dishman

22nd November, 2017

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

SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER, 2017

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Friday, 10th November, 2017 to discuss the financial result and performance of the Company for the quarter and half year ended 30th September, 2017.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

S. Dave

Shrima Dave
Company Secretary

Encl. : As Above

Dishman Carbogen Amcis Ltd. Ahmedabad

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited - Second Quarter Ending September 30, 2017 Earnings Call

Event Date/Time: November 10, 2017/1600 HRS

CORPORATE PARTICIPANTS

Arpit Vyas
Managing Director & CFO - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Vice President (Finance) - Dishman Carbogen Amcis Limited

Moderator: Ladies and gentlemen, good day and welcome to the Dishman Carbogen Amcis Limited 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 question after the presentation concludes. Should you need assistance during the conference call, please signal for 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. Thank you and over to you sir.

Arpit Vyas: Thank you moderator. Thank you and good afternoon to all of you. Welcome to the conference call of the newly established company of Dishman Carbogen Amcis Limited. I would just like to give an update on a few points. This year is looking strong in terms of profitability and the top line could be seen flattish or small growth because of the volatility in the Forex that we all are seeing and it is evident. We have however tried to hedge as much as we could, but at the end of the fiscal year we could see an impact as there is no certainty in the Forex. But the EBITDA or the profit growth will be seen regardless. This is because of a few reasons. One is the constant efforts of the finance department to keep the borrowings at the lowest cost possible and using the limits to optimum levels and using hedging as best as possible. The R&D and production are working very hard to keep the costs down of every process by thinking of newer ways and keeping the capacities filled after the successful optimizations and approvals to keep the raw material costs down as well which would be seen in the financials of the quarters this year.

Business wise, Carbogen Amcis as we discussed last time, the investment that we made in the land, which is very close to the current premises, is going very well and on track to make it operational by the end of the next fiscal year. One extremely good news is that, the Swiss facilities have completed the USFDA audit successfully without any major observations and everything is in on track regarding the approvals for all the regulators. Capacity utilization still remains very high, until the investment becomes operational. CGM is or will be going through 6 to 8 validations this year of the late phase III molecules and we hope to see at least 1 or 2 to be approved in the coming years if all goes well with the clinical trials. In India we have been able to successfully scale up the approved molecules and production of that is growing well. We expect to see at least 10 to 15 million of top line from the new molecules at a bare minimum this year with high EBITDA margins. Another very good news is that we have recently just received the approval and completed the Japanese FDA which is the PMDA we call it and without any major observations. So the Japan market will be looking positive for us as well. Of course the Japanese market is very slow but nevertheless it will help us in the new molecules for our customers, who are willing to sell in the Japanese market. Netherlands too is doing very well, the top line could see a decline, but the profitability will still be maintained. The top line has seen a decline because we are curtailing on the sale of the cholesterol because we want to maintain higher price because of our high qualities. And we shift the focus on not the starting material which is Cholesterol but the end product which is Vitamin D and Vitamin D analogues. Our focus and plans for increasing that is high. And we could see a market growth because of our efforts. China too is doing well and we are hoping to get audited by the FDA later this fiscal year or early next fiscal year. Post that we will see an increase in the

revenue for that facility. Until then we expect breakeven or minor losses. Another good news is that we have already transferred the Chinese facility to our Swiss subsidiary Carbogen Amcis to give them the large scale manufacturing and a footprint in China for their customers who prefer to be in China. They are on the verge of competing large scale capacities for development in China which will become operational by the mid of next calendar year or by the end of next calendar year. This was a short update from my side.

With that, I would like to pass on the call to Harshil bhai and Sanjay bhai to talk about the numbers in more details. Thank you.

Harshil Dalal: Thank you, Arpit bhai. Hello everybody. I will just take you through the numbers that we have reported on a consolidated basis for the second quarter of this financial year. On a top line basis we did a revenue of about 444 crores for the quarter as compared to 434 crores in the corresponding quarter last year. The EBITDA that we did this quarter was quite exceptional. We clocked an EBITDA of about 133 crores as compared to 101 crores in the corresponding quarter last year. This EBITDA was largely on account of the factors that Arpit bhai briefly mentioned. The entire focus was on improving the profitability and due to the operational efficiencies, that were brought in by Mr. Vyas and his team at the Bavla plant and for that matter across the Group actually helped us in reducing our cost, both at the material level as well as at the operational level. The profit before tax for the quarter was about 740 million as compared to 515 million for the corresponding quarter last year. This is also an exceptional growth in this quarter largely on account of the reduction in the finance cost and this number is after taking into account the amortization impact of the merger that we had undertaken and post that relisting also happened in August of this year. The profit after tax was about 48 crores as compared to 36 crores in the comparable quarter last year. The tax rate for this quarter was about 34% and this was bit on a higher side, largely on account of two major factors. One was because of the tax implication on the profit that was accrued on a standalone basis for the transfer of the Shanghai facility to Carbogen and its holding company. So that exercise was completed in September this year and there was an additional tax implication because of that transfer. The consideration was about 27 million Swiss francs and the value of the Chinese entity was recorded at about 24 million in the book. So on 3 million there was an additional tax outgo. However since the transfer was within the group there is no corresponding revenues that gets recognized.

Overall for the year we believe that the tax rate should be about 30%. This is because we could also have deferred tax liability on account of the merger exercise that we have done in India. This was the brief financial highlights for this particular quarter and the first half also remains more or less in similar lines where we have done exceptionally well on the profitability parameters. The top line yes, it looks bit flattish that is largely on account of our decline in sales of cholesterol at the Netherlands facility. However the sale of Vitamin D analogues is something that we were focusing on and that is also reflected in the margins that we have made at Dishman Netherlands. More over the commercial sales in the first half and also in this particular quarter was much higher than what we usually do. So we had commercial sales of almost 50% at Carbogen Amcis while typically it is about 35% of the revenue. So that has also

helped in improving the profitability at Carbogen Amcis and hence for the group. However, we don't believe that 30% EBITDA is something that is sustainable for the full year. We think that about 27%-28% as we had mentioned in the previous quarter as well should be a sustainable level. With that I will hand over the call to Mr. Sanjay Majumdar.

Sanjay Majumdar: Good afternoon, everyone. Couple of very quick points for everybody's benefit. Q2 was quite good. In fact when Q1 sounded a little down, we said that there was a little bit of shift in terms of one particular long term contract shipments which actually happened in the second quarter as per our estimates and predictions, but overall the shipments and the order book from that particular long term contract continues to remain now pretty steady for the second half. I think second half should look a little better. Likely better in terms of fructification of actual sales of the new contracts that have been entered into and whose details we have shared earlier. Overall, if you compare, last year with this year, one major change will be in the fact that, I don't know whether Mr. Dalal clarified or not, but we have, in last year, FY17 there was a significantly strong impact of the FX earnings contributing towards the concentrated other income, addition of almost around Rs. 59 crores. However this year we have under IndAS now shifted to hedge accounting with the result that this would be slightly subdued.

So if you look at this particular quarter Q2 on an overall consolidated basis, net effect of other FX foreign currency fluctuation rated income or loss is just around Rs. 2.5 crores which is netted off on the consolidated basis, negative, it is a loss of about Rs. 2.5 crores and in the standalone statement this is a loss of about Rs. 3.1 crores which is partly in the admin expense and partly in the finance cost. So overall this particular quarter the major portion of the result that you see most of the operation and we believe that going forward this should be a reasonable trend. As Arpit and all of us have been repeatedly telling you, we are looking on a long term basis and from that perspective, I think the prospects appear to be bright, internally we are all quite excited about the fact that lot of products are under late phase III. I think in the history of Dishman this is the highest number that we are currently witnessing and therefore we are seeing a steady and consistent increase in new long term contracts or new long term businesses for filling our CRAMS pipeline which is very gratifying and as Harshil explained, we are also very cost conscious, so the focus entirely is on the bottom line. We believe that from a bottom line perspective, this 27% odd EBITDA margins should be consistently deliverable over a period of time and our endeavor will be to improve it.

So I think with this, I will request the moderator to throw the house open for Q&A.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Amey Chalke from HDFC. Please go ahead.

Amey Chalke: I just have two questions. First I wanted to know the update on the pipeline, how many candidates in the phase III, phase II? Then the second question is related to Carbogen Amcis Switzerland. The growth has slowed down significantly in the first half of FY18. It is in low single digit. So any visibility on the second half or the segment and what are the key reasons for this growth coming down and we have added capacities or we are planning to add

capacities in the development side of this business in FY18. So when will that capacity start adding revenues to the segment?

Arpit Vyas: Thank you, Mr. Chalke for your questions. Regarding your first point of the pipeline, the pipeline still remains the same. We are seeing similar number of molecules in a late phase III which are around 8 to 10 molecules across the group and in early phases III about 12 to 15. We would probably see in the coming 12 to 18 months a few more molecules going from early phase III to late phase III, all depending on how the results of the clinical trials are. As I said earlier in my comments as well that Carbogen Amcis Switzerland right now is going through around 6 to 8 validation campaigns of late phase III molecules, which is one of the reasons why we see a bit of a less growth because the commercials are going to be pushed in the second half of the year for the customers, for already commercialized molecules and so in the second half of the year we will see a growth probably in Amcis also if you look at Carbogen Amcis, subsidiaries which involves one in France last year, we had a very big contract from one of the customers which gave a revenue of 5 million which this year possibly would not be seen because it is in clinical trials. But that is a small facility. So that is a decline there as well. But overall we should see at least a 5% growth in the topline in Carbogen Amcis in terms of revenue.

Amey Chalke: So this 5% growth would be in second half or overall year you are talking about?

Sanjay Majmudar: I will tell you gentlemen. But I think in the first half Carbogen Amcis had a top line of about 68.59 million CHF, vis-à-vis about 63 million CHF we did in the corresponding period of the previous year. The problem with Carbogen Amcis currently is that they are completely blocked on capacity and they are currently operating at almost near 100% capacity. There we have a very heavy order book. So I think therefore we are very actively pursuing whatever unlocking we can do in terms of adding a little bit of extra capacities, new blocks etc. We have therefore put Dishman China under Carbogen, so that they can also shift some of their products if possible to Dishman China and all those issues. So I think from a business standpoint, the problem is just the question of capacity being completely occupied and there is nothing, hardly anything left unless we create that additional capacity for which we are already doing the needful. And also last year some commercial orders went in the first half. That is why you see such high numbers. sometimes the first half the customer wants the commercial orders and sometimes in the second half.

Amey Chalke: But how long do you see this capacity constraints would be there? In the first half of FY18 we would be able to resolve these issues or it will take longer?

Sanjay Majmudar: So the new facilities that we are investing in should be ready by possibly end of next calendar year. The gestation period for such facilities is long because we have to consider a lot of protocols of operational qualities and everything to be prepared for an FDA audit of the entire world. So that is why sometimes it takes long, but post that we will have much free capacity and the ability to take more developmental orders.

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

Nitin Agarwal: Arpit bhai, on the revenue growth for the year, we have had issues. We have capacity issues in Carbogen and also de-growing the cholesterol business and the vitamin D business. So how should we look at the top line growth for the year? We should be again in the early single digits for the year or we are looking at flat numbers for the year?

Arpit Vyas: I think the topline growth, apart from the capacity constraints, Nitin, has also to do with the Forex. Maybe you have seen that last year our average dollar revenue in terms of rupees was considered at around 67 to 69. Well, this year we are seeing an average of around 64 to 65. So that is a considerable decrease in the dollar revenues in terms of rupees. However that does not affect us because all our FX revenues or our borrowings are in foreign currency as well and that is very low cost. So the top line possibly could be similar to what was last year, taking out of the FX gains which were in the other operating income for us because we use our orders as underlying for hedging our Forex. So around same sort of top line, maybe a bit more, but you will see that cash equivalence are much larger for better repayment capabilities and investments for the future as well as the profitability is much higher as well, compared to last year, if you remove the amortization impact.

Nitin Agarwal: And secondly Arpit, when you look out at what stage do you see double digit growth coming back in the business or you see that is essentially too aggressive or that is not exactly or do you see actually a situation on the next 2 to 3 years when we start hitting sustainable double digit growth in the business on the topline?

Arpit Vyas: So for us Nitin, we are solely focusing on the quality of the work that we do and not just chasing on the top line which is ensuring a nice revenue as well as nice portfolio, a sustainable portfolio for the future, regardless of what the market scenario is because no one knows what the market scenario is. Double digit growth would be possible if everything is okay in the global economic scenario after a couple of years, where we will see a nice chunk of revenue coming from the commercialized products.

Nitin Agarwal: The reason I was asking because our EBITDA margins are already pretty high at about 27%-28%, I mean do you see scope for the margins improving further or because if revenue growth is going to be little on the lower side, that will probably restrict our EBITDA growth also. If I understand it correctly**?**

Arpit Vyas: Exactly. You hit the nail on the coffin. If the revenue increases the EBITDA, let us say for example one molecule is commercialized, the EBITDA margins are high on that molecule because the volumes are less. When the volumes go higher, the cost has to come down for the final product. So that is why we can see on a consolidated level EBITDA margins of 26%-28% which is our focus. Yes, of course we keep targeting 30%, but eventually if we see an uptick in the revenue of such molecules being commercialized, we will see a decline in the EBITDA

margins, not substantially but at the same level of around 26%-28% which is still very high according to industry standards.

Nitin Agarwal: And on the China business, you talked about the FDA inspection. You implied the local Chinese authority or the USFDA inspection for the Chinese facility?

Arpit Vyas: So, one of the customers has referred us for the molecules that they would want to be making in China. So we are talking about USFDA for now, but they also are willing to sell in China from the Chinese facility, so they will also push for the Chinese FDA if everything goes well with their molecule and their plan of marketing.

Nitin Agarwal: And what rate in the H1, or what was the revenue and EBITDA in the Chinese facility?

Harshil Dalal: With a revenue of roughly about 10 crores in the first half in China, with an EBITDA of about 30%.

Moderator: Thank you. The next question is from the line of Cindrella Carvalho from Dolat Capital. Please go ahead.

Cindrella Carvalho: My question is all around similar lines, Arpit and Mark, I wanted to know your thoughts on FY19 growth? So if you could help us, maybe a color if possible, not exact number we are looking at, but we were looking forward to a double digit kind of growth that is one. Then I want to ask you about the second half of the year. We have been guiding that it will be a better second half and to our understanding you would be booking some of the higher commercial revenues which are slated for the second half. So why should we see margins coming lower than this quarter and the second half is something if you could provide a little clarity?

Arpit Vyas: So for your first question Cyndrella, thank you for the question. The double-digit growth that is expected I understand but that is the policy that as I told earlier to Nitin as well that we are focusing on the sustainability of the business rather than chasing on the topline revenue where we are consolidating on the work that we do, the customers that we choose, everything which has helped Dishman Group as a whole to have these many products in the late phase III and early phase III and even in the earlier phases in that. And for that reason the gestation period is just long; the global economic scenario is also not looking very positive, right now. So all of these factors include in seeing the possibility of a double digit growth. However, I do not deny the possibly of a double digit growth. I just don't want to commit to it because we have burnt our fingers in the past by committing too largely and then not delivering. I rather be very conservative and then give you a positive surprise, hence we are being conservative for the same. FY19 growth could be seen in a double digit if all goes well with the economic scenario because if we imagine all of these new molecules they are not cheap therapies actually. So it is heavily dependent on how the insurance companies and everyone are being able to fulfill the cost of such treatments for the patients. We could see a tremendous movement upon success and we could see a very slow movement. But eventually yes, because the molecule is new, so well in therapy, we will see a much larger improvement. So all that taken into consideration,

we have been very conservative. The profitability at the end of the day regardless of whatever the top line is, how much money is in the pocket, is what matters and we are seeing almost a double digit growth in profitability and even a higher double digit growth if you remove the amortization impact for the merger**.** The second half growth, the commercials are going to be in the second half. So it is, we are not saying that there is going to be a decline in the margins, but we do see a positive impact right now because of a few one-off which are coming at a higher cost, higher EBITDA margins which eventually when the revenue of EBITDA volume of those molecules increase in the future, those prices will have to come down as it is contracted with the customers.

Harshil Dalal: Just to add on to what Arpit said, as you know the nature of our business, we don't take into account the revenues or the profitability of the molecules which are yet to go commercial or even for the molecules which have gone commercial. Recently we are just taking into account the run rate as what we have today on hand. So as we had spoken last time that we have orders on hand for molecules which went commercial for about 10 million, so we are not currently estimating a significant increase in that. That is definitely a possibility, but as of now we want to stay grounded and just to take into account the same revenue as the orders that we have right now. So that is point number one. As far as our second half is concerned we do expect that there could be an EBITDA of about 29 odd percent but if you look at it on a yearly basis, is what we meant, we would end up at about 27% to 28% because the first quarter for us was particularly weak, I mean it wasn't weak from an operational perspective but it was just weak because we have booked certain notional Forex losses and in the first half as we stand today we have notional Forex losses of about 15 crores which are booked. It does not impact my cash profit but on a PAT basis or on an EBITDA basis that could definitely have an impact and we don't know how the currency movement is going to be for the rest of the second half. So on a conservative basis what we are saying is that for the full year we should be ending up at about 27% to 28% that could translate into 30% for the reminder half of the year or maybe lower.

Cindrella Carvalho: It was really helpful. And we really appreciate the conservative approach also. Fair point. Now coming to the other side of it, I mean we are seeing in terms of EBITDA also there is a stellar improvement that you have done in each segment if we go by. So in terms of Carbogen, we have seen around 22% margin this quarter. So any color that you can provide on that?

Harshil Dalal: As Arpit bhai mentioned we have lot of campaigns right now which are in late phase III. So as you understand in late phase III obviously the margins they go up substantially as compared to the earlier phases of development and that is definitely having a very positive impact on the margins at Carbogen, plus there were also certain commercial supplies which were done in this particular quarter and for the first half which were relatively more than what we have done in the last year corresponding quarter. So all of this factors put together has had a positive impact on the margins. The first quarter as you would have seen we did an EBITDA margin of roughly about 17 odd percent at Carbogen. So if you look at the first half 20% is what we have been guiding Carbogen Amcis and that is what we have achieved. So we are very much on track for the full year.

Cindrella Carvalho: And in terms of the Eprosartan order, how much was the offtake this quarter? Would you be able to share that number?

Harshil Dalal: We had two shipments of Eprosartan in this particular quarter. So we have orders in hand similar to what we had for the last financial year as we explained in the last quarter's call that the orders are back ended. So for the full year we should be able to do the sales equivalent to what we did last year.

Cindrella Carvalho: And just a clarity on our Carbogen Amcis new capacity, it should be able to help us from 4Q onwards, is that a correct understanding?

Sanjay Majmudar: Later next year, early fiscal year of 19.

Cindrella Carvalho: That is 1Q FY19, you are referring?

Sanjay Majmudar: Yes.

Harshil Dalal: So you know right now what we are doing is we are undergoing a huge modification of the building that we have acquired. So the building would be ready to use from say Q1 next year, so the impact on the revenue might be seen from Q2 or Q3 next year.

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

Ashish Thakkar: So Arpit, our association with Tesaro for the ovarian cancer drug, so have we seen any changes in the order supplies post Clovis coming to the market?

Arpit Vyas: We would refrain from mentioning the names. We are contractually obligated with all our customers to not mention anything on the public domain. So if you could ask a question accordingly please?

Ashish Thakkar: Okay. So to put it another way what is all that we are doing in the Oncology space for some of our MNC customers. So is there a progress, you know on the oncology franchise, is there some progress? Have we started to see more contracts coming?

Arpit Vyas: Yes, we have started seeing our oncology molecules which have recently picked up in commercial. We are seeing a steady growth and customers have asked us to not stop manufacturing and also make plans for scaling up from the additional capacity that we have to cater to the requirements and that is exactly what we are doing. We can expect at least around 10 to 15 million of revenue from the new molecule as I mentioned earlier in my comment this year which will have a high EBITDA margins.

Ashish Thakkar: Okay. Fair enough. Another question, last quarter we were discussing about diabetes molecules, so any update on the same you would like to give?

Arpit Vyas: So one of the diabetes molecules is still in late phase III. We are waiting on the instructions from our customer for putting that into validation. So we have two diabetes molecules, so one diabetes molecule I think the customer is not sure on their side, so we would not see that coming through, but one of the other diabetes molecule is going ahead and it is in the late phase III and we are possibly seeing it going into validation in the next calendar year.

Ashish Thakkar: That would be early part of the year you would say?

Arpit Vyas: Possibly in the first half or the second half, it all depends on how the results of the clinical trials of the customers are.

Ashish Thakkar: And I think that should be limited to the US market or again Europe expansion also possible?

Arpit Vyas: Sorry?

Ashish Thakkar: That molecule would be limited to the US market or non-US as well?

Arpit Vyas: No. So diabetes is majorly into US and the MENA regions. So yes, the customers possibly, I cannot speak for them, but I would think that first it would be the US market and then they would see the rest of the world as well because rest of the world is much larger in diabetes.

Ashish Thakkar: Harshil, in the last call you were talking about some of the forward hedges that we were supposed to book in second quarter. So have you booked them or how is the situation there?

Harshil Dalal: So right now, we do keep on booking the forward contracts on a regular basis in order to hedge our currency risk. So we haven't booked any major gains from the forward contracts in the second half. Overall on a net basis, there is a net loss of about 2.5 crores on a consolidated basis that has been booked. We might realize the gain on the forward contracts in the second half of the year.

Ashish Thakkar: Okay. Fair enough. Last question would be on your tax guidance, so first half effective tax, the reported tax is around 20%. So the second half what should we be assuming?

Harshil Dalal: The first half, I think the consolidated tax rate was about 30% and if you see the last year full year's tax as well, it was also around 30%. So we can assume right now, so that is obviously including the deferred tax liability which is not a cash outflow for me. But including the deferred tax liability we would be somewhere around 30%.

Ashish Thakkar: On reported basis, second half it will be?

Harshil Dalal: Yes, for the full year it would be about 30%.

Moderator: Thank you. The next question is from the line of Sangam Iyer from Subhkam Ventures. Please go ahead.

Sangam Iyer: Just wanted to understand, this quarter how much was the sales on the new molecules the oncology one?

Arpit Vyas: I think around 3 million.

Sangam Iyer: And we are guiding for 15 to 17 million for the full year, right?

Harshil Dalal: Not this molecule, the new molecules overall.

Sangam Iyer: Yes, this and the diabetic one put together.

Harshil Dalal: Not the diabetes one, but oncology as well as the TB molecule and other therapeutic molecules.

Sangam Iyer: Okay. Just wanted to understand, given that many of our products are in late phase III, so typically how does this, the validation process gets built up**,** I mean does the customer inform us in advance in terms of when the validation of each of these molecules, the timelines etc. or what would it depend upon, in terms of the validation timelines…?

Arpit Vyas: So from the time the development of the molecule starts, let us say from the clinical level, there is an entire path which is being planned assuming that the molecule will go commercial. Of course we take a thumb rule timeline of what time it will be taken by the regulators post the clinical trials to give the approval. So that it would be plus or minus when it happens at actual. So there is an entire thing which is planned and the customer and us, we are all aware of when the molecule up on positive clinical results will be going into validation and of course it depends on the cash flow of the customer as well, if the cash flow is positive or they are into cash constraints whatever the plans are. But if all goes well, yes, the customer says that, yes, now let us put it into phase III. All the phases that we talk about are the clinical trial phases. These clinical trials represent the number of people which will be going through the therapy and that results into the requirement of the API which is the campaign of validation or just clinical trial campaigns, pre or post validation basically. So when it usually goes into late phase III, we go for validation because that is almost giving us 70% or 80% certainty to the customer that yes, the FDA will approve.

Sangam Iyer: Okay. Got it. And sir this 3 million odd revenue is booked under which heading in the segmental revenues?

Arpit Vyas: CRAMS.

Sangam Iyer: CRAMS India?

Harshil Dalal: Yes, that would be under India CRAMS.

Sangam Iyer: Okay. And sir secondly in terms of the capacity that we are expecting to come through from the Chinese facility maybe towards the second half of next financial year. So would that actually be accompanied by the product approval? Is that the thought process there in terms of the Chinese facility or how should one be looking at the Chinese facility going towards the second half of the next financial year and even in FY20?

Arpit Vyas: So Chinese facility, one should be looked at, for different location and for risk mitigation strategy for our customers to have a different location and not having that molecule being made at only one location which gives them a certainty of the supply chain. Of course, that all happens post all the approvals and if the customer is willing. Otherwise it is also to be considered as a debottlenecking for non GMP products for Carbogen Amcis which is our Swiss facility and building blocks for making the final API for the customer. Also there are a lot of orders which Carbogen Amcis cannot cater to because some of the customers they prefer only China. Maybe customers have a Chinese CEO or whatever it is, but they prefer the development and manufacturing to happen in China for which Carbogen Amcis was not able to cater to such orders and that gives them the additional strength and footprint in China as well for which reason they are building a developmental capacity in China as well to cater to such customers. So when those molecules go commercial, the Chinese facilities would be used for that. It also gives large scale manufacturing capabilities in two categories, three molecules for Switzerland for Carbogen Amcis to be done in China because it is already Cat 2, Cat 3 ready.

Sangam Iyer: So sir, as you have guided for 15 to 17 million from the new molecules this year, could you throw some light into how should one be looking at it from the next financial year perspective given that now by then more acceptability of molecules would also come in from the existing new molecules that we are implying. So how should one be looking at the size or the potential for the next financial year.

Arpit Vyas: So first I said 10 to 15 million, not 15 to 17 actually. So next year we would see possibly a 10%-12% increase if the other indications which they have filed for also go through. We could see around 10%, 15% or even 20% increase from the number that I have mentioned just now.

Sangam Iyer: Okay. On the existing ones?

Arpit Vyas: It really depends and not to mention that we are being conservative because it is all customer dependent. They don't share their marketing plans with us and we don't ask them of the same.

Sangam Iyer: And sir, if we are going to supply to US would there be any inspection that would have to come through as the scaling up of the molecules happen?

Arpit Vyas: Yes, the inspection will come through. But as we stand right now and as we have always stood for the FDAs we have been a very low risk site because we always focus on the quality aspect of the product and hence it gives an additional comfort to the customers where they can launch even without the FDA coming for an audit, but yes, we can expect an audit any time in the future, possibly this year or next year. But that is okay, that is just a routine. We have already

passed our general USFDA audit for the facility in Bavla. We recently passed the USFDA audit for our Swiss facilities. And for us, the customer audits are far more important than the regulated audits because it is billions for them and for FDA it is just a routine.

Sangam Iyer: Sir finally, could you just give us some visibility in terms of when we look at the, late phase III molecules etc. which are the therapy region in which we cater to and some in terms of revenue potential from those.

Arpit Vyas: So oncology would be the number one. We only focus on 5 therapeutic segments. Number one would be oncology. Then it would the orphan drugs and then cardiovascular, ophthalmic and CNS. So these are the molecules that we focus on. The revenue potential, if all goes well then it is something that we cannot calculate actually, but as a thumb rule analysis, the API cost of the final product could be anywhere between 0.5% to even 8% to 10%. It really depends on the…

Sangam Iyer: Complexity.

Arpit Vyas: Yes. So this is I am talking about the revenue of final customer, for the final product. So it could be you can say anywhere between 0.5% to 8% to 10% depending on the dosage and the requirements.

Moderator: Thank you. Our next question is from the line of Ranvir Singh from Systematix Shares and Securities. Please go ahead.

Ranvir Singh: My question was related to Eprosartan supply, so if I see the India CRAMS, what portion actually contributes from Eprosartan currently?

Arpit Vyas: Eprosartan overall should be anywhere between nearly about 75 crores to 95 crores.

Ranvir Singh: So have you seen changes in realization, per unit realization in Eprosartan?

Arpit Vyas: In what sense, sorry?

Ranvir Singh: Per tonne realization of Eprosartan, I mean the pricing has been stable or have you seen any changes there?

Arpit Vyas: It has been stable. We have decided on a mutual agreed price and that is what we supply at.

Harshil Dalal: There is a depreciation in the prices.

Ranvir Singh: Okay. So last year what I remember, there is an increase in price in fact, when you started supplying to Teva then. So that price remains stable there?

Arpit Vyas: All price will remain stable only because that is all dependent on what is the offtake of the API in terms of the tonnage. There are price banks which have been mutually agreed upon. If Teva

or anyone else comes along for a different market, then it will still follow the price band because all the contracts, all the orders will be going through because Mylan has all the licenses**.**

Ranvir Singh: Fine. And what currently we are generating from that TB drugs?

Arpit Vyas: I think around around anywhere between 2.5 to 5 million depending on which new occasions are being given approvals etc.

Ranvir Singh: This is annual figure you are saying?

Arpit Vyas: Yes, because they are still into clinical trials in many of the countries, including India.

Ranvir Singh: And same for Novartis drug Brinzolamide?

Arpit Vyas: That is stable, that will give a stable value even after not many generic competition has been seen, so that seems to be stable. We were increasing that before to an extent.

Ranvir Singh: Okay. And can you elaborate about our other marketable molecules business, so what I understand that there was a QUAT and disinfectant business was also included there, am I right?

Arpit Vyas: So, QUAT and disinfectant business are the same.

Ranvir Singh: Okay. So what we see, the current run rate there is in other molecule is predominantly it is from…?

Arpit Vyas: Available molecules will include our Netherlands facility, our QUAT and disinfectants.

Ranvir Singh: So what would be…?

Harshil Dalal: The run rate of others that you are looking at on the marketable molecules is apart from the vitamin D, so it would include our disinfectants QUATs, intermediates, the generic APIs, all of that will be clubbed under others.

Ranvir Singh: Okay. Why I wanted to understand it in a better way, that at the time we have started disinfectant business, we had in mind in next 3 years that business was supposed to be around 100 crores. So I thought whether we are progressing in this line or this target was too ambitious?

Arpit Vyas: Ranvir, let me explain, that we are mainly right now, as of now into contract manufacturing for our customers and that is what we are marketing as. So from 0 we have been around 10 to 12 crores already. Of course, now again because it is contract manufacturing as and when the reach of those products increases in the markets that they are launching, it will keep growing. But we are on track for the contract manufacturing of the formulations of the disinfectants.

Right, we have signed up with the likes of Johnson and Johnson and Ecolab in Australia and everyone. So now it is a matter of how well their marketing is and how good the stock is going to be picking up of these already signed customers and our marketing team is working very hard to get on more such customers.

Ranvir Singh: And just can we get the CAPEX, what will be the CAPEX guidance for FY18?

Harshil Dalal: For the full year, we should be doing a CAPEX of close to about 200 crores. This would obviously include our maintenance CAPEX. So this is on a consolidated basis.

Ranvir Singh: So that includes the new facility we are planning to do for API there?

Harshil Dalal: Yes, it would have both the maintenance CAPEX as well as the growth CAPEX. So it would include the Carbogen Amcis CAPEX, the modification to the building that we acquired, as well as the additional CAPEX that we would do in the hipo facility in India.

Moderator: Thank you. The next question is from Vishal Manchanda from Nirmal Bang. Please go ahead.

Vishal Manchanda: One of your oncology molecule that you are supplying to the customer has received European approvals, so is that going to help your second half revenues?

Arpit Vyas: Well, it depends on how the customer wants it. If you would hope that yes it will have an impact on our second half revenues but as of now we haven't seen anything from the customer yet.

Sanjay Majmudar: So right now it is only the approval. After the approval, the customer will go in the market and start to market off with the doctors of how the molecules work and post that it will all be on how the molecule is prescribed. So maybe not in the second half, but possibly in the next year we will see it.

Vishal Manchanda: Okay. Is there a minimum advance notice that your customer needs to give for a manufacturing quantity you would be required to supply?

Arpit Vyas: We are contractually obligated and that is what we all have to abide by. In that it clearly mentions all that they will have to give us a forecast for at least 6 months.

Vishal Manchanda: So basically you have the forecast for the next 6 months in place now?

Arpit Vyas: Yes.

Vishal Manchanda: So your guidance largely builds that forecast?

Arpit Vyas: Yes, exactly. So anything over and above would be a bonus.

Vishal Manchanda: So is there a chance you can receive orders beyond the forecasted quantity?

Arpit Vyas: So, there is a always a chance, right? We will not like to believe that there is always such chances. But as we said earlier, we want to be conservative. We don't want to say anything until it actually happens because even the customer is not sure when the other regulators would give the approval. So even they won't take that into account when they give the forecast. It will be only after the event.

Vishal Manchanda: Okay. And just last one. Is the Eprosartan revenues booked under CRAMs India?

Arpit Vyas: Yes. Eprosartan, yes.

Moderator: Thank you. The next question is from the Cindrella Carvalho from Dolat Capital. Please go ahead.

Cindrella Carvalho: Sir just few clarifications. Just want to understand in terms our marketable molecules we have seen a healthy growth in the other section. So which section in that has contributed this?

Arpit Vyas: That would be mainly generics. And since right now China is a very small portion of our total revenues and they also get clubbed under others.

Cindrella Carvalho: And Arpit coming to the China we said that we may see a USFDA inspection late this year or early next year. So can you help us understand what is the area, what is the therapy that the molecule is based on?

Arpit Vyas: So, right now, it is not for the API, it is for the starting materials which is also going to be filed and the therapy would be in the similar segment that we focus.

Cindrella Carvalho: Okay, oncology?

Arpit Vyas: There is oncology, there is diabetes and everything. But this one would be on building blocks for oncology, the intermediates as you rightly said, intermediates or even its starting material.

Cindrella Carvalho: Okay. And like how is the soft-gelatin capsule facility coming up?

Arpit Vyas: That we have already placed the orders and we have received some of the equipments we have started commissioning. So I think by early next calendar year we should be done with all the qualifications and everything.

Cindrella Carvalho: Lastly just one on the commercial supplies, coming back to them, so the number that we said is in the second half around 10 to 15, right?

Arpit Vyas: That is overall yearly number. In terms of the orders that we have in plan for the new molecules that have been incorporated, so we see right now 10 to 15 million at the minimum level. It could increase, it could not, but this is a certainty.

Moderator: Thank you. Next question is from Rahul Sharma from Karvy Stock Broking. Please go ahead.

Rahul Sharma: Just wanted to ask you all, what type of revenue growth you are looking for in terms of your CRAMS India, your Carbogen Amcis in the second half of the year and for FY19?

Sanjay Majmudar: See, I think Carbogen Amcis I think you should more or less take it at the same level as first half, because as Arpit explained and Harshil explained there is not much room in terms of production etc. and overall also we gave you a clarity that this year when in the one of the previous question which Nitin asked, we said that this year from a top line perspective it should not really be any significant growth, maybe a very small percentage or maybe more or less flat. But it will be next year that we see definitely some possibility of a good growth. Thanks to the new commercials, new projects that have commercialized etc. And from Dishman India perspective it is more of an overall global strategy. So I think that should take care of your questions.

Arpit Vyas: The FX rates are not very favorable as well compared to last year. So if you want to really find out what the growth is then you have to normalize on the FX rates and then see what the growth is because we see almost 5% to 10% movement in all the FX. So that is a hit to us in terms of the rupee revenue or the rupee mentioned figures.

Rahul Sharma: Will we be able to breach on a consolidated basis what we have done last year, in terms of revenues?

Arpit Vyas: Yes. I mean, as of now it definitely looks flattish. It will be the same because we are seeing a 10% decline in the FX, then you can see that it is going to be flattish.

Rahul Sharma: 10% decline in?

Arpit Vyas: FX. The dollar around that was 68-69 last year, right now it is 64-65, even it was 63 to a level.

Rahul Sharma: But next year, Carbogen is expected to come on stream the new facility with protocols will come in when?

Arpit Vyas: By the end of next current year.

Rahul Sharma: So it will be only FY20 where we will see reasonable traction which should be there.

Harshil Dalal: Yes.

Arpit Vyas: And this is a long term strategy. We are not in it for just doing business for one year.

Rahul Sharma: Okay. But your other businesses, will you be able to breach 10% revenue growth, considering your exchange rate does not, is at similar level?

Arpit Vyas: If you can guarantee that the exchange rate is not going to move, then yes.

Moderator: Thank you. Sir, there are no further questions.

Arpit Vyas: I think we can conclude the call.

Moderator: Thank you. Would you like to add any closing comments, sir?

Arpit Vyas: Thank you all for joining the call. We all hope that it was very helpful. Thank you for your good wishes for the good numbers and thank you all for the eventful questions. And thank you for your constant trust and belief in the company and your support for the company. We really do appreciate it very much. Yes, we are not that much in the market to come see you all very often and give you the updates, but we do know that you are there with us and we really do appreciate your support for the same. And we hope to see the same for the coming exciting years that we are all excited about. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Dishman Carbogen Amcis Limited that concludes today's conference call. Thank you all for joining us and you may now disconnect the lines.