the technology is just too expensive.

Vishal Manikarna: The specific indication within oncology?

Mark Griffiths: This one is colorectal we are working on, yes, the one is in phase II.

Vishal Manikarna: You are working on two ADCs?

Mark Griffiths: We are working on two or three ADCs, but the lead compound for the German customer we might get preapproval inspection for that in this fiscal year.

Vishal Manikarna: And that one is for colorectal cancer?

Mark Griffiths: Correct.

Vishal Manikarna: You do the entire formulation or you are doing the API or you are doing something else?

Mark Griffiths: At the moment, all of it. We are supplying the clinic with phase-II material out of France and that material is manufactured in Switzerland. First ever project where we are doing everything for that customer except making the antibody.

Vishal Manikarna: On the Vitamin D3 clinical trial, could you tell who is your partner in that trial?

Mark Griffiths: Yes, Boston University.

Vishal Manikarna: That is being done for nutraceutical use of Vitamin D3.

Mark Griffiths: No, pharmaceutical therapeutic use.

Vishal Manikarna: That is some niche indication as you said?

Mark Griffiths: Correct. Thank you everybody for your questions. I leave you in very capable hands of Harshil and Sanjay. Thank you for your questions. I thoroughly enjoyed this concall and thank you very much for continuing to support us. Good bye, everybody and have a great day.

Harshil Dalal: Thank you, Mark.

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