29th August, 2019

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

SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER ENDED ON 30TH JUNE 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 Wednesday, 14th August, 2019 to discuss the financial result and performance of the Company for the quarter ended on 30th June, 2019.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

Shrima Dave
Company Secretary

Encl.: As above

Dishman Carbogen Amcis Limited
(Formerly Carbogen Amcis (I) Ltd)

DISHMAN CORPORATE HOUSE
Iscon-Bopal Road, Ambli, Ahmedabad-380 058. (India)
Phone : +91 (0) 2717 420100 / 420124
E-mail : dcal@dishmangroup.com
Website : www.dishmangroup.com

Regd. Off.: Bhadra-Raj Chambers, Swastik Cross Road,
Navrangpura, Ahmedabad-380 009. (India)
Phone : +91 (0) 79 26443053 / 26445807 / 26560089
Fax : +91 (0) 79 26420198

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Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - First Quarter Ending June 30, 2019 Earnings Call

Event Date/Time: August 14, 2019/1600 HRS

CORPORATE PARTICIPANTS

Arpit Vyas
Global Managing Director - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

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

Moderator: Ladies and gentlemen, good day, and welcome to the Dishman Carbogen Amcis Limited Investor Conference Call. As a reminder, all participants' 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arpit Vyas – Global M.D., Dishman Carbogen. Thank you, and over to you, sir.

Arpit Vyas: Thank you very much, moderator. Hello, everyone! First of all, apologies for the delay. There were some technical issues going on with the line, which we manage to solve and now we are all with you. So, again, apologies for the same.

We had a decent quarter. It seems like the world is going through some recession but the efforts that we have put over the past few years have augured well. Apart from that everything else is in line and in check. I do not have much to say as of yet. It is too early in the year. But we would be giving you a few updates of what has happened thus far and what we expect is going to happen this year.

With that I would like to have Mark say a few words and give you an update on the same and post that we will discuss the numbers and then the questions. Mark?

Mark Griffiths: Thanks, Arpit. Good Afternoon, everybody. As Arpit said, it is very early in the year, but things are proceeding as per our plans. So, we are on target for what we are running enforce to end of the year, of course, we are only one quarter in.

We have had a successful FDA pre-approval inspection for another product, which happened last month and we are pleased about that. In Switzerland, we have French authority audit coming very soon, maybe week after next for our France formulations facility, which will be the second audit that facility is seeing under our management.

The rest of the business is proceeding on track. Our Cholesterol and Vitamin D business at Holland is continuing to proceed well. The appetite for early phase and clinical development of APIs is still very strong. Europe continues to strengthen. We are not seeing too much of an impact on any of the geopolitical issues that are currently faced by the planet. Our preparations for Brexit are well under control and we feel confident of whatever happens, and nobody can predict what is going to happen, least of all UK government. But our preparations are as full as they are able to be, and we do not predict any potential issues in disruption of supply of products to our customers.

I will echo what Arpit said; it is early in the year, but we are not dissatisfied, we are working hard to continue to deliver the numbers and to grow the business.

And with that I will hand over to Mr. Harshil Dalal – our Global CFO to talk to you about the numbers. Over to you, Harshil.

Harshil Dalal: Thanks very much, Mark and everybody. Hopefully, you are having a very good evening. I am sure you would have had a chance to go over the numbers, but for the benefit of all I will just go over the broad consolidated numbers for the first quarter ended June 30th 2019.

For the first quarter, we had significant increase in the revenue. So, there was 8% growth in the revenue as compared to the comparable quarter last year, we ended up with the revenue of ₹522 crores. The EBITDA for the quarter was about ₹119 crores, which represents close to about 23% of the consolidated revenue. The profit before tax was about ₹46 crores and the profit after tax was about ₹34 crores. So, these were the key highlights on the consolidated front as far as the numbers are concerned.

As far as the key contributor is to the growth in the revenues that has been done, CRAMS India, the revenue grew by about 28% as compared to comparable quarter last year with CRAMS at Carbogen Amcis and beyond was more or less flattish as compared to the same quarter last year. Having said that, we expect the amount of commercial orders to be supplied in the remainder part of the year. CRAMS UK showed a significant increase as compared to the same quarter last year. The revenue for CRAMS UK segment was about ₹37.5 crores. Thus, the CRAMS total for the quarter was ₹377 crores as compared to ₹337 crores for the comparable quarter, there is increase of about 12%.

On the Marketable Molecule side, the Netherlands business grew by 8.6% with the revenue of about ₹72.64 crores and our other segments, which include the generic APIs, Disinfectant, as well as China business the revenue was about ₹51 crores. Thus, the marketable molecule segment's overall revenue was ₹123 crores as compared to ₹111 crores in the comparable quarter last year.

As far as the margins are concerned, the India CRAMS margins were close to about 52% for the quarter. For Carbogen Amcis, the margins were about 18%, UK was about 12%, Netherlands was about 31% as compared to 45% last year, that was on account of higher amount of cholesterol sales as compared to the analogue sales, which was untangled last year and the other margins was about 9.8%.

As far as some of the key points we wanted to highlight for the particular quarter. On the cost front, there was an impact of FOREX translation as far as our overall costs are concerned. As you are aware, almost 95% to 98% of our costs are denominated in FOREX currency. There is a translation impact of about 5% as far as the foreign exchange fluctuation is concerned. Just to explain that in more detail, last year the average exchange rate of the dollar to the INR was about 66.5, in the same Q1 of last year as compared to 69.5 in the Q1 of this year, on the Swiss Franc to INR the exchange rate was about 67 last year as compared to 70.6 in the current year Q1. So, there was definitely an impact on the overall cost. As far as the FOREX impact on the revenue is concerned, as you can see in the operating income, the FOREX impact last year was a gain of about ₹27.84 crores as compared to ₹7 crores in the first quarter of this year. Therefore, there was an impact of close to about ₹21 crores in the other operating income in the first quarter of this year. Having said that, we would have good number of hedges that we have done in order

to protect our numbers from the foreign exchange fluctuation on the revenue side and we should see the realisation among those hedges coming through in the latter part of the year. This is just a translation impact, which is coming through in the numbers that indeed impact the margins in the Q1 of this year.

One more point that we want to highlight was there was also an impact of the implementation of Indian accounting standard, the IndAS 116, which was applicable to us from 1st April 2019. As you would have seen compared to Q1 of last year the depreciation increased by about ₹11 crores, so that was one of the impacts that was accounted for in depreciation as well as in the finance cost. So, all those impacts have already been considered in Q1 of this year. The reason why the impact is substantial is because most of our assets in Carbogen Amcis AG are on lease. So, we would have to recognise an asset, which was at a discounted value to the original cost of those assets and corresponding liabilities. So, the accounting change that has happened starting Q1 of this year and this would continue for the remaining part of the year as well.

With that, I would hand over the call to Mr. Sanjay Majmudar.

Sanjay S. Majmudar: Good Evening. So, on this new AS 116 technically, Carbogen Amcis assets are on a long-term lease; 30-years to 40-years. So, what we need to do as per the new accounting standard is to capitalise the same and bring that lease as an asset in our books, create a corresponding liability, provide for depreciation and also provide for interest. On that basis, earlier we used to charge in the P&L on the lease rental, now everything is reversed. The impact that Carbogen Amcis level is as high as about ₹170 crores. That is the reason why on the finance cost as well as on the depreciation you find a significant increase at the consolidated level.

Another aspect that I would like to add is in terms of cost element. If you look at the employee cost, you will see that employee benefits and expenses compared to the corresponding Q1 of last year has increased. As Mark would elaborate, we have a new facility at Carbogen Amcis, which has been technically commissioned. So, we have employed lot of new scientists, amongst others where fixed overheads have come but the impact in terms of revenue is yet to be felt and that is why in Q1 there is a higher impact on the employee cost as well. So, overall because of these two factors, you will see that the EBITDA on the consolidated basis are in the range of around 23%-odd, which is down from about 26% last year but going forward, as we cross the second, third, and the fourth quarter, then the volumes increase, this impact is likely to be neutralised. So, on an annual basis, I believe that the overall target, which we have given was about 10%-odd growth in terms of revenue and the EBITDA on a consolidated basis was about 26% remain.

So, with this, I will request the moderator to throw the house open 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 Cyndrella Carvalho from Centrum Broking. Please go ahead.

Cyndrella Carvalho: There were materially higher commercial supplies from Carbogen Amcis in Q1 FY'19. Mark, if you will be able to help us understand this quarter? And the second question is regarding the

bacterial pneumonia molecule that we had mentioned. Have any shipments gone ahead for that particular customer? Which phase are we currently in?

Mark Griffiths: Just the Carbogen Amcis front, first. We have been consistent for many years. Commercial deliveries are very lumpy. Total quantities per annum are defined normally in the fourth quarter of the preceding year by the clients and then we deliver based on their requirements. So, this is just timing. It is as simple as that. Last year the commercial deliveries were front-loaded and there were two particular products were front-loaded by customers, they needed movements earlier in the year and that is utilised during the year. Total volume required has not fallen, it is just timing, as simple as that, which is why it is very difficult to compare quarter with quarter because the commercial deliveries is not quite so obvious at the standalone level, at the Carbogen Amcis level, it is very lumpy, always has been in the 20-years I have been associated with the business.

Harshil Dalal: Cyndrella, this quarter, the development revenue was higher as compared to the commercial revenue and that is why you can see a margin of about 18.2% at Carbogen Amcis, which is also pretty good. Last year it was close to about 19%. So, this is one of the factors for the 18% EBITDA margin and the second reason was higher sales of cholesterol as compared to others in Netherlands.

Mark Griffiths: Arpit, have we shipped anything this quarter?

Arpit Vyas: Again, it is very few, it is starting because like Carbogen Amcis again we shipped quite a lot of materials in the last quarter of the previous financial year. So, now we will soon see an uptick in the revenue for that.

Harshil Dalal: In Q1, the sales were about ₹3.5 million.

Cyndrella Carvalho: From the India side of the CRAMS, we did mention that there are certain commercial quantities that have gone out. Are these normal molecules or any fresh molecules coming in?

Mark Griffiths: There is a whole basket of things that we are working on. We have a German customer whom we have re-established relationship with in the last 18-months and commercial quantities of those two intermediates, which are very complex intermediates are starting to pick up. We are not very satisfied with the pipeline for standalone India. We are quite confident about the pipeline. And again, if you remember two years ago, we did a major portfolio review of all the products that we were making across the globe and we decided to stop making certain products because they were not profitable or they were utilising capacity in terms of sales rate, then we felt we could sell. So, we are not dissatisfied with the pipeline, but it is the first quarter, so again, we have reasonable level of confidence about what the commercial quantities are across the board. But they do change now and again, and customers come back and want us to move a shipment into April next year instead of March. For many of our customers, the financial year is January 1st to the end of December. So, it makes no difference to them, but it makes a big

difference to our numbers. So it really is timing, we do not see any specific concerns about any products dropping out.

Arpit Vyas: Just to add to that, for India CRAMS, we quoted for many enquiries in the past year and it gives us a pleasure to inform that out of that almost 15 quotes from us have been accepted and the work for that will start soon, we have met all the clients many times and as Mark said some of them are German clients. In the new enquiry, nothing from the US we have seen, it is all in Europe, but they are in development and as you know that takes time and the commercial revenues from that is going to be coming in the future as molecule succeeds.

Cyndrella Carvalho: Harshil, you said that the IndAS 116 impact was around ₹17 crores this quarter, right?

Harshil Dalal: Yes, as compared to Q1 of last year.

Cyndrella Carvalho: Should we see the annualised rate to be the new normal now, right for the full year?

Harshil Dalal: The depreciation for the quarter was about ₹67 crores and if you compare to Q1 of last year it was ₹54 crores. So, close to about ₹70 crores can be taken as the depreciation run rate going forward.

Moderator: Thank you. The next question is from the line of Manoj Garg from White Oak Capital. Please go ahead.

Manoj Garg: Mark, in your opening remarks, you have indicated that you had a very successful PI from the FDA. So, when can we start see the commercial launch of this molecule, any timeline you would like to highlight?

Mark Griffiths: Obviously, the customers filed the product anyway. So, we would not have gotten the pre-approval inspection. It is for a chronic condition, it is a multiple sclerosis, it is the US customer and they are quite experienced customers, they are not biotech. We would start to build some material for commercial launch by the end of this year. There are already a lot of products as well as we saw volume. We are not talking tonnes here. It is a very high value product. We are talking about probably 300 Kgs for the next two or three years and penetrate the market big enough. But I would imagine, we would be starting to build commercial processes for launch by the end of this year I would say.

Manoj Garg: And since you said that this is going to be a high value, I understand that it is hard for you to put the numbers behind that, but can this be another US$15 - 20 million kind of an opportunity for us?

Mark Griffiths: Once it matures, maybe in four years to five years it has the potential to do that. But again, I caution, it only has the potential. If I believe every customer sales guy, then our business will be worth US$50, US$100, US$300 billion, so we are always cautious, and I recommend you should be as well.

Manoj Garg: Another comment that you made about the German partner and I believe this is largely an anti-drug conjugate, which we were talking about in the last quarter.

Mark Griffiths: It was a different customer. Yes, the largest antibody drug conjugate project we have at the moment is for the German customer.

Manoj Garg: You were indicating even in the last con-call that you do expect another two PI this year, which includes the ADC molecule as well. So, where are we on those two molecules?

Mark Griffiths: We have so many manufacturing products in Phase-3. We are still supporting clinical trials as you remember, that conjugate, that customer has licensed the antibodies to a number of different other organisations. So, we are continuing to support material clinical trials for those customers. It is hoping to be dealt with through the primary customer. When the FDA tell us that they are going to do a pre-approval inspection, we will get one. We anticipate it is going to be this year, based on the customers timeline when he is filing. But again, you will appreciate, we cannot drive pre-approval inspections happen.

Manoj Garg: In the last con-call, Mark, you also mentioned that one of your US customers is likely to come to the China facility for two or three intermediates. Any progress on that front?

Mark Griffiths: Yes, there are two; we have another customer who looks as though they are going to commit to the Shanghai facility for complex intermediate. So, we are doing the development work now and the tech transfer. So, that is moving forward. We are not dissatisfied with that at all. That is in target and we manage to convince another customer to commit to Shanghai for a larger intermediate also.

Manoj Garg: Harshil, if we look at your Q4 depreciation was around ₹70.6 crores, so is the case for Q1 FY'20 where the depreciation is around ₹67.2 crores. So, when we are talking about this AS 116 kind of an impact, if we look at sequentially depreciation is more or less the same ,if we have a negative impact on depreciation and finance cost, what was the positive impact above the EBITDA line item?

Harshil Dalal: The rental expense moved obviously as far as the EBITDA line item is concerned, but all of these reasons were till now getting classified as operating result, which are now classified under finance lease. So, obviously, you have an impact on the interest and depreciation. The depreciation as pointed out in Q3- Q4, it was about ₹70 crores, but that was largely on account of the additional catch of depreciation on certain assets which got capitalised in the last quarter. For the full year, entire depreciation was charged to the P&L in the last quarter plus the operationalisation of the new development building that we had acquired in Switzerland, so that also started operations from Q4 of last year. That was also the point that depreciation has increased in Q4. Going forward we believe that close to about ₹70 crores should be there, even though in Q1 of last year it was about ₹54 crores.

Manoj Garg: But what happened to the positive impact above the EBITDA line item because of these changes?

Harshil Dalal: That would be close to about ₹5 crores.

Manoj Garg: Arpit, in your opening remarks, you have spoken about some recession and the impact on the business. So, can I understand how does the recession impact business is like clinical research or pharmaceuticals?

Arpit Vyas: If you analyse the numbers, you will see that in India our raw material cost is let us say around 30-35% and our labour cost is around 10-15%. The same scenario is on the flip side in rest of the world where the labour cost is around 35%, 40%, 50% or 60% in some cases and the raw material cost is around 10 - 12%. So, the impact of the currency fluctuation is too high on the fixed cost side, which is showcasing any of the margins as well and we do not know what the economic scenario is going to be like and how that is going to be affected in terms of the new enquiries and the new quotes and the new business that we are going to do as of yet. As of now, everything is looking positive. The work that we are reporting, thus far, in the past few years in making sure that we are safeguarded against the recession that the global is facing right now, we do not know. Just of a cautionary scepticism.

Manoj Garg: Arpit, when we are highlighting the 5% impact because of rupee depreciation on the cost line item, do you believe that we also have a corresponding benefit on the top line given that the larger part of revenues comes from the export?

Arpit Vyas: Reporting anything in rupee is the major problem because if you look at Carbogen Amcis, the majority of the revenue is in dollars, but the big costs are majorly in CHF. As Harshil bhai mentioned before that last year the average dollar was at 66 and CHF was 67. So, the difference between dollar and CHF was ₹1 if you consider into rupee terms. This year dollar is 67 and CHF is 69. So, that difference is ₹3.

Harshil Dalal: Manoj, you have to also understand that the hedges that were realised last year in Q1 versus what we realised in this year. This is the policy we just hope realise the foreign exchange gain on the hedges that we have. So, that was a differential impact of close to about ₹20 crores and that obviously comes into the EBITDA numbers.

Manoj Garg: Just a related question to that. What is our hedging policy and is it like we follow any fixed pattern or maybe we are more opportunistic out here?

Harshil Dalal: No, we have a proper foreign exchange risk hedging policy wherein obviously we have the long-term contracts with our customers. So, what we do is typically for the first 12-months you would hedge close to about 65%-odd of the revenue, for the second year it would be close to about 25-30%, third year would be about 15% and for the fourth, fifth year would be not less than 5%. So, that we would see doing on a rolling basis. Again, it is all dependent upon the anticipated sales that we would envisage in the next 12-months and then we would break it down quarter

wise. So, as you can see, this quarter the revenue was much higher; it was close to about ₹500 plus crores against which we have hedges in place, which were close to about ₹250 crores.

Moderator: Thank you. The next question is from the line of Anant Jain, an individual investor. Please go ahead.

Anant Jain: My question is mainly on MDR-TB drug. We had this filing with Janssen Pharmaceuticals on MDR-TB maybe around 8-10-years back and now what has happened is that Janssen has launched this drug in MDR. Earlier it was only given as a sample or more directly to the government for like limited number of patients. So, what kind of impact do we see with Janssen launching it directly?

Arpit Vyas: So, the impact is yet to be seen. We are hopeful that it is going to be a positive impact as Janssen is going to launch the product and sell directly. So, they will be opening or doing partnership with the Greenix. There are five to six which the government bid for MDR-TB. For that reason, the first quarter we are seeing 3.5 million and we hope to see the same run rate happening in the future as well. But Janssen is also very cautious because this is the end drug for TB. So, if there is any sort of mishap while taking the medication or during the course, then after this there is no other option for the patient to take any other drug. So, they will be moving very cautiously to make sure that the patient is catered to well and is cured of TB.

Anant Jain: So, we expect the same run rate of 3.5 million going ahead also?

Arpit Vyas: This year our expectation because we do not have much visibility in terms of certainty from Janssen because of the reasons that I just mentioned also of being overcautious and making sure that it is keenly followed, our expectation is around €10 million.

Moderator: Thank you. The next question is from the line of Neelam Punjabi from Perpetuity Ventures. Please go ahead.

Neelam Punjabi: Just wanted to clarify if I heard it correctly. You guided for 10% revenue growth and 26% EBITDA margin for FY'20?

Harshil Dalal: On a full year basis without considering obviously any kind of FOREX impact, on the positive side or negative side on the hedges or otherwise, we expect that this revenue should grow by about 10% and our EBITDA should be around 26 - 27%.

Arpit Vyas: You must minus the FOREX gains that happened last year which were close to about ₹112 crores.

Neelam Punjabi: But just wanted to know what is the reason for the lower margin guidance?

Arpit Vyas: On a consolidated basis, 26 - 27% is the consistent number that we have been talking about and you should go by it.

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

Rahul Sharma: Just wanted to know due to AS 116, the impact on depreciation is ₹.17 crores, right, how has it impacted the EBITDA ?

Harshil Dalal: That is about ₹5 crores impact on the EBITDA. ₹17 crores is the total impact; interest plus depreciation.

Rahul Sharma: But how much would be on depreciation there?

Harshil Dalal: Depreciation would be close to about ₹11 crores.

Rahul Sharma: This muted performance on the margin front across segments like cholesterol business was because of formulations and even on the other business segments which were there? Are we hopeful of recovery going ahead?

Mark Griffiths: On the cholesterol business, we have given clear guidance. The market is not going to be substantially high or low in the foreseeable future. It is a stable business. We opportunistically pick up things. We target certain customers. But that cholesterol business is stable. I do not see there being a massive uptick in that. In fact, ultimately, what we are doing with our Vitamin D business which cholesterol is starting to is we are further diversifying ourselves because we see cholesterol in the next 20 or 30-years becoming commoditised and Chinese capability of volume is already high and is continuing to grow and that responds is to diversify the business into the analogues. So, that is where we are with our business. I would not expect to see significant movement up or down in cholesterol and that is why we are diversifying the business is something that the company is spending a lot of time and effort in enabling us to create new Vitamin D analogues in our clinical trials work that we are carrying out research work and Mr. Vyas Sr. is spending I would say a good proportion of his time focusing on and what Arpit and I focusing on from markets in perspective. So, that is where we see the future of that business now in cholesterol although we will manufacture cholesterol for our own use and continue to do that.

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

C Srihari: Firstly, on the 16-odd molecules in late Phase-III clinical trials. I presume about two or three would go commercial this year. So, can you please give roadmap for the remaining, I mean, how are they likely to go commercial in the near-term? And secondly, your other expenditure is low if I look at it on the last three, four quarters. Is that a sustainable number?

Mark Griffiths: I will hand you over to Harshil for the second question but to the first question, we have been consistent for two to three years based on the pipeline we have which continues to fluctuate in a positive sense. For example, we are closing a number of projects at the moment out of our India

facilities which already late phase. We are working on two programs now for Swiss customer which was a pull-through from Carbogen Amcis. We will continue to pull those through. The ability of those to go commercials is the first milestone. Going commercial is approved in the market. Generally, what you see is when the customer gets approved in the market, there is a rush to create volume to sustain the market. The big pharma companies always build stock before launch. The small buyers never do. So, what happens is we as an organisation have to panic all the time when they get approved. So, when those revenues come, and what those revenues look like are almost impossible to predict. So, we just give cautious rough guidance and the best way to do is a number of two to three years. I cannot predict which ones are going to go commercial. I cannot predict what would happen. For example, if a customer gets acquired, we maybe planning to do a preapproval, or a validation run next year. That customer gets acquired by a large pharma, large pharma wants to do the validation this year. That froze our numbers all over the place and then we must scramble and run around to satisfy those needs. That is why we are cautious because of very dynamic business. So, honestly, in terms of numbers, difficult to predict. Some of these products are very small volumes and almost all of them are very high value even the ones that are look to outside of Europe, some of the projects that we are looking for, we are actually working on at the moment in Bavla are exceedingly valuable projects. We build contingencies in our planning and we react to dynamic situations.

Arpit Vyas: Just to add, Mark, from a broad perspective between India and Switzerland, we have a very decent and satisfying pipeline of early and late Phase-3 which makes us very comfortable that if you look at a two to three-year horizon, then things look predictably stable and consistent.

Mark Griffiths: We are bullish. Our pipeline is as strong as it has ever been. Is it fair to say that. Sanjay?

Sanjay S. Majmudar: Yes, exactly.

C Srihari: What I understand is let us say up to 2020, probably four to five products can go commercial, would that be a right ?

Mark Griffiths: Maybe more, you are talking 2020, two full years, it could be six…it could be one, I do not know the answer.

C Srihari: On the oncology front, which are the segments where you have most of the action centred?

Mark Griffiths: Oncology is still one of the biggest ones, but we are working on products for Dishman's which is a niche multiple sclerosis, one we just got the PI for. I mean, that is a massive indication, but it is also an indication, which is populated by several therapies. So, I think if you look at the oncology still going to be the biggest focus for the business and that is where we see our success continuing to grow but that does not mean that we ignore other areas. Heart, central nervous system also focuses for us. So, it is spread right away across the board and for an investor that is an important thing to sigh. We are not relying on one single area of therapeutic interest. As an organisation, we look at a project, is it complicated, does it have potentials to have high value and limited number of people being able to jump in because it is complicated. If it is, those are

the sorts of projects we go after. We do not want to be into commodities, we want to be into complicated difficult things to do because that is what matches our skill sets.

C Srihari: What I meant was let us say you have about eight products on the oncology front in late Phase-3, so therapy wise where would that be let us say breast cancer or which particular sub-segments are, they present?

Mark Griffiths: Subsegments! Bowel is one that we are seeing a lot of activity in. But the sadness of this is because cancer is such a wide and indiscriminate disease, there are so many different, I mean, MS is MS, scientists say them, but just because you got cancer, does not mean that one cancer drug will solve your problem and that is the sadness of it. There are probably 150 different types of cancer, maybe more, and each one of those may or may not need a therapy or an analogue of a therapy. So, breast cancer is something, which is an issue, but we are seeing a lot of bowel cancer, Development work is going on. Leukaemia is another one. Lot of paediatric cancers have been looked at. But there are exclusively other things as well. Outside of asthma is another thing that is starting to affect a lot of people on this planet. So, we are starting to see quite a bit of effort going into asthma, respiratory disease.

Arpit Vyas: Insomnia as well?

Mark Griffiths: Yes, absolutely.

Arpit Vyas: Beta blockers?

Mark Griffiths: Yes, heart disease, vascular disease. We are agnostic in that regard. We would work on pretty much anything as long it is complicated and difficult to do because that is where our skill sets lie.

Arpit Vyas: And good for the patients?

Mark Griffiths: Yes, and there is benefit.

C Srihari: That leaves a question on other expenditure and have you provided sales figure for Niraparib in this quarter?

Harshil Dalal: First, on the other expenditure, last year in Q4, it was ₹123 crores. What are included was foreign exchange loss element, which was to the tune of about ₹24 crores. So, that is the reason you see the expenditure is substantially higher than any of the other quarters last year which obviously was not the case in the current financial year Q1. Some of those expenditures are also variable in nature like the freight expenditure, marketing expenditure, etc., that you can see Q4 is our strongest quarter with revenue was about ₹650 crores. So, obviously, those variable expenses were incurred at a higher rate as compared to Q1 of this year. So, there was recognition in the other expenditure. Niraparib in Q1, there has been no sales, which has been accounted for.

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

Rashmi Sancheti: Just few clarifications. On the new advanced bacterial pneumonia drug, which was expected to start from April, you all said that the shipments have not been started yet. But what I understand the product is already commercialised right by the innovator.

Arpit Vyas: I do not hear any about it has been in Switzerland. It might be something else.

Rashmi Sancheti: Okay. What I will do is I will take that thing offline from Harshil. Apart from that, if you can provide Eprosartan number during the quarter, how much it has contributed?

Harshil Dalal: In Q1 we had one Eprosartan that went out which was about ₹12 crores.

Rashmi Sancheti: Bedaquiline API, you all said that it is around US$3.5 million for this quarter?

Harshil Dalal: Yes.

Rashmi Sancheti: Any guidance for the full year as it is seeing good traction across?

Sanjay S. Majmudar: Arpit mentioned about €10 million, about ₹80 crores.

Rashmi Sancheti: Niraparib has not contributed any sales during the quarter. Any specific reason for that or is it that the shipment got delayed or something like that?

Mark Griffiths: Customers got stock.

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

Cyndrella Carvalho: Requesting you to help me understand in terms of our new partner for our ovarian cancer drug, have we received any capacity guidance from them what they were supposed to revert in terms of the plan and when we look at our Unit-IX Bavla in terms of the other units, which were supposed to start, that is beta, gamma, so what is the plan there, and we have also highlighted that we do not want to be dependent on one drug. So, what is the pipeline at Unit-IX Bavla that we are looking at?

Arpit Vyas: So, far the ovarian cancer drug is the same drug that we have been talking about. So, you would have heard that there is a massive consolidation, which has happened because of the purchase of that company and before that they had built massive stocks. Of course, we have not heard anything from the new company directly who has bought the small biotech but from the kind of run rate, which is published, we have made our calculations that they possibly would have 90% of the materials still in the stock of what we have sold thus far. And if they continue with the current rate, then I do not think you would need anything for the next two, three years. But needless to say, that we are yet to see anything happen from the larger organisation, which has

bought this small biotech and once we hear from them, then you will have a better clarity and then we will be able to hopefully mention something about it.

Sanjay S. Majmudar: There is a small order for Q2 for this drug.

Mark Griffiths: There will be a shipment next quarter. But no forecast information beyond that.

Cyndrella Carvalho: But Mark, if we understand that there are a lot of trials also which are ongoing for this particular drug, so our understanding is what we supply there is a good portion of it which goes for the trials also. So, if we say that they have enough with them, I am not able to comprehend that?

Mark Griffiths: The situation is two-fold; first thing is that they were licensing this product to a number of large pharma companies and that was publicised in the papers. One of the problems that you got now is that if you are one of those large pharma companies, you used to have a partner who is a small biotech. Now you have a partner who is a competitor. So, what you do with your program? We suspect that what is happening is there is a lot of negotiation going on with the other partners to our knowledge there are two that license this product and we understand there a lot of what is going on is backroom discussions about how they are going to work together.

Cyndrella Carvalho: So, basically the prostate indication and the ovarian cancer indication and the front-line ovarian cancer indications, which is recently got approved, I mean, the data has come positive. So, you are trying to say that there are a lot of discussions among themselves only which is kind of dealing the progress.

Arpit Vyas: What Mark mentions is relating to the common therapy that they both have among themselves; one large company has their own molecule and this company has their own molecule, but the results showcase that if both of the molecules are used together, then the result is much better. So, that is what Mark is trying to highlight here. The other indication that you are talking about is yes, they have filed, and they have gotten approval. What does the approval mean? Yes, this drug is good to go in the market. Now the filing of the drug will start to happen in different countries and volume will increase because they have already stocked up for that therapy needed on a Phase-IV trial let us say.

Mark Griffiths: It is important to understand the small biotech, their business model is not taking a drug to market, and their business model is getting a drug and licensing it to big pharma. That is the business model for small biotech. So, what has happened is the small biotech has been pursuing their plan, which is to license this molecule to several different organisations. Now they are no longer that company anymore. They are now a large company and the dynamic is very different. We have seen this time and time and time again, it does not concern us because sooner or later if a drug is good, we cannot make a representation on that. But if the drug is any good and the competition is not as good, then this drug will sell, and it will sell in several different indications if it is proven to be a good drug.

Arpit Vyas: And at the end of the day, Cyndrella, what is important as well is that after the launch of the product, if the person is suffering from the particular disease, does not have insurance to support it, they are not going to be bidding it, it is like chicken and egg situation.

Cyndrella Carvalho: On the pipeline side, any update?

Mark Griffiths: We are in the middle of it and we have already started and moving forward into a large marketing push for unit-IX anyway and we have several opportunities, which Arpit mentioned earlier with both small and large pharma on oncology drugs for that building. There is also a couple of projects coming through to Carbogen Amcis which we are hoping if they progress in Phase-2 at the moment and if they progressed and Unit-IX will have to be the location for those drugs because it is too big for Switzerland. And again, we are not going to sync large scale highly, highly potent capability into Switzerland… we are not going got do that, it is too expensive, and Unit-IX is too good.

Arpit Vyas: Just to add on to what Mark said, we have also identified some CAT-IV molecules, which are going to be off-patent and we started the development on that as well because as you see it there are not many facilities available in CAT-IV in terms of generic companies and hence we see an opportunity there of being ahead of the market hence, we see an opportunity there of being ahead of the market so we have developed a few of those as well.

Cyndrella Carvalho: That is good to know and on the Swiss side how is new facility ramp up coming up, where are we, what is the level that we have reached with the new building?

Mark Griffiths: Well there are numbers of different facets with this. The first thing about that particular facility is the developmental facility. We have populated it with staff as Harshil explained, which explains why the labour cost has gone up; we have added the new people now. We are now starting to populate those labs with projects and customers, which is going very well. The major player for that facility is to debottleneck R&D to enable us to fill the small-scale production unit in Switzerland and that is what we would see as the next affect, the next uptake. So, we are on target, we populated it, we have got projects in there, so the labs are busy. Once we get through that developmental work that work will then transfer into the production unit and that is where we make the money.

Cyndrella Carvalho: Can you throw some light on the China audit that was expected by one of your customer?

Mark Griffiths: Yes, it already happened the client audit happened, and the facility past and they are in the process of finalising to take transfer for that product and in East coast US customer who has been customer of Carbogen Amcis for about 12 years now.

Cyndrella Carvalho: Any indication that was used for?

Mark Griffiths: In terms of what the medical indication?

Cyndrella Carvalho: Correct.

Mark Griffiths: Yes, it is the starting material for CNS indication I am trying to remember its specific name it is CNS. So, a Central Nervous System it is not heart, it is not lung, it is not cancer, it is CNS sorry there are so many projects we are working on it about 300 projects you cannot remember every one of them, but we have also got another customer who was now very interested in utilising the facility in China and they have already seen the facility and they have already approved the facility and we are now in discussions with them talking about the future volumes because they have outgrown for the intermediate, they have outgrown the capacity that we have in Switzerland.

Cyndrella Carvalho: So, this quarter is not comparable, lot of margins have not come as per our expectations. We are looking at ramp up of capacities at various levels so Harshil coming to back on the margin question I think the guidance that we are indicating is kind of conservative you will say or there is some concern on the operating leverage that you are not expecting this year to come?

Harshil Dalal: So, we do not see any major concerns as of now and part of the year, but as of now we do not see any major concerns obviously the asset fluctuation would be something, which is obviously not in our control so we have a good amount of hedges on the revenue side that we have done, but apart from that we do expect the margins should improve as we go deeper into the year and based upon the last year number if you see we have always been conservative as far as our estimates are concerned and you always want to over achieve whatever we say. So, that has been our philosophy whether there is an economic downturn or otherwise whatever estimates that we give out is something that you would want to achieve and overachieve that if possible.

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

Nishit Shah: Actually, just wanted to appreciate the presentation this time it is much better and much more informative especially in terms of the margin drop it has been very well explained. Now one or two things but there is one suggestion slide 22 of your presentation you have been talking more or less the same numbers at least that is what last 4 - 5 years I have been saying that about (+25) molecules are in early Phase-III and about 15 - 16 molecules in late Phase-III it will be useful if you can add there that how many been commercialised out of the late Phase-III and how many have drop down from Phase-III and how many have newly entered into Phase-III, similarly in the early Phase-III if you can say how many have progressed to late Phase-III and how many have dropped out and how many have entered the Phase-III that will at least tell the kind of business momentum that is getting build in I hope Mark you appreciate what I am trying to suggest?

Mark Griffiths: Yes, I appreciate what you are trying to suggest we can do that. We are not going to do that in the quarter-by-quarter basis because you know the developmental cycles you know it is 3 years, but what we can do is we can do it for the next meeting that would be reasonable.

Nishit Shah: I think even if you do it on a 6 month or a 1-year basis that is okay that is fine I mean I am also not suggesting you to do in a quarter-to-quarter basis.

Harshil Dalal: What happens Nishit here is that as Mark mentioned the cycle is very long so even if there is a drop out, we are not aware of for a very long period. So, it is still lying until it is dead.

Nishit Shah: It is better even if you do it on a year-to-year basis I think it will give a real good insight into where we are headed and also one more suggestion if you can mention how many molecules are already commercialised and where you are already doing the contract manufacturing part like it is always an estimate that you have 5 molecules, which are commercialised or 10 molecules, which are commercialised because then that is an annuity revenue because over a period of next 15 - 20 years till the time patent is there you will have that manufacturing portion coming to you, so it will be useful if you can just mention without mentioning the details of the product that is that 7 products are commercialised or 10 products are commercialised that will be a very useful information.

Harshil Dalal: Sure, we will do that Nishit.

Nishit Shah: On the suggestion to improve this. Now on to the Softgel plant you have put up a facility in Bavla I have been to the plant now what is the status there are we going to do a domestic marketing of the Softgel capsules of vitamin D or are we going to also go and sell into a US in a formulation form and what is the status on the clinical trials in the US if you can elaborate on that?

Mark Griffiths: You want to do the trial.

Ankit Vyas: On the plant level we are running IQ-OQ-PQ as we speak. For the start of operation of the plant will happen in the next in the second half of the financial year. Regarding marketing for vitamin D is going to be global launch but in phase-wised manner. So, of course domestic is included in that as well and wherever we see that the need is first in terms of vitamin D malabsorption, we would look at those areas first and then try to our best efforts with cost and launching those areas of the globe first is the strategy that we have as of now.

Mark Griffiths: So, we have had an issue rate which is extremely positive. We are waiting to see all the data and see the full analysis of that data, but the indication is that what we have proposed in the design of the trial actually work very well. So, the next stage will be over the next month that the clinical trial technical team will be presenting data, which will then be analysed independently and then a full conclusion will be driven, but we do not appear to have any concerns it is all about our conclusion, which is if it works. So, what we need to do then is to decide and this is something, which we have not even had an internal discussion on. This information then we came out yesterday, but we need to decide how we are going to protect that innovation and then how we are going to publicise it because first we need to go into peer journals and things like that. So, this is quite an interesting path we are on so far so good is what I would so far so positive.

Nishit Shah: I understand that the good cholesterol and between the market is about 5 million in US and we are looking to capture that part of the market, so these the clinical trials and the results if it how long will it take for us to actually have the product in that market?

Arpit Vyas: What we are doing in that as you see you are right 5 million in US, but our anticipation is that it is more because the current treatment for certain conditions like malabsorption or people with bariatric bypass surgeries then normal conventional OTC does not work. So, our view is that with the analogues it is possible that it may work and hence if that is true and they prove to be right then you should be able to see an uptick in the market because you would guess that if the drug is not working in these people with such conditions they would not be buying them so that market is not yet captured at all. So, we are not looking to capture the existing market it is not something that we will ever want to do for any of the products. It is something always new because what is there is already there, and you would want to look for something new and that is the drive here.

Nishit Shah: So, what is the roadmap on this in the US entry point?

Arpit Vyas: It is a question on a lighter note do you watch movies?

Nishit Shah: Yes.

Arpit Vyas: Do you know to a movie what is going to be the end. It is new for us while you were watching the movie are you confused or are you excited.

Nishit Shah: I am as confused as I was earlier but like I know this is an 18-month exciting story and I do not know how it is going to plan out.

Mark Griffiths: So, let us talk about what we think our plan is okay. So, our plan is to analyse the data that comes out of the clinical trial. Our plan then would be to decide how we are going to protect or what we can protect because you will understand there is a lot of players in the vitamin D market and there is a lot at stake here. What we have trialled is a relatively small patient subset and we did that for two reasons. 1) To limit the scope of the trial 2) To draw not a lot of attention to what we are doing because we have competitors. We have got successful results from that subset of patients and it is a large subset, but it is not US$50 billion. If we prove if we believe we have proved that the mechanism of actions work with this set of subset patients then we know that the mechanism of action will work in others and we hope that we would then be able to present that to the agencies and make a case for us to be able to open up the label on this particular compound, but the first step that is the dream. So, if we come back to reality, we hope that by analysing this data we can present the data to peer group and then present the data to the agency. If the agency believes us and we get the right support at the peer group level, then there is a chance that we may be able to launch a drug in the next 3 to 5 years to treat that subset of patients. The follow up from that is this could have indication or could you have use in other people who might absorb vitamin D or in territories where vitamin D is not readily available from the sun like Scandinavia or England. So, there are whole bunch of potential opportunities, which we are aware of, but we are not screaming and shouting about now and we are not screaming and shouting about it because there is a lot of competition out there. What we do not want to do is to say look at Dishman and then somebody else take it off and do what they want with it. So, that is why we are being cautious, but the plan is that we will analyse the data we will go and talk to the peer

journals and the peer presentations and then we will go and talk to the agency, but the first thing we have got to do is to decide how we can protect it and that is what I need to sit down and talk about with Mr. Vyas that how we are going to protect what we have got what is the next step.

Nishit Shah: And this is very useful that means it can take almost 3 to 4 years before we see the first dollar revenue coming in on that.

Mark Griffiths: It is a pharmaceutical drug so you are right it could be three to four years.

Nishit Shah: So, on the Softgel plant we have a Softgel plant I thought we are going to use it for exports also so that right now it will be used only for the domestic market?

Arpit Vyas: Nishit here I think there is a confusion and then we apologise for that so the Softgel plant is a multipurpose Softgel plant it is not just for vitamin D. Here what we are talking about is calcifediol analogues side of vitamin D, which is a much more niche and new business or a new opportunity we are talking about of what the clinical trials are. On the flip side the Softgel plant will also be used for other nutraceuticals products, other vitamin products vitamin A, vitamin K like Mark mentioned all complex complexes not just run-of-the-mill and there should be a commercial launch next year and that is the target of the Softgel plant in the nutraceutical division.

Moderator: Thank you sir. 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.