dishman

13th November, 2018

To, **Department of Corporate Services** **Bombay Stock Exchange 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 HALF YEAR ENDED ON 30TH SEPTEMBER 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 Friday, 2nd November, 2018 to discuss the financial result and performance of the Company for the quarter and half year ended 30th September, 2018.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

S.M. Dave

Shrima Dave
Company Secretary

Carbogen Amcis Ltd. Dishman Ahmedabad

Encl.: As above

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(Formerly Carbogen Amcis (I) Ltd)

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Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - Second Quarter and Half Year Ending September 30, 2018 Earnings Call

Event Date/Time: November 2, 2018/1500 HRS

CORPORATE PARTICIPANTS

Arpit Vyas
Managing Director & CFO - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Sr. Vice President (Finance & Accounts) - Dishman Carbogen Amcis Limited

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

Moderator: Ladies and gentlemen, good day and welcome to the Dishman Carbogen Amcis Limited Q2 FY'19 Earnings Conference Call. As a reminder, all participant' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Arpit Vyas – Managing Director, Dishman Carbogen Amcis Limited. Thank you and over to you, sir.

Arpit Vyas: Thank you, moderator and thank you all for joining the call of Dishman Carbogen Amcis Limited for the second quarter. It is turning out to be a good year despite the depreciation of rupee against all currencies and100% revenue generation from exports. Our hedging policy has safeguarded us against the turmoil, helping us ensure fair pricing with our customers, which is highly appreciated by them. The numbers will be discussed in detail by our Finance Head, Mr. Harshil Dalal.

The consolidated Revenue for the quarter was Rs.463 crores. The finance cost could have risen substantially but our strategy was in place to avoid that scenario. We saw a marginal increase of 0.35% over the preceding quarter. Fiscal year '17-18 was our best year with 3.88% increase and we believe it will be close to that by the end of this fiscal. Profit margin for the quarter was around 10% and it stood at Rs.44 crores. Half year EBITDA was Rs.270 plus crores. Mark will talk in a bit more detail about the subsidiaries outside of India. We have successfully shifted Dishman Netherlands to Carbogen Amcis Holding and it is now called Carbogen Amcis B.V. China modifications are going well and is nearing completion. Carbogen Amcis' new facility is operational and is absolutely state-of-the-art. Official opening was done in the previous month. This building was finished in record time. This is indeed a proud and emotional moment for the whole group as such deadlines are difficult to meet in Switzerland.

In India, the investments are going well. Our Soft Gel facility is expected to be operational by the end of this fiscal year. Unit-IX and the focus on hypo products continue, at the group level. We are seeing a gradual increase a in demand for the products which had been validated in the previous years, across the group. We are expecting further commercializations With that I would like to hand over the call to our Global CEO & Director -- Mr. Mark Griffiths. Thank you.

Mark Griffiths: Thank you, Arpit and good afternoon everybody. It is a pleasure to speak to you again. So, a quick update on where we are. We still see no negative impacts in the markets, with respect to our services and capabilities. This is something that we monitor on a weekly basis with our commercial teams. Our order book for the Carbogen Amcis Swiss operations is at 75 to 80 million and we continue to bring high valued work into the organization. Across the group, we are still looking at around 16 to 18 molecules in late Phase-3 and near commercial. I am delighted to tell you that one of the compounds we have been working on for a number of years, was approved in October by both FDA and the EMA for treatment of bacterial pneumonia and chronic viral skin disease. That is the project that we have been working on in Switzerland for the last eight or nine years and has finally crucified. I have meetings with the clients next week in the US to talk about commercial volume but we anticipate that next year, that is going to be in the range of $4 to 6 million of turnover and ramping up appropriately as we get more penetration in the market.

As Arpit also mentioned, our recent investment is now operational and there is a lot of interest. Our largest trade show was attended by 40 people from our side and over 200 client meetings in Madrid back in the early part of October. A lot of interest in that. That is already busy and probably will contribute between $2 million to $3 million of turnover this year and next year we expect it to be in the range of $5 million to $6 million of turnover, from that development unit. So, things are moving ahead according to plan. Our Project 2020, is moving ahead as per plan and we are now in the second phase of that project We are now looking at the long-term opportunities for the group, over the next five to eight years.

With that I will hand over to Mr. Dalal -- our CFO and look forward to answering some questions from you little later. Over to you Harshil.

Harshil Dalal: Thank you very much, Mark. A very good afternoon to everybody. I hope all of you had an opportunity to go over the numbers, but for the benefit of everybody I will just take you through the key highlights for the quarter and first half ending 30th September 2018. The quarter and first half of the year was a good half for us as far as the numbers were concerned, both from top line as well as profitability perspectives. For the first half we did revenue of Rs.930 crores as compared to Rs.783 crores in the corresponding half in the previous year. This corresponds to about 19% growth in the overall revenue. The EBITDA margin for the first half was about 27% as compared to 26% in the corresponding half of the previous year. The profit before tax margins were at about 18.6% as compared to 16.9%, and when I talk about this PBT, this is obviously the adjusted PBT, adjusted for the amortization impact of about Rs.45 crores in the half. The cash profit which is an important metric that we have, the cash profit for the first half was about Rs.189 crores as compared to Rs.154 crores. So, there was a significant improvement in the cash profitability as well.

As far as quarter is concerned, the revenue was at Rs.448 crores. The EBITDA margin as compared to Q1 grew significantly. We were close to 29% for the quarter at Rs.129 crores. The adjusted PBT was at 21% which in absolute terms is about Rs.93 crores and cash profit for the quarter was about Rs.100 crores. So, there was a significant improvement on all fronts.

The foreign currency fluctuation is an important aspect of our business because all of our revenue from India is definitely from exports plus the overseas subsidiaries that contribute almost 70% to the revenue. As far as operating income is concerned for the quarter, we had a foreign exchange gain of Rs.14 crores, which is largely on account of the FOREX hedging policy. For the six months, we had a foreign exchange gain of about Rs.42 crores at the group level, which is part of the operating income and this is realized foreign exchange gain which goes in our operating income. In the other expenses, Rs.7.5 crores foreign exchange loss was booked. This was on account of the foreign exchange differences on the translation on the debtors, creditors that goes as part of the other expenses. For the first half, that number was Rs.10.5 crores of loss. The finance cost shows an increase compared to the previous year first half, as well as the quarter. One of the important things driving the increase in the finance cost is the FOREX loss. This is the FOREX loss on account of the loans that we have on our balance sheet. As you would know, all our loans or the entire debt is in foreign currency, so there would be foreign exchange gain or loss as the case maybe. And the loss that was booked in the finance cost for the quarter was Rs.2.72 crores and for the first half, it was Rs.5.5 crores. So, overall on the net profit the impact of the FOREX for the quarter was Rs.4 crores and for the six months that is for the first half, it was Rs.26 crores, and obviously that is the Rs.4 crores gain in Q2 and Rs.26 crores of gain in the first half and all of this is realized gain, because all of the notional foreign exchange gain or loss is part of the other comprehensive income because we follow the hedge flow cash accounting under the IND AS and is part of the balance sheet. So, these are the key highlights of the financial performance.

As far as the subsidiary performances and Dishman India performances are concerned, we have already uploaded the presentation on the website as well as on the stock exchange, where if you see first half, most of the growth has been driven by of the CRAMS business, so in the first half if you see CRAMS India, the revenue has grown from Rs.98 crores in the first half of last year versus Rs.134 crores in the first half of this year. Carbogen Amcis including our CRAMS facility did a total revenue of Rs.490 crores in the first half of FY19 versus Rs.467 crores in the corresponding half. Carbogen Amcis UK did revenue of Rs.42 crores as compared to Rs.19 crores in the corresponding half. This is all part of the CRAMS business where the total CRAMS revenue for the first half was Rs.665 crores as compared to Rs.584 crores which equates to a growth of 14% on our CRAMS business.

As far as our marketable molecules business is concerned, the biggest component is our Dutch facility which did phenomenally well as far as revenue is concerned. In the first half of last year, the revenue was Rs.97 crores as compared to Rs.123 crores in the first half of this year. The other component which is largely our traditional business which is the Quads, Intermediates, phase transfer catalysts, Disinfectants, did a total revenue of Rs.93 crores in the first half of this year versus Rs.88 crores in the previous half. So, overall, excluding the operating income, total revenue was Rs.881 crores as compared to Rs.770 crores, which is an increase of about 15%. But as all of you know operating income is an important part of our overall business because the major component of that is the foreign exchange gain on the hedges that we have.

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

Sanjay Majumdar: Arpit, Mark and Harshil have covered most of the key points which are relevant from an investor standpoint. If you look there is now a decent consistency of earnings and the growth is also quite measurable and evident. We believe that the second half will be as good or in fact may be slightly better as compared to the first half, so overall 8% to 10% top line growth that was indicated in the beginning of the year for the full year, seems achievable. All the projects are going on well. The new businesses and the new contracts that we have procured, the progress is good. There is also consistency and stability in earnings from our old contracts and overall, this year looks decent. Mark has already indicated what is likely to happen over the next year.

I think with that it would be appropriate if we throw the house open for Q&A.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Ashish Thavkar of Motilal Oswal Asset Management. Please go ahead.

Ashish Thavkar: So, the chronic skin disease molecule, which is a commercial order, could it be to the tune of $4-6 million?

Mark Griffiths: Just the next year, beyond that we have no idea. I have got a meeting with the client in Boston next week where we will be talking about the forecast for next year because they are going to need to start to think about how they are going to meet the market. Probably it is going to be 14 batches, but it is all speculation until I get to speak to them next week.

Ashish Thavkar: You also said something that you are expecting revenues of $5-6 million from one of the other programs as well.

Mark Griffiths: That is the building no.145 investment, so that is the one that Arpit mentioned, that we just opened and is ready, I think this year, it will probably generate 2.5 million revenue from development work and next year probably somewhere close to 5 million, that is additional high potency development. So, we have talked about that in the last concall and we were getting close to finishing the project.

Ashish Thavkar: On the marketable molecule side of the business, we were into Calciferol some years back and now because of the imminent shortages, there has been massive price increase and some of our competitors are now benefiting. So, are there any plans or is it possible for us to get into Calciferol now?

Mark Griffiths: That is one of the focus areas, as Arpit mentioned about the Soft Gel facility. So, that is part of the strategy to leverage some of those. It is one of the reasons why the Netherlands business has been doing so well.

Ashish Thavkar: Mark, that would be Calciferol, right?

Mark Griffiths: Calciferol, Calcitriol, Alfacalcidol**,** there is a whole bunch of this, probably 20 different analogs of Vitamin D.

Ashish Thavkar: By the end of this fiscal year, do we expect to get our facility on track?

Mark Griffiths: Soft Gel, yes. The facility is due to be operational by the end of this fiscal year.

Ashish Thavkar: How much we would have invested there?

Arpit Vyas: About $1 million.

Ashish Thavkar: How much incremental business we hope to do?

Arpit Vyas Actually the Cholecalciferol market, the shortage was already seen by us two years ago. The Chinese manufacturers create an artificial shortage in the market and we were in this Cholecalciferol business before and that is exactly what was causing us difficulties. The profitability of the Netherlands facility improved because of the change in strategy. So, this is an opportunity for us in terms of going in the market and then again convincing more customers by highlighting our engagements with the previous customers, ongoing customers now and how they are benefiting from the contract.

Ashish Thavkar: On the ovarian cancer side, obviously, we are supplying the intermediates to the innovators but there are some innovator companies doing some additional work and they are talking about going for global filings next calendar year. So, to that extent, are we not under guiding on our intermediate sales to the innovator?

Mark Griffiths: No, we are selling the API to the innovator. We developed the API on behalf of all the innovators and we are manufacturing that API on a routine basis and supplying to the innovator. There are two suppliers; one in US and us and we know that our proportion of the activity in this molecule is probably two-thirds, and one-third is of the US supplier.

Ashish Thavkar: So, last quarter you were guiding for $10 million of revenues for FY'19. But incrementally, we could do much better than what we are doing currently?

Mark Griffiths: We just do not know, we are not in control of it, we know what orders we have and we know what we read in the press, so we know that they had a milestone payment from one of their partners over the last few weeks because they got some decent results in prostate. We know it is a small volume order. We are counting the purchase orders we have and the purchase orders that places us in line with the guidance we have given you.

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

Cinderella Carvalho: The guidance that we have given of 8-10%. In the first half itself we had 14.5%. Do you want to give some other number for the full year or do we still stay at that earlier guidance?

Arpit Vyas: The first half is looking better as the commercial revenue from Carbogen Amcis, some of it was front-ended and from India side, the commercial revenue of many products was front-ended as well. There were some procurement issues from the customer's end, in Dishman India, in the first quarter of the previous year. . That's what led to the strong performance in the first quarter of the current financial year. The 10% guidance remains. There could be some uptick in the current guidance; and this uptick depends upon the flow of orders from the customers. Any upside in that will help us deliver more than our guidance.

Cinderella Carvalho: Our second half is slightly better compared to the first half. I understand that we had some revenue coming from our earlier quarters in this first half but even our second half would be slightly higher. I am looking forward to better outlook than what you are giving.

Arpit Vyas: Correct. Not to forget that the Rs.30-odd crores is booked as an operational income but is in fact FOREX gain.

Cinderella Carvalho: In Carbogen Amcis, we have seen a decline but somehow, we have maintained the margins. This would go on or should we focus more on the validation batches going from the CRAMS at Carbogen Amcis?

Mark Griffiths: No, it is a mix of all sorts of things. Commercial revenues depends on when the client wants material. This year there are certain products which have been moved to next year. It does not mean you lose revenue.. These are just deferred revenues because the client does not need the material this year, instead he needs it next year. But we are not just focusing on the revenue, we are focusing on the long-term opportunities and the potential of these products as well. So, commercial revenue completely depends on client and not on our destiny.

Cinderella Carvalho: Going forward, we would focus on our margin on the Carbogen Amcis side, as we have done in the India business earlier?

Mark Griffiths: The proportion of cost is different in Europe or in the west as they are in Asia, so more than 50% of our total cost in Europe is people cost, including scientists and technologists. It’s a different scenario in Asia. So, when we talk about focusing on our margins, we are focusing on controlling our EBITDA and driving our margins higher. We are focusing on long-term high value, low volume opportunities in the market. The margin is always a focus for us, both selling margin and EBITDA.

Cinderella Carvalho: Mark, you said our order book stands at 75-80 million. So, what would be coming from the new facility which is recently commercialized?

Mark Griffiths: That facility became operational in the previous month. About $5 million of additional revenue next year and it is around $2 million this year.

Cinderella Carvalho: Overall, are we benefitting from the pollution situation in China?

Mark Griffiths: We see China becoming slowly successful. We have got four, five clients in Netherlands and we are manufacturing highly complex intermediates. We have two clients who are talking to us now, about manufacturing their APIs there. In the mean-time on our side, we are working towards getting Chinese FDA approval. That does not mean that we are going to just manufacturing product to sell in China. Quite a few players in US have been able to secure funding, to get their businesses to China.. There is a new chemical entity development community starting to emerge in China, so this is a positive sign.

Cinderella Carvalho: Any update on the Bavla inspection?

Arpit Vyas: It was just for the legacy product that the company has been doing and not for Unit IX.

Cinderella Carvalho: That's Eprosartan, right?

Arpit Vyas: Yes, it was eprosartan and other molecules which have become generic.

Cinderella Carvalho: So, we cleared it right?

Arpit Vyas: Yes, it is finished.

Cinderella Carvalho: Any update on the installation / operations of Bavla Unit IX?

Arpit Vyas: We have done a kind of contract with the equipment or the service providers for doing the same. Awaiting validation of the other cells from the customers. For one of them, we started to do on own cost because we have certain hypo generics CAT-IV in pipeline, which we plan to make there, but before that we are focusing on a small pilot plant for highly potent compounds.

Moderator: Thank you. The next question is from the line of Ranvir Singh of Systematic Shares. Please go ahead.

Ranvir Singh: You mentioned in the Phase-III we have 18-19 molecules currently, right?

Mark Griffiths: No, I said 16 to 18.

Ranvir Singh: So, which one we expect to go commercial first? how many commercialisations do we expect in a year or two?

Mark Griffiths: We can expect two to three in a year, depending upon the client's market analysis.

Ranvir Singh: The discussion in US next week will be for a new molecule or an existing one?

Mark Griffiths: I am on a client visit next week in the US and one of the visits is to a customer who has just been granted commercial approval for US and Europe. The discussion will be about the launch and commercial volumes of the new product.

Mark Griffiths: For the US market, the validation was done nearly three years ago.

Ranvir Singh: So, that is built in our order book for clear indication?

Mark Griffiths: No, it is built in the order book to get into validation, but after that we do not know if it is going to get approved. We think that next year we are going to have to manufacture around 14 batches for it, but we just do not know. So, I am seeing him next week and we will get a picture of what the sales commercial people think about the volume of API they require next year.

Ranvir Singh: Update on Niraparib ramp-up?

Mark Griffiths: We are producing about two-thirds of the market demand for this API at the moment and we have the purchase orders in hand for this year worth $10 million of revenue for this year. So, we have those purchase orders in hand. We are now discussing the client requirement for next year. So, we start planning for commercial clients around about September to November time. We start talking to our clients about their requirements for the next fiscal year and we are in that process right now. We are talking to many customers about their requirements and then that gets built into our business plan for the next fiscal year, which is obviously '19-20. As you do know, one of their commercial partners had very good results with an early trial for prostate cancer.

Ranvir Singh: What is the expectation from this molecule next year in FY20?

Mark Griffiths: If I would push, then somewhere between 10 to 15 million, but we just do not know because we are not in control of those volumes, it is the client. The customer is the one who is selling the product to the market, not us, and most of these customers are very secretive about what they do especially in their commercial volumes.

Ranvir Singh: Apart from this, we had two more molecules which were at the stage of commercialization. Any update on those molecules?

Mark Griffiths: One of them was the pneumonia product, which I was talking about a bit earlier, which has just been approved, and there is another oncology project at the moment, they are waiting for readouts on the clinical trial, so we just do not know, we make material, that material is being used in patients and there were results from the clinical trial.

Ranvir Singh: Harshil, I see on Slide 10, our EBITDA margin breakup is given there. So, in others we see that EBITDA margin has been 10.2% versus last year 30.4%. Is there any adjustment or this is the same segment which we have been reporting earlier also?

Harshil Dalal: It is the same segment. It is just that the China operations are extremely small for us. So, that is classified under others. What we have been doing over the last four quarters is that there is a deferred tax asset which has been built up in China, which is being written off every year. So, that has a negative bearing on China's profitability, which also impacts the group performance.

Ranvir Singh: So, business remains same in your segment. How has the performance been?

Harshil Dalal: Segment wise business remains the same. It was just that Q2 last year was more of an exceptional quarter as far as China was concerned. There were a lot of shipments and the deferred tax asset write-off was miniscule. So, that was the only reason why that margin was high. On a normalized basis for the full year, it should be anywhere between 10% to 12%.

Ranvir Singh: So second half should be better?

Harshil Dalal: It will be anywhere between 10% to 12%. The entire “others” segment which includes Quads, Intermediates, BTC, etc.

Ranvir Singh: What would be our overall margin for FY’19?

Harshil Dalal: FY’19 for the full year, we expect that the margin should be in line with what we did in H1, which is anywhere between 27% to 28% at EBITDA level.

Ranvir Singh: Any tax guidance?

Harshil Dalal: You can assume a tax rate of about 32%.

Ranvir Singh: What is the CAPEX for this year and next year?

Harshil Dalal: That would be close to about 30 to 35 million. So, this would obviously include the maintenance CAPEX as well as the additional growth CAPEX on the hypo facility as well as the Soft Gel along with the additional expansion for the new project.

Ranvir Singh: Is this for FY19?

Harshil Dalal: That is for FY’19 and we can assume similar kind of expenditure for the next year as well.

Moderator: Thank you. Next question is from the line of Raj Gandhi from Victory Capital. Please go ahead.

Raj Gandhi: My question was regarding the announcement which you did in the press release for a proposed IPO of Swiss business and I was just wondering about the rationale of listing the Swiss business separately – is it to do with the capital requirement at the Switzerland end or is it to do with unlocking value for employees or senior management who own shares in the Switzerland unit. If it is about value unlocking, then what happens is that if you are owning shares of the Indian listed entity, it is not advisable to have another listed entity in a foreign market as typically markets end up giving a holding company discount to any such step down listing. So, being a shareholder of the Indian company, it is not the best news that another entity is separately getting listed, so just trying to understand the rationale of the listing?

Arpit Vyas: As we move ahead, we do not plan to stay at the same level. First, the news that you have read, it suggests that we are evaluating different options for fund raising which includes the possibility of capitalizing on the equity of Carbogen Amcis as well. So, it is just an indication that the evaluation has begun, but because you made it so specific, we would like to go further and say hypothetically, if that option is exercised. The expansion plans of the subsidiaries outside of

India not to exclude China, are going to be massive. We are close to finishing our 2020 strategy and now we are devising a strategy for 2025 as well, which would require further investment depending on how the market is moving and what our thoughts. We first do all of our research and then create a system and then start to invest in a phase-wise manner. So, that should be beneficial for the investors as well.

Raj Gandhi: Just wish to highlight that listing a subsidiary does not create value for the parent shareholders, so for example for a shareholder in the listed Dishman entity, it is not the best thing to have Dishman having several listed subsidiaries or even one listed subsidiary. The markets do end up giving a holding company discount. So, contrary to management expectations, the market never gives the same kind of value.

Arpit Vyas: Mr. Raj, I would like to ask the question that are those companies at the same level or are those providing the same services?

Harshil Dalal: The important thing in our case is that holding company is a completely operational, functional company which is supporting the operations of Carbogen Amcis and vice versa. So, overall the kind of the value that Carbogen Amcis brings to the entire group, that is not currently reflected in the current valuation.

Raj Gandhi: I completely agree, the current market valuation of Dishman does not reflect the future potential of the pipeline. Even if the Swiss entity is listed, I am not sure of the valuation translation from this for the Indian entity. The holding company discount risk will remain for the shareholders of the Indian entity.

Harshil Dalal: It is largely driven because of the nature of business that we are in and the kind of services that Carbogen Amcis has been providing. That is the main reason but as Arpit also mentioned, we are still evaluating that option, so nothing is finalized at this stage.

Raj Gandhi: If you can share one small detail. What would be the exact shareholding pattern of the Swiss entity – is it 100% owned by the Indian company?

Harshil Dalal: No, right now, 100% is directly or indirectly, by the Indian entity.

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

Ashish Thavkar: Harshil, you gave a guidance of 27-28% EBITDA margin for FY19. To that extent, is the current gross margin sustainable at 84% ?

Harshil Dalal: I would say we can take an average of about 80%. So, typically about 20% is the material cost on an average. So, it wouldn't be apt to take this quarter as a benchmark.

Ashish Thavkar: So, this quarter is there something which has worked for us in terms of product mix?

Harshil Dalal: No, it is a matter of product mix as well as additional supply of validation. So, that was one of the major reasons behind the lower material costs in this quarter versus Q1, where the material cost was about 23%-odd.

Ashish Thavkar: How much was Eprosartan sale in the first half?

Harshil Dalal: For the first half, we did total sales of about 7.5 million.

Ashish Thavkar: Anything on the drug you supplied to J&J?

Arpit Vyas: That is going on well.

Ashish Thavkar: So, that might also have contributed to the gross margins?

Harshil Dalal: Of course.

Arpit Vyas: We prefer not to make anything at a loss.

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

Nitin Agarwal: As you mentioned Unit IX was not part of the Bavla Inspection. So, where does that leave Unit-IX now in terms of additional clients qualifying in this facility?

Arpit Vyas: It should be assumed, Nitin, that it is already being qualified because the product that Unit-IX is making is already commercial. So, the approval from the FDA would have been taken by the client to do the same. Again, because Dishman Carbogen Amcis has been audited multiple times by the FDA and the track record is clean, which gives comfort to the FDA to give the approval.

Nitin Agarwal: Which is fine, but for clients who are looking to utilize the facility for their own US filing?

Mark Griffiths: Does not hurt us, no.

Nitin Agarwal: What are the growth prospects of the China facility?

Mark Griffiths: From a business perspective over the next two to three years, at least one API will be manufactured out of the China facility, That is the strategy for the next two to three years. From a revenue perspective, in the next few years, it will get to $15 million. We have now got a development capability there which will be used to develop new chemical entities for the Chinese market, and also to support customers at the pre-clinical phases where it is all about price

Nitin Agarwal: Mark, what kind of visibility do you have on the $15 million revenue for two years?

Mark Griffiths: We've got reasonable visibility. In two years' time, 60-70% surety of that, will be good for us.

Nitin Agarwal: Lastly on the Vitamin D analog business, while it has been profitable for us, the revenues have been constrained. When can we expect pickup in the revenues from the analogs part of the business and even in the soft gel business?

Arpit Vyas: The Soft gel plant should be ready by the end of this fiscal year. From the Dutch side, Mark if you can give some perspective?

Mark Griffiths: There are two things. The high value is a pharmaceutical use. On the pharmaceutical use, we know how big the market is and we have a very large share of that market. We have customers who want to pay for European Quality and they do not want to trust the Chinese. This whole market is dominated by essentially a cartel. A Chinese cartel linked with a European company and as Arpit said, every two years they play with the market on Vitamin D, which is the starting material for some of our analogs. They play with the market, they restrict supply using excuses like the Chinese government shutting plants down. That drives the price up, then they come back in with full volume and for six months they make a lot of money and then they restrict market again. We stepped out of that four years ago and we are not playing this game anymore at Dishman Carbogen Amcis. That will stabilize our revenues and drive our profitability hugely. The pharmaceutical market is small and is highly profitable for us and we are a trusted supplier and we have continued loyalty with our clients going forward. The other side of the business is the nutritional and healthcare and feed side of the business. We have seen that shrimp has taken a hit. Mr. J. Vyas has taken upon himself to lead and drive a technology project to look at the nutritional use and some of the nutritional benefits to patients who had certain procedures, by having formulations of Vitamin-D and Vitamin-D analogs, to support their immune system and to help them get better. We have been carrying our clinical trials with Boston University and those trials are starting to read out, in the next 12 months they will read out. In the meantime, we have a nutritional opportunity with the Soft Gel facility to produce Vitamin-D and analogs for use outside of the regulated market today, but utilize the data generated there to attack the regulated market. So, that is the strategy which is being driven by Mr. J. Vyas and we've made massive inroads into the development of starting materials, the optimization of the starting materials to enable us to provide excellent quality but at a much lower price, which is something that Chinese cannot do at the moment. Putting a monetary value on that is difficult, but nevertheless that is the project we have been consistently talking about over the last 12 months, So, we have a substantial pharmaceutical market for the analogs and those are all manufactured in Holland, with starting materials now coming from India, from Bavla, and the optimization of those starting material processes has allowed us to drive better margins. So, the combination of Bavla and Holland is working very well and that is why you see the sustainability of the margins, even if the top line revenue is flat. Then we have got the feed market, which is for the cholesterol side of it and the feed market is ugly especially as it relates to shrimp. We are also looking at poultry now in the US because that is a big market. We are also looking at a very interesting opportunity in salmon trade. Salmon is a very high value product relative to shrimp and there is a sustainability issue with feeding, basically while they feed salmon is they kill little fish and feed little fish to big fish; this is a terribly unsustainable way of doing things. We have a project ongoing where we are in talks with a single customer now, to develop a product to enable us to attack the salmon market.

Moderator: Next question is from the line of Satish Bhatt of Anvil Share & Stock. Please go ahead.

Satish Bhatt: 20% to 25% of the global molecules are coming from immune-oncology. Are we going to enter the immune-oncology side of the cancer research? Are we looking to develop our own capabilities in this segment or looking to buy out existing capabilities?

Mark Griffiths: There are three potential areas that we are targeting for the future for Carbogen Amcis specifically. One of them is immuno-oncology and we are considering some form of acquisition. Will be difficult to do that organically. The other one is biologics development and those two are linked to some extent. So, those are the two areas that we are looking at. On the ADC side, which is kind of biologics as well, we have just finished our first registration batch ever in the new facility for a European customer. So, that batch is being used to register the product with the EMA. Those are the two areas of significant interest for the future of the business.

Satish Bhatt: How is the movement of molecules from Phase-2 to Phase-3 in the current quarter?

Mark Griffiths: A couple have transitioned to Phase 3. We do not really track it too much. What we track is the ones that go in for late Phase-3 because those are the ones that have got through, in the first set of trials in Phase-3.

Satish Bhatt: So, how many have gone from early Phase-3 to late Phase-3?

Mark Griffiths: Probably 16 to 18 in Phase-3 and probably 9 of those in late Phase-3, because one has just gone commercial.

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

Arpit Vyas: Thank you all for attending the call. I hope we took all your questions according to your liking. Again, we would like to reiterate that please do not look at the company for quarter-on-quarter revenue growth. Early to Late phase 3 jump takes 2-3 years, depending upon the molecule. So, we are as curious as you are to see the fate of such molecules which are going into Phase-3 and then late Phase-3. It is detrimental to look at the quarter-on-quarter revenue; it needs to be looked on at least two years in the current scenario. So, we request you to do the same and hope you have the same confidence that you have been having for so many years. Thank you all again. You all have a Great and Happy Diwali and Exceptional New Year. Thank you very much.

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