dishman

13th February, 2020

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

SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND NINE MONTHS ENDED ON 31ST DECEMBER 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 Friday, 24th January, 2020 to discuss the financial result and performance of the Company for the quarter and nine months ended on 31st December, 2019.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

Shrima Dave
Company Secretary

Dishman Carbogen Amcis Ltd. Ahmedabad

Encl.: As above

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - Third Quarter Ending December 31, 2019 Earnings Call

Event Date/Time: January 24, 2020/1600 HRS

CORPORATE PARTICIPANTS

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

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

Moderator: Ladies and gentlemen, good day and welcome to the Dishman Carbogen Amcis Limited Q3 FY20 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mark Griffiths - Director – Global Marketing and Strategy, Dishman Carbogen Amcis Limited. Thank you and over to you sir.

Mark Griffiths: Thanks very much and good afternoon everybody. Thanks for joining the concall. Firstly, brief apologies Arpit is on his way down from a meeting so he is on way down now but I will give some short introductory remarks and then I will hand over to Mr. Harshil Dalal - our Global CFO.

Our strategy of providing a continuum of service to our customers from single digit grants all the way through to multi ton market supply of APIs plus our innovative products in the cholesterol and vitamin D analogues business, all seem to be going in the right direction for us. So without spending too much time talking about the introduction, I will hand over to Harshil who can give you a brief on the numbers and then we can proceed. Thank you very much moderator. I will hand you over now to Mr. Dalal.

Harshil Dalal: Hello, everybody. A very good afternoon to all of you. I will just take you through the numbers for the quarter and the 9-months ending December 31, 2019.

Our total revenue including the operating income was 542 crores, which increased by 13% if you compare it with the corresponding quarter last year. Our EBITDA without other income was 125 crores which represents 23% of

the total revenue. The profit before tax was 50.6 crores and the profit after tax was 32.8 crores. So this was the quarterly highlights for the company on a consolidated basis. For 9 months, our total revenue till December 31, 2019 was 1,531 crores which represents a 9% increase over the corresponding 9 months of the last year. EBITDA with other income is 390.5 crores which represents 25.5% of the net revenue. The profit before tax is 162 crores while the profit after tax is 108 crores.

In this quarter Carbogen Amcis AG had a phenomenal revenue growth, almost 40%. In rupee terms against 237 crores revenue in Q3 FY19, Carbogen Amcis did a revenue of 331 crores. This is exactly as per our guidance in the last call. Some commercial orders got deferred from Q2 to Q3 and hence there was an inventory buildup at the end of Q2. Revenue growth was largely driven by that as certain additional commercial orders which have gone out in Q3.

Since many of the orders have been deferred to Q4, the revenue at India CRAMS was lower as compared to Q3 of last year. We did a revenue of 51 crores as compared to 76 crores in the corresponding quarter last year. However, for the 9 months ending December 31, 2019, India CRAMS kept showed growth. The total revenue for India CRAMS is 240 crores as compared to 210 crores in the corresponding 9 months of last year. We expect that India CRAMS revenue will increase significantly in the next quarter, largely on account of the commercial orders that is expected to go out in Q4 and that will also have a positive impact on the margins .

As far as CRAMS UK is concerned, since the UK business is more of a non-GMP business and has it its own customers, there would be skewness in that particular business quarter-over-quarter. CRAMS UK did a revenue of t 20 crores which was similar to what we did in the comparable quarter last year.

And for the 9 months, CRAMS UK did revenue of 81 crores as compared to 62 crores in the corresponding 9 months of last year.

Carbogen Amcis BV which is part of our marketable molecule segment did a revenue of about 57 crores as compared to 67 crores in the corresponding quarter last year. Revenue was largely driven by the sales in the cholesterol segment as compared to the Vitamin D analogue segment. For the 9 months, Carbogen Amcis BV did a revenue of about 185 crores as compared to 190 crores last year. For the full year, we believe that it should do a revenue of close to about 30 to 33 million Euros.

Other segment includes India marketable molecule segment as Carbogen Amcis Shanghai, we saw a significant increase in the revenue. We did a revenue of about 59 crores. So this was driven by about 30 crores of revenue coming from Carbogen Amcis Shanghai and the rest of the revenue coming from the India marketable molecule segment. For the 9 months ending December 31, we did a revenue of about 160 crores as compared to 120 crores in the corresponding 9 months of the previous year.

As far as the margins are concerned, India CRAMS continues to show significant amount of margins as we have seen historically. India CRAMS did a margin of about 54% in the quarter and for the 9 months it was 56%. The CRAMS, Carbogen Amcis and the RIOM business put together did an EBITDA margin of 21.5% a good increase as compared to our historical average of 19% to 20%. This was largely driven by the commercial orders that were supplied out of Carbogen Amcis.

In the CRAMS UK business, we did a margin of about 14% and for the 9 months we did a margin of about 16%, largely driven by the intermediates and the non-GMP material required for the other projects. Carbogen Amcis BV

did a margin of 31% in Q3 and for the 9 months, we did a margin of about 34% largely driven by the higher analogue sales last year as compared to the higher cholesterol sales this year. In Q4 we should have higher amount of analogue sales. So this was some of the key highlights of the financials for the quarter and the 9 months.

Last year, for the quarter ended December 31, 2018, we had a realized foreign exchange gain in operating income of 41.65 crores. As compared to that, we have one operating gain on account of Forex of only 13 crores. So there is a delta of about 28 crores on account of the realized foreign exchange gain. Some of the forward contracts are due in the next quarter and in the following quarter. We will realize a gain in the next quarter and going forward. The same story continues for the 9 months ending December 31, 2019 . The realized foreign exchange gain for the 9 months is 35 crores as compared to 84 crores in the corresponding 9 months of the previous year.

You will see that the employment cost as compared to Q2 has increased. That is largely on account of an additional month's salary that we pay out to our overseas employees in the month of December. Secondly, we have recruited certain additional scientists at Carbogen Amcis. And thirdly, on account of the conversion of the foreign exchange also had a negative impact on the overall employment cost.

Other expenses, on a consolidated level includes a foreign exchange loss on account of mark-to-market of 10 crores in the quarter. The total cost is about 94 crores and that includes 10 crores of foreign exchange loss on account of the mark-to-market.

And lastly as far as the depreciation is higher largely on account of the new accounting standards related to leases which has been adopted at our

subsidiaries and at the parent level because of the Ind-AS 116 being implemented. On a net debt basis, we bought at about $120 million as of 31st March 2019. As of 31st December 2019, our net debt is $108 million. Since most of our debt is denominated in foreign currency, this has been normalized in the US dollar. So there is a reduction of about 12 million.

With that, I would like to hand over the call to Mr. Sanjay Majmudar to say a few words and then we can open the floor for Q&A.

Sanjay Majmudar: Thank you, Harshil. I think this was an elaborate presentation on your side and since I see a very long list of participants, let us quickly go on to Q&A. Moderator, you may open for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.

Aditya Khemka: Is there an official starting day and an official ending day by which you have to complete the buyback?

Harshil Dalal: Yes, thank you Aditya for questions. We have given a public announcement wherein on the stock exchange, wherein the starting date for the buyback is Monday, the 27th and as per the regulations, we have a total period of 6 months within which the entire buyback needs to be completed.

Aditya Khemka: Right. And given that the price of the stock remains below the buyback price, is it mandatory or compulsory that you need to finish the entire buyback?

Harshil Dalal: Yes, so ideally we would want to finish the entire buyback within the period of 6 months, as approved by the board.

Aditya Khemka: Any updates you may have on the IT investigation ?

Harshil Dalal: The status remains the same as was updated to the stock exchange. We have not received any official communication from the IT Department. Whatever information was required, all of that has been supplied and it would be very premature on our side to comment anything further.

Aditya Khemka: That is fair enough. Considering that your business momentum is doing well across segments and obviously there are quarterly variations, could I get some sense on what you plan to do with the free cash flow that you generate in FY21. What would your CAPEX be and where would you guide us or a ballpark EBITDA number for FY21?

Harshil Dalal: The free cash flow would be put back into the company for its own growth and part of it would be utilized to the board and the shareholders . On CAPEX plans, cash flow will be utilized to add capacities at our overseas operations. The annual CAPEX outflow would be close to about $35 million. So that is the kind of run rate with which we will be working. There would be CAPEX which might be front ended, but if you take overall period of 5 years, that would be kind of the average run rate.

Aditya Khemka: Is there a debt repayment target for next year?

Harshil Dalal: We don't essentially have a target for the debt repayment. We have already reduced the debt about 12 million. There is also a working capital blockage which keeps on happening. So I would say on a normalized basis close to anywhere between 5 to 10 million would be our target. Then we also have to think about how to reward our shareholders like we have announced a buyback plan .

Moderator: Thank you. The next question is from the line of Dipan Mehta from Excelsior Equities. Please go ahead.

Dipan Mehta: When we took over Carbogen's Switzerland, the whole idea was to bring manufacturing from the overseas facilities into India. But even after so many years, we are not able to get bulk of the revenue from the overseas subsidiary back into India. Only 50 crores out of the 400 crores comes from India and ideally it should be significantly higher which is the case for a lot of other similar businesses?

Harshil Dalal: So Dipen, one thing to understand is that numbers we report in the presentation are the sales which happened directly from India to the end customers or through the marketing subsidiaries. Now there is also lot of work that India does for Carbogen Amcis, the Swiss operations . For all of that, revenue gets captured under Carbogen Amcis AG**.** So if you see the India's standalone revenue, was about 550 crores last year, this year it could be closer to 600 crores. So that is the kind of revenue that India does, but the services which are sold to say Carbogen Amcis AG or the goods that gets sold to Netherlands, all of that sales get clubbed under the non-integral subsidiaries.

Mark Griffiths: There is significant activity between the operations in Asia and the operations in Europe, significant.

Dipan Mehta: What would be share of products manufactured out of Indian plants?

Harshil Dalal: For the quarter that was about 100 crores. For the full year, it would be close to about 600 to 650 crores out of the consolidated revenue. At a ballpark figure of 2100 crores, it would be close to about 30%-35%.

Sanjay Majmudar: I would like to add couple of things. First and foremost, you mentioned that when we acquired Carbogen Amcis, the idea was to bring additional business to India. That is a misconception. Carbogen Amcis was a very strategic acquisition and today there is a lot of technology transfer that has happened between Carbogen Amcis, for example we have started Unit 9B here. We are doing lot of complicated chemistries. There was a front ending and a back-ending synergy which has actually happened over a period of time. So just to give you an example, when we acquired Carbogen Amcis it was doing 3, 4, or 5 commercial projects. Today it is doing more than 25 commercials. There is a massive increase in the overall activity levels, so there synergy that has happened on a back-to-back basis. It is wrong to assume that our idea was to downsize Carbogen and make India major production, that was never the focus. The focus was to project Dishman and Carbogen Amcis on a consolidated basis as a unique business model, rather than just talking about shifting of production

Mark Griffiths: Essentially it is cumulative. We move the complete API from Switzerland over to India and there were benefits we accrued. Number one, in renegotiating the contract for that IPR with the clients. It gave us the opportunity to sell that product outside of that client non-exclusively which we couldn't do out of Switzerland. So that increased the revenue, but also increased the customer base for India because we can expand the customer base for that product. What it also did was free up capacity in Switzerland which we were able to sell at a higher rate. So it is a win win. If we just transferred it and shut down operations in Europe, then you would have a win for a little while, what we got is the double win because we have had free capacity which we have been able to sell for a higher price. This enabled us to continue to grow Carbogen Amcis while we continue to fill the pipe for

India. That is one example of probably 15 or 20 activities that are ongoing. Next time, we can put some statistics of the number of projects that have been transferred and we are working jointly on.

Sanjay Majmudar: This year Carbogen Amcis, will probably do maybe 150 million Swiss Franc, India does a standalone of say 600 crores.. But there is lot of seamless technology transfers and because of Carbogen Amcis front ending, it can take highly complex jobs and when it is scaled up, it goes to India. So it is actually a complimentary activity or synergy rather than just a manufacturing cost cutting exercise.

Moderator: Thank you. The next question is from the line of Satish Bhatt from Anvil Shares & Stock Broking. Please go ahead.

Satish Bhatt: Mark, I just wanted to know how your pipeline is developing and how the drugs have moved in the last 6 months and what type of commercialization you are expecting in the next 6 months. We were talking of a going into immuno-oncology segment for developing capability. Globally I think 30% or 40% of the new drugs are coming from the IO segment.

Mark Griffiths: The pipeline is very healthy and anecdotally when we talk about kissing frogs. We are still kissing frogs that are very healthy, right. The challenge we are coming up against now is we are being a little too successful. We have deliberately kept capacities tight because the tighter the capacities are the more efficiently they work. As Harshil mentioned, we are starting to look now at a slightly elevated CAPEX in the next few years to enable us to incrementally add capacities in certain areas beyond the strategic planning. As an organization, we are very satisfied with the pipeline, we continue to transition from development into validation and through to commercial at a rate we have been talking about. We got one confirmation last week for a new

organizational company**.** We are working on roughly 50% of those would go commercial and we are transitioning at about that rate. When we talk about immuno-oncology , it is a part of our long term strategy which is an exercise that is constantly going on between partly myself and Harshil with support from the relevant operations around the world. We continue to look, the difficulties that we got to get ourselves in a good position for our core business. We are putting effort into Vitamin D and Vitamin D analogues and we still continue to push those very hard and we started to see some success on those. Our core business is CRAMS and chemistry and we continue to make sure that is a stable, sustainable and growing business going forward. Formulation as you know, is of a significant interest to us and we are reaching the conclusions on our strategy for that. We will be able to talk about that in the next concall after the next board meeting. So immuno-oncology is one part of it along with Biologics, along with additional ADC potentially. We are now starting to see that gain some traction. So again exciting times for us**.**

Sanjay Majmudar: Just to add, there are more than 20 projects in Phase-III.

Mark Griffiths: We have got a lot coming on now. We are very busy, and we are happy to be that way.

Sanjay Majmudar: And there would be a steady addition of commercial projects out of this pipeline, clearly. At least 1 or 2 every year.

Mark Griffiths: That is what we have always targeted, and I think we have been consistent with our expectations and the delivery of those expectations. I cannot talk about customers we had this discussion before. We have to respect confidentiality.

Moderator: Thank you. The next question is from the line of Ranbir Singh from Sunidhi Securities. Please go ahead.

Ranbir Singh: In India CRAM business, part of it has been deferred to fourth quarter. I see other elements has also been deferred part of it in fourth quarter. So was this related to IT related issue or this was normal?

Harshil Dalal: No. This was just how the customers had placed the orders. If you see historically Q4 has been our stronger quarter and typically from India post 15th of December shipment hardly go out because of the Christmas**.** Last year, India standalone revenue was 175 crores in the last quarter. With the order book that we have for this quarter and going forward, we should see the India CRAMS business growing in the current quarter. But it has nothing to do with the IT-raid because all the business operations, everything was running normally.

Ranbir Singh: Okay. Where we stand in terms of supply of Eprosartan, are we still supplying to Mylan?

Harshil Dalal: In Q3, we had just one shipment of Eprosartan, we should have 3 supplies in this quarter.

Mark Griffiths: Just to be clear, in Europe where Eprosartan is going, December is only a two week month. Everybody is shuts down their operations to do long term maintenance, people are on holiday.

Harshil Dalal: And we have already got consistently good repeat orders and this process continues. But order has already been received for next year.

Ranbir Singh: Can you give some clarity how long we have to supply Mylan under a contract?

Harshil Dalal: It is a 5-year agreement that we have with Mylan and gets renewed at the end of the fourth year for another 5 years. So that keeps happening on a rolling basis. We already have orders in hand for the current calendar year.

Ranbir Singh: As long we are supplying to Mylan, we will not be looking at different partners right?

Mark Griffiths: Because we are the only manufacturer of the specific drug, we are the only company in the world that makes it**.** There are other generic versions of Eprosartan but we are the registered innovator. So that is why we continue to supply to Mylan.

Ranbir Singh: Forex gain this time was lower. In fourth quarter, Forex gains would be in line with what we have got in this quarter? or what is the scenario there?

Harshil Dalal: We believe that it should be a similar kind of gain this quarter as far as the realized gains are concerned because we do not book the unrealized gains through the P&L.

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

Nitin Agarwal: Can you update us on how the performance has been for China business for 9 months and strategically how is Chinese business playing out?

Mark Griffiths: Shanghai is doing a considerable amount of work for Switzerland now on a couple of very complex intermediates. We are working towards approval for the Chinese FDA, Chinese quality authorizations.

Nitin Agarwal: So Mark, have we got any live customer contracts in China right now or how is it?

Mark Griffiths: Yes. Long ongoing projects.

Nitin Agarwal: And then Harshil, is the Chinese business, the Shanghai unit and all breaking even for the 9 months?

Harshil Dalal: Yes. So the only reason why a loss was reported was because there was deferred tax asset which was created in the past, when China was incurring losses. So by the end of this quarter by 31st December 2019, all of those deferred tax assets have been written off. Next quarter onwards, I think we should see a positive PAT going forward. But on EBITDA level and at an operating level we are generating positive numbers.

Nitin Agarwal: What kind of EBITDA margins do we envisage in the Chinese business?

Harshil Dalal: I think it should be at least 25%-30%.

Nitin Agarwal: In the Vitamin analogue business, not much scale up seen versus last year. How should we look at this business, if we take a 2 years to 3 years view?

Mark Griffiths: We are looking now at other innovative applications for these products. We are nearing the end of the clinical trial for Vitamin D analogue in the US at the moment. We will continue to manufacture cholesterol, but more and more that cholesterol will be utilized for captive use to generate our own products. That is where we provide strength for Holland, utilizing the assets created over here to produce bulk for potential markets.

Nitin Agarwal: When will you see a pickup in these analogue volumes?

Mark Griffiths: Not less than 18 months and this is not volume business, it will be sales business. It depends where we recognize our sales, that is something that hasn't been clarified yet. But I would suggest you are probably not going to

see massive uptake in the next 18 months, but after that there should be quite some activity. These things take time, but in the meantime the business is stable. The business is generating significant funds back into the business and we are not too concerned.

Nitin Agarwal: And lastly Mark, how many products that you have been working on have got commercialized in 9 months? Do you have any specific outcomes that you are awaiting? Any products where the clients have undertaken validations where FDC are inspected over the next couple of quarters or so?

Mark Griffiths: We had one that was approved a couple of weeks ago. There are another couple of clients who have done the submissions and are waiting. As I said, we are on target for 2 to 3 years. We suggest the validation, we submit the data to the client, the client does the submission.

Nitin Agarwal: If I can probably add on that, I remember you mentioned something about a multiple sclerosis product. Is that FDA approved**?**

Mark Griffiths: Yeah. The client is waiting. We submitted; client is waiting. So we are in a whole pattern and we are using the capacity for something else.

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

Cinderella Carvalho: Just some more clarifications. Shanghai unit has been audited by US FDA?

Mark Griffiths: No. As I mentioned in Nitin's question, we are preparing now. We got information from the Chinese authority that they intend to have a look at the site. We are prepared, we are ready. We are working on bringing projects in which we will trigger an inspection.

Cinderella Carvalho: Mark, in some of the responses you were mentioning that we have kept our capacities tied and there is a very good demand that you are seeing. So could you elaborate a little bit more in terms of the R&D projects , what is the demand scenario looking like? And if I could further add to it, what should be the capacity needed?

Mark Griffiths: I will try and answer those four questions in one. We see market demand being very strong. We still see healthy compound annual growth in the market. We see still very strong financial investment particularly in US and Japan into startup and small to medium biotech. We still see a lot of activity there. That money is translating to where we place development work and we are well placed to continue to take on business. We are not concerned with the market demand. I am more concerned in my ability to take as much as I want. So that is where the efficiency changes and we are trying to work through right now, plus the incremental CAPEX, Harshil mentioned earlier, will come into play. We need to continue to create additional capacity to feed the pipeline.

Cinderella Carvalho: Sir, any comment on the present order book at the CA and if we had recently added our capacity, in what way we have already seeing it getting utilized?

Mark Griffiths: If you remember last year we introduced some more high potent laboratory capacity. A lot of work we are doing now is focusing on efficiency. The best time to drive efficiency, is when you are busy because there is an imperative to do so. And we want to make sure when we make efforts, we are making them not based on an inefficient operation but on an efficient operation so that the impact of the investment is felt very quickly. We continue to see that trend. So not too concerned about it. From a market perspective, we see lot strength especially in the US, Japan is becoming very interesting for us. We

established an office there about 18 months ago, with a native Japanese speaker which is absolutely vital and we have seen significant uptake in the interest and enquiries of opportunity in Japan.

Cinderella Carvalho: So, if we can relate it with number of projects or the funnel size that we refer to always, so if you could tell us how it is moving for us from R&D projects that we are handling right now compared to what you are relating in terms of the demand?

Mark Griffiths: Well, at any time, Carbogen Amcis is probably working on excess of 120-130 projects. Over a year, you are probably looking at something like 250 to 300 development projects, most of them preclinical Phase-1, Phase-2. Our ratio in terms of Phase-3, is a healthy 20-25% in Phase-3. The ratios are about what we have been consistent on. The deal rate is about the same and so we don't see any significant differences in the profile of the business over last 2 or 3 years.

Sanjay Majmudar: Except for the fact that currently given the last leg of capacity is created in Carbogen Amcis are now almost full.

Mark Griffiths: Incremental CAPEX for the next 2 or 3 years will be commissioned once we finalize our long term growth plans and as I said earlier. I hope by the time we get to the next investor concall; we will have some exciting news for you on the finalization of those plans.

Cinderella Carvalho: It is very helpful. Harshil, what will be the effective tax rate going ahead for 21-22?

Harshil Dalal: As you know a new tax regime has come into effect from June of 2019. So we are evaluating right now, to move to the new tax regime or to continue under

the older ones. So there could be significant benefits by adopting the tax regime and if we do that, then the effective tax rate would be 25% from the next year onwards.

Cinderella Carvalho: That is helpful. All the best. In terms of EBITDA, for the full year we should maintain our earlier guidance of around 27%, is that the correct understanding?

Harshil Dalal: Yeah. I would say so.

Moderator: Thank you. We will move on to the next question that is from the line of Vaibhav Gogate from Ashmore. Please go ahead.

Ashwini: This is Ashwini here. I was looking at the others revenue segment and EBITDA segment. So the revenues in others grew quite rapidly which I am assuming is because of the ramp up in China. In response to one of the earlier questions, you mentioned that China EBITDA is probably around 25%. So why has the margin for the other segment fallen on a year-on-year basis so sharply?

Harshil Dalal: Sure Ashwini. So the 25% would be going forward. Currently the margins are close to about 15% for China and then the others also include the marketable molecule segment in India which is the quaternary compounds, the PTCs, the disinfectants etc. where again we saw a good amount of sales quarter. In those products the margins are not more than 10%. From next quarter onwards, we should see a good amount of margin or maybe what we will be doing for the benefit of all the investors is classifying now Carbogen Amcis Shanghai separately so that the revenue & margins can be seen separately.

Ashwini: Sir, has the Quats margin fallen in India?

Harshil Dalal: It is more like a commodity business. So it just depends upon the prices of the Quats in a particular quarter. It is difficult to have a consistency on the pricing of the Quats quarter-over-quarter or month-over-month.

Ashwini: I was just trying to understand why year-on-year 9-month to 9-month it has fallen from 21 to 10 and in Q3 fallen from 18 to 9. There is a halving of the margin and even if you are getting 15% from China that indicates that in Quats something has seriously gone wrong.

Harshil Dalal: Quats are phase transfer catalyst and we are supplying them from India and the Shanghai operations. If you want I can give you the granular breakup of that offline so that it would be cleared.

Ashwini: Okay. And the other thing is that would it be more useful just as a suggestion to actually probably club CRAMS revenues in UK, France and Switzerland along with that in China because they seem to be kind of working in the same business environment feeding off each other.

Harshil Dalal: Yeah, exactly. So that is what I mentioned that from the next quarter, as China business is becoming significant, the CRAMS China revenue would be classified under CRAMS in a separate component.

Ashwini: That is great. And you have already given the answer to the other question. But on Vitamin D launch in India, there is still no visibility as to when that might happen?

Mark Griffiths: Yeah, I think we are focusing on the clinical trials for the smaller but higher value in the patients, the soft-gel plant is coming online gradually, and we are awaiting approvals. Hopefully by the next concall, we should be able to give you a lot more definitive information about when we plan to launch those

products. But the focus now is on the same scientific side of the filing for the smaller indications for the very high-added value for the pharmaceutical units which is led by the clinical trial which we are running in conjunction with Boston University at the moment.

Ashwini: Assuming you have the Phase-3 results with you, then you will have to file those results with regulators. So commercial launch is at least about 2 years away, would that be a fair guess?

Mark Griffiths: I would suggest 18 months to 2 years. There is a lot of work to do and that work isn't just making product, that work is regulatory filings and patient work. As I mentioned earlier where we are doing qualitative work on patients now. We want to make sure that this is an interesting and innovative solution to treat for this trial. It targets are very particular subset of surgical invasions for which at the moment there is no treatment**.** So we want to make sure that we get at least our reference locked in.

Ashwini: And the soft gel plant would be ready in another quarter?

Mark Griffiths: It is still under construction, in testing, then pilot unit is running and that is doing some basic training work and piloting work, optimization work and the larger lines come in supervision. I hope we would be able to give you update on the next concall.

Moderator: Thank you. The next question is from the line of Dipan Mehta from Excelsior Equities. Please go ahead.

Dipan Mehta: This is regarding the goodwill. I am referring to your note in which you said that there is 1326 crores of goodwill which will be amortized over a 15-year

period. I am just wondering if that is part of the 3464 crores goodwill on the balance sheet as of September 19, right?

Harshil Dalal: Right, exactly. So the 1300 odd crores of goodwill is the intangible assets which were recognized at the time of amalgamation with effect from 1st of January 2015 on the India balance sheet. The investment in our overseas entities were also revalued to the fair market value. So on a consolidated basis, you will see a larger amount of goodwill which is close to 3400 crores, of which the goodwill eligible for amortization is 1300 crores and the rest represents the goodwill on consolidation which largely arises from the revaluation of the investments in our wholly owned subsidiaries from India.

Dipan Mehta: The second question is that the 22 crores additional amortization from this fiscal, if you reduce it from the depreciation amortization figure of 72 crores for December 19, then actually the depreciation has come down year-on-year. In December 18 it was 57 crores. So 57 crores would have been become 50 crores excluding 22 crores of additional amortization?

Harshil Dalal: No, Dipen. The amortization has been in place since 1st April 2016. So that has been an annual charge or a quarterly charge which keeps on happening. So it is not just from this financial year. It was there last year . The increase in the depreciation is on account of the new accounting standards of leases which is the Ind-AS 116 which is applicable from the 1st of April 2019.

Dipan Mehta: Okay. It is not that excluding this amortization there is a decline in the depreciation?

Harshil Dalal: No, the depreciation has increased by about 15 crores on an average every quarter.

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

Dhruv Shah: Harshil, I just have one question. Have we decided anything on the goodwill write-off?

Harshil Dalal: 22 crores is the quarterly charge of goodwill right now. We are discussing whether there is a possibility of an accelerated write-off of the good will, but nothing decided as of now. We are discussing with our auditors if that is a possibility.

Dhruv Shah: Will it be a P&L impact, or it will be a balance sheet impact?

Harshil Dalal: It would be a P&L impact.

Mark Griffiths: I just like to thank everybody for their continued support. We very much appreciate your questions and we are looking forward to speaking to in the next concall. Thank you very much indeed and enjoy the rest of your day. Thank you.

Sanjay Majmudar: Thank you very much.

Harshil Dalal: Thank you.

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