



5th November, 2016

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 – DISHMAN (ii) Series – EQ	To, Department of Corporate Services Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. Ref.: Scrip Code No. : 532526
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SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND HALF YEAR ENDED 30TH SEPTEMBER, 2016

Dear Sir,

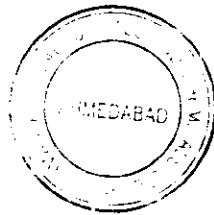
With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Friday, 28th October, 2016 to discuss the financial result and performance of the Company for the quarter and half year 30th September, 2016.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For Dishman Pharmaceuticals and Chemicals Ltd.

S.D. Dave
Shrima Dave
Company Secretary



Encl. : As Above

Dishman Pharmaceuticals and Chemicals Limited

Registered Office: Bhadr-Raj Chambers, Swastik Cross Roads, Navrangpura, Ahmedabad – 380 009 India.

Tel: +91 (0) 79 26443053 / 26445807 Fax: +91 (0) 79 26420198

Email: dishman@dishmangroup.com Web: www.dishmangroup.com

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Earnings Conference Call Transcript

Event: Dishman Pharmaceuticals and Chemicals Limited Second Quarter Ending September 30, 2016 Earnings Call

Event Date/Time: 28th October, 2016 at 3.00 p.m.

CORPORATE PARTICIPANTS

Janmejay R. Vyas

Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

Arpit Vyas

Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Sanjay S. Majmudar

Director - Dishman Pharmaceuticals and Chemicals Limited

Mark Griffiths

Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Harshil Dalal

Sr. Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

CONFERENCE CALL PARTICIPANTS

Ranjit Kapadia

Centrum Broking - Mumbai

Cinderella

Dolat Capital – Mumbai

Ranjit Singh

Systematix - Mumbai

Jerry Parekh

Sunidhi Securities – Mumbai

Ashish Thakkar

Motilal Oswal – Mumbai

Sree Hari

TCS Securities – Hyderabad

Satish Bhat

Ever-Stock Broking – Mumbai

PRESENTATION

Mahima - Moderator

Good evening ladies and gentlemen I am Mahima the moderator for this conference. Welcome to the conference call of Dishman Pharmaceuticals and Chemicals Limited. Mr. Arpit will be your call leader today. For the duration of the presentation all participant lines will be in the listen only mode. After the presentation the question and answer interactive session will be conducted for all the participants on this call. I now handover the floor to Mr. Vyas. Thank you and over to you Sir!

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Thank you. Good afternoon to all of you. It is a great pleasure indeed to greet you all once again on behalf of the Board of Director and the senior management. We begin by thanking all of you from having spared some time joining us today to discuss the second quarter results of your company.

During Q2 you will be happy to note that we have continued our journey with a clear focus on operating profit improvements for profitable growth, how during the quarter we are touching this is not during the quarter but the team has been working very hard since past a year and half two years to make this happen where the team in a Bavla and Naroda has been working very hard on creating project efficiencies to reduce the raw material cost. The team at office is working very hard in terms of finance to reduce on the interest rates, on the logistic rates and taking benefit of the foreign trade policies as declared by our government.

We have been very successful now in achieving the success for the same which you see reflecting in the numbers due to which the overall quality of the business has improved significantly leading to increase in the EBITDA margins by 146 BPS to 28.6% during the Q2 FY2017. In addition to improve profitable margins across various business segments we

Dishman Pharmaceuticals and Chemicals Limited Conference Call

have also been able to bring the operational efficiencies across our global operations and improve debt restructuring leading into lower financial interest cost by a considerable amount. Here on out we can see that our interest rate will be close to 4% or less than 4% I think we would be one of the cheapest cost bearing companies in India.

We have worked very very hard to achieve this with all the banks getting their confidence. Our logistic costs has reduced to less than 1% taking the benefit of the cheaper trade right now and the logistics team has been working very hard to reduce this to less than 1% from earlier which was 3% and before that it was 7%. All of this is seen adding to the operating margins, the foreign trade policy the export import department has been working very very hard and we have been able to get the trade incentives for our export services and export goods for which we are getting almost anywhere between 5% rebate on the sale of goods and services and that again getting included in the operating margins. We foresee that nothing should be changing in these numbers that we see right now in terms of percentage to the cost to the company at the same time all the sales team and everyone is working very, very hard to ensure that regular meaningful business keeps getting added to the portfolio, good companies are being added, good products are being added with good margins and which is helping us reduce our low cost products which were being made to cover the fixed cost and replacing them with the new products which we foresee to have a good future in the coming years.

Our PAT margins have improved significantly by over 486 BPS to 12.5% as compared to 7.6% during the Q2 of FY2016. As we mentioned in the earlier calls we try our level best to maintain this profit margins and EBITDA levels and on a consolidated basis. We have promised that we will be anywhere between 26% and 28% on the consolidated operating margin levels and in the last two quarters we have been maintaining that and we believe that we shall be able to maintain such margins on a sustainable basis.

Commenting on the CRAMs India operating margins increased 520 BPS due to execution of higher margin commercials and development orders, process improvement, product mix our Carbogen AMCIS operating margins declined by 60 BPS due to higher revenue contribution from developmental orders as compared to commercial orders and that gap will be closed during the end of the year where some more commercial orders will be going out towards the end of March.

For Dishman Netherlands business we continued to focus on high value products like analog and direct selling of cholesterol to the end customers. The hypo division also saw a healthy pickup in revenues, the hypo division is completely booked for the next twelve months with revenue visibility of more than \$10 million to \$12 million with more than 50% EBITDA margin, the hypo business shall continue to drive margins of India CRAMs business. Currently both operational cells at hypo facilities are completely occupied and in process of activating the third cell has already started.

Going forward we shall continue our focus on increasing our operational profitability while maintaining steady growth in revenues. We have robust order book across all business segments providing us with good revenues visibility. We will see improved business activities bagged by a strong pipeline of oncology drugs where we have proven our expertise as well as we foresees a good number of drugs entering in commercial stage in the near term leading to healthy commercial production from Dishman India and Carbogen AMCIS.

To conclude we have been able to continue our journey of innovations to achieve our vision of attaining leadership position. We continue to display a robust growth in our global operations with a clear focus on profitability, which will be translating into healthy bottomline growth. Our clear focus is on increasing our return ratios and generating free cash flows and the half-yearly numbers you can see it is reflecting beautifully as Mr. Harshil Dalal will mentioned some comments on the number later on but you can see the success that we have achieved where two years ago our profit for the entire year was 110 Crores wherein this year in half-year we have achieved the same profit in just half-year so everyone in the entire company is working very hard, very passionately and very confidently and having a lot of fun working, everyone is enjoying and putting their heart and soul in everything and this is reflecting in the numbers and this is what we wish to continue for the entire journey of Dishman.

With this I would like to ask Mr. Vyas to add a few comments and then Mr. Mark Griffiths, our Global CEO will add a few comments and further to which Mr. Harshil Dalal will give you the numbers and then post that we will start the Q&A session.

Janmejay R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

I welcome and thank all of you to join us in this concall. I am fully aware that you have been supporting us extremely well in the stock market and I have been hearing good from all of you and I appreciate that and I welcome all of you. You must all be aware that I have now taken up my original passion and my role in research, I am a research guy and I have now preferred more in concentrating more in the research area so I have transferred myself from head office to the plant and I work from Monday to Saturday for 12 hours everyday from the plant and you are welcome to come and talk to me or see the facilities. Of course we will make the arrangements before hand but it can be done and I can share with you that my team is working extremely well and I am very happy with the progress that we are making for the new introduction in the coming fiscal year where it will be emerging in quite significant manner and we will keep you informed on quarter-over-quarter basis. Thank you.

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

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Thank you Mr. Vyas. Mark Griffiths here. Thank you very much for joining our concall today. I just wanted to reiterate a couple of points that Mr. Arpit Vyas raised. Our operations are continuing to get more efficient. We are continuing to get more value from the efforts that we are delivering to our customers. Our pipeline is still exceedingly strong. We continue to be successful in the market. We continue to be cautious with our approach not being too over optimistic and that is the philosophy that Mr. Arpit and I have adopted over the last three years. We want to make sure that we deliver and support our customers and as a result of that support the business and you are investors. And I again we thank you very much for your support for the business your continued interest and our commitment is to continue to perform.

Carbogen AMCIS year-to-date is well on target for again another record-breaking year. We have a number of projects, which are continuing the progress very nicely through clinical phase III and edging towards validation. We are very very busy indeed and as a result of that as I mentioned in our last concall embarked upon a small expansion plan for business in Switzerland and in our Manchester and Shanghai facilities to enable us to continue to address the work that we are fortunate enough to be capturing.

So thank you very much indeed, I look forward to the Q&A and I am going to handover to Mr. Harshal Dalal to talk you the numbers. Thank you.

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Thanks Mark. Thank you everybody for joining on the call. I will just take you through the numbers that we have for the Q2 and for the first half of financial year 2017. As you know from April 1, 2016 the accounting standards that we follow are under the Ind-AS and accordingly the quarter and the first half numbers of the last year have also been restated as per the Ind-AS Accounting Standard.

Our turnover for the Q2 ending September 30, 2016 was 437 Crores including the operating income as compared to 380 Crores for the comparable quarter last year. The EBITDA this year for about 123 Crores for the quarter as compared to 102 Crores. The increase in the turnover was largely contributed by three entities. One was the India business on the CRAM side, second was Carbogen AMCIS which has increased their revenue substantially and the third was Dishman Netherlands. So these three were the main contributors to the topline increase.

As far as the EBITDA is concerned obviously as we have been picking on each of the con-call we are focusing on the high margin business in the CRAM space and that has actually helped us to increase the EBITDA as well as lot of operational efficiencies that we brought in.

As far as the profit before tax is concerned we did about 74 Crores for the quarter as compared to 42 Crores for the corresponding quarter of last year. This represents in terms of the percentage to turnover as compared to 11% in the corresponding quarter last year. The profit after tax was 55 Crores, which represents 13% of the sales as compared to 28 Crores which represents 7% of the sales so there has been a substantial jump in the profit for tax and the profit after tax in addition to the EBITDA numbers and this was largely on account of the savings with the interest cost as well as in the logistic costs.

As far as the first half of the year is concerned, we did a topline of 812 Crores as compared to 784 Crores in the corresponding half last year. The EBITDA was 29% which translates 433 Crores as compared to 412 Crores and the profit before tax was 132 Crores as compared to 94 Crores, which represents a 4% increase that is 16% versus 12%. Profit after Tax was 100 Crore for the first half as compared to 68 Crores in the corresponding first half last year which effectively means 12% this year versus 9% in the corresponding half last year.

As far as the debt numbers are concerned the debt as of March 31, 2016 the net debt number was 910 Crores this is after the restatement as per the Ind-AS where certain pieces which we have at Carbogen AMCIS have been reclassified from operating lease to finance lease as compared to that the net debt as of September 30, 2016 was 859 Crores including the finances this represents 50 Crores decrease in the net debt from March to September.

As far as the gross debt is concerned it was 972 Crores as of March which now stands at 888 Crores which is a substantial reduction of about 83 Crores in the first half. So we have been able to utilize the free cash that we have been generating to repay the debt each quarter.

With that I think we can get into the Q&A. So moderator you can open the floor.

Mahima - Moderator

Thank you very much Sir. Ladies and gentlemen those who want to ask question may please press "*" "1". First question comes from Mr. Ranjit Kapadia from Mumbai, Centrum Broking.

Ranjit Kapadia – Centrum Broking - Mumbai

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Hearty congratulations for good set of numbers. I have two sets of questions, my first question is how many molecules there are in phase III clinical trials and how many are in phase II clinical trials? My second question relates to ADC, what is the status of this antibody drug conjugate project? If you can elaborate?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Thanks for your question. So in phase III at the Switzerland boundary the Carbogen AMCIS boundary we have basically cross the group about 13, which is running through phase III what we call late phase III so these are projects, which are heading towards validation or are in validation now. In phase II we have in excessive of 100 projects that are working their way through phase II and to answer your question you did not ask for the preclinical phase I we are over 250 molecules, which are progressing for phase I?

Ranjit Kapadia – Centrum Broking - Mumbai

Could you repeat the phase III, how many molecules are there?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

13. As it relates to antibody drug conjugate, as you will remember from previous discussions there were two elements to this. One is the conjugation of the linking two the antibodies and there is also the work in developing the payload, which is the drug and the special linker to link to the antibody. I am pleased to be able to tell you that we have been able to forge significant relationships with three of the five major innovators in this field doing linker payload work. We have one facility in Switzerland, which is completely full of linker payload work right now and that is very exciting. We have completed our first antibody drug conjugate project. The customer has received the product and that product is now being formulated into a clinical trials lot, which is now being dosed into patients. So that is a major success for us. We have about six to seven enquiries, which we are now working for and we have established bit of a track record. We are having a lot of success in gaining enquiries. Thank you.

Ranjit Kapadia – Centrum Broking - Mumbai

Okay thank you very much and wish you all the very best.

Mahima - Moderator

Next question comes from Ms. Cinderella from Dolat Capital, Mumbai.

Cinderella – Dolat Capital - Mumbai

Thanks for taking my question. Congratulations on good set of numbers and I wanted to ask the last time what we mentioned about oncology drugs is that the currently part of the this quarter's sale and if yes, then how much it is contributing?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes, that particular project which Mr. Arpit mentioned is a project which we are about two thirds of the way through the validation, so from a commercial perspective its no commercial yet, we will be billing the validation loss to the client in the next quarter and then we would be receiving a mock PAI, preapproval inspection in December, with the view to the FDA visit to unit 9 in the first quarter of next year. That is the plan by the customer. Once we get that validation complete and we get the mock PAI then very rapidly we believe commercial revenues will starts to flow they are likely to start to flow towards the mid end of the next financial year.

Cinderella – Dolat Capital - Mumbai

That is quite helpful, so it will be part of our next year sales.

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes exactly.

Cinderella – Dolat Capital - Mumbai

And in terms of our interest cost can you please elaborate a little more because I got slightly confused when you said I guess its because of Ind-AS or something, the gross debt is 910 but whatever numbers are showing in the balance sheet is different so can you just little elaborate and make us understand how well we are in terms of reducing the interest cost and how it will look at the end of the year?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Sure Cinderella. Thanks for your question. So as far as the interest cost is concerned that has reduced on two accounts one is because of the conversion of lot of Rupee debt into foreign currency debt as well as conversion of also lot of expensive foreign currency debts into low cost foreign currency debts. And number two is on account of the debt repayment that has been undertaken during the first half of this year. As far as Ind-AS adjustment is concerned most of the assets at Carbogen AMCIS is on lease so up to last year these assets were classified as operating lease. Starting this financial year these assets have been classified as financed lease because of the Ind-AS requirement. Accordingly the finance that has been taken for this leased assets would be an on balance sheet items which was earlier an of balance sheet item. So that is the reason the debt is restated as per the Ind-AS requirement and is also restated for March 2016 as and when those numbers are published and accordingly those have been restated for this first half as well. So overall there has been a debt reduction to the tune of about 83 Crores at a gross debt level and at a net debt level that number stands at close to 50 Crores in the first half.

Sanjay S. Majmudar - Director - Dishman Pharmaceuticals and Chemicals Limited

If you see the interest cost, I am Sanjay here, you will see there is a reduction which is quite discernable in the sense that and this is more evident on the standalone numbers because that is the area where we have attacked the most and a lot of rupee loans have been substituted by dollar loans.

Cinderella – Dolat Capital - Mumbai

Okay and what is the outlook by end of the year, where do we see it any thing that you can add?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

So we had earlier given a guidance that by the end of the year we should be able to reduce our debt by 100 Crores so at the half way stage we are already at 50, so we are very much on target to reduce it by 100 Crores.

Sanjay S. Majmudar - Director - Dishman Pharmaceuticals and Chemicals Limited

Interest cost should reduce by about...

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Sorry effective interest cost going forward as Mr. Arpit Vyas stated should be about 4% or less.

Cinderella – Dolat Capital - Mumbai

Thank you so much.

Mahima – Moderator

Next question comes from Mr. Ranjit Singh from Systematix, Mumbai.

Ranjit Singh – Systematix - Mumbai

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Thanks for taking my question. Sir, you said in commentary that a logistic cost has been lower this quarter but that is not reflected in other income other income has actually increased so what other element is actually or other expenses, I am talking about?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

It would be an operating income when we reduce the logistic cost, so the expense amount would go down, so it has actually gone down so if you see obviously their breakup is not available in the published results but our logistic cost has actually gone down as per as our other expenses are concerned.

Ranjit Singh – Systematix - Mumbai

Okay, so last quarter we had a lower other expenses because power cost was cheaper or power saving on some power cost so in this quarter sequentially we find roughly 12 Crore of jump there so what other elements have actually increased?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Actually you should see as a percentage of sales so if you look at the previous quarter on a standalone basis it was about 22% which is now gone down to 18% because the sales have jumped up quite a bit, standalone I am looking at standalone because these are the areas where maximum impact is there is the standalone numbers actually.

Ranjit Singh – Systematix - Mumbai

Okay secondly, on export incentives income entry you said that has been better in this time but other operating income also likely to be flat quarter-on-quarter so this is what has been the amount included in this other operating income related to export incentive?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Sir as far as the operating income is concerned in the current quarter so that is in the second quarter the total export incentives that has been included is about 3 Crores.

Ranjit Singh – Systematix - Mumbai

Versus last year's how much?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

So last year we did not claim, we did not recognize that so those incentives have now started flowing in so that is the reason why we are recognizing it.

Ranjit Singh – Systematix - Mumbai

Okay and coming back to this EBITDA margin breakup I see the Indian CRAM has shown a very strong traction there so is it sustainable?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

Yes, India CRAM margins should be very much sustainable and so basically that is on account as we mentioned last time as well there was sales of certain commercial products that did not fructify in the first quarter which has now fructified in this quarter and in addition to that the development quantities that we are catering to in the second quarter so the margins are very much sustainable going forward as well

Ranjit Singh – Systematix - Mumbai

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Okay. And the third one related to that our phase III molecule we are talking about that oncology projects so can you give update of what is happening in the side of innovator whether they have filed it in US or Europe or what is the update there?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes, this particular molecule is already, the NDA has already been filed so they are on very, very strong clinical path. They had a read out a month ago on one of their pivotal phase III and the results from that read out where I think is fair to say stellar.

Ranjit Singh – Systematix - Mumbai

So already filing in US and Europe has also been there?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Filing in the US, Europe filing will come towards the end of next year.

Ranjit Singh – Systematix Mumbai

Okay and in that perspective just I wanted to understand if that innovator files this with the USFDA and so first we will be supply exhibit batches so the situation will be like exhibit batches we will first supply and then there would be dry quarter for two three quarters and then again that order will pickup or this is the consistent supply, how this will work?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Okay, basically we are completing validation batches now as I said where two-thirds of the way completing the validation batches those batches once the batch is complete, you could classify as being your exhibit batches; however, because this is the critical need drug that material will be going straight into patients. What we then be doing is the customer will have a hiatus for may be a month or two and then we will into making large quantities even prior to the launching and getting approval by the FDA. This drug is a critical life saving drug and the client already has fast track status by the FDA.

Ranjit Singh – Systematix – Mumbai

Okay and pricing wise the exhibit batches will have different price than the regular supplies?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes, of course, when we doing validation batches we are doing a whole lot of data collection and whole lot of additional experiments to enable the boundaries of the process to be understood ready for reliable commercial supply so validation batches always attract a much higher per unit kilo price.

Ranjit Singh – Systematix – Mumbai

Okay and when these validation batches is likely to start Sir?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

The delivery date is December of this year that is when we have to deliver those batches.

Ranjit Singh – Systematix - Mumbai

Okay so we have commercial agreement to supply, agreements have already been finalized?

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Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Commercial agreement is under discussion we have been working with the client for the last six weeks on that.

Ranjit Singh – Systematix Mumbai

Okay thanks a lot, wish you all the best and wish you happy Diwali.

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Thank you for the question.

Mahima - Moderator

Mr. Jerry Parekh from Mumbai, Sunidhi Securities.

Jerry Parekh – Sunidhi Securities – Mumbai

Congratulations on a set of numbers again. With regard to the oncology product the API does the client have an option to buy from someone else or are the sole supplier of the product currently?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

We are the lead supplier. The client has two suppliers one is the US and us and we are the primary supplier.

Jerry Parekh – Sunidhi Securities - Mumbai

Thank you. That is it. Thank you.

Mahima - Moderator

Next is Mr. Ashish Thakkar from Motilal Oswal, Mumbai.

Ashish Thakkar – Motilal Oswal – Mumbai

Thanks for the opportunity. Sir, actually the Carbogen AMCIS we have around seven manufacturing assets spread across various countries and my understanding is that we are almost running at 95% capacity utilization so now we have obviously have lot of projects going on in phase I, phase II and phase III so how do you look to address these opportunities coming our way?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes, in my brief introduction I alluded to the fact and we did mention it in last call that we have an expansion program underway at the moment. It is \$11 million expansion program, which has been approved at the board level and that, will enable us to address the capacity constraints we have.

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

It is not all the capacities across the group which are for Carbogen AMCIS which are 95% it is the developmental capabilities which require lab spaces, people and analytical equipment that is what is at 95% capacity and what Mr. Mark mentioned it is for expansion in the new asset is going to help us at add more lab more people give us more space to cater to more orders.

Ashish Thakkar – Motilal Oswal – Mumbai

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So have we seen any employee additions as far as Carbogen AMCIS is concerned this quarter or during the first half?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Yes, we are slowly adding at a very low rate. Our staff churn over drop below 5% for the first time in history of the company and we have at about 404 contracts in Switzerland and we see that growing only in the next six months by about 5% as the new capacity comes and we will be adding more.

Ashish Thakkar – Motilal Oswal – Mumbai

So my next question would be how difficult or easy it is to get talent?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

It is so very difficult to get talent.

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

That is common globally Sir.

Ashish Thakkar – Motilal Oswal – Mumbai

Pardon me for my ignorance my next question relates to we were about the supply a patented tuberculosis drug to J&J so what is the status there this supply has already started?

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Supply we started since last year, if you follow the concall from two years back once the launch happened the quantities have been supplied to them as and when J&J will get approval for new territories the quantities will keep on increasing.

Janmejy R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

We have the orders next six months right up to the March end, which right now in the process of executing for six months till end of March.

Ashish Thakkar – Motilal Oswal - Mumbai

So currently the suppliers are primarily for the US markets?

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

No worldwide.

Ashish Thakkar – Motilal Oswal – Mumbai

Okay. And the agreement does include the US supplies?

Janmejy R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

Worldwide. It is approved in US the US once it done and it is now being find the rest of the world country by country, my last meeting they promised that they have now completed filing in 78 countries and additional 100 filings are in process.

Ashish Thakkar – Motilal Oswal – Mumbai

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That is great. My last question would be on Carbogen AMCIS again, so you know earlier we were talking about not taking contracts which are margin dilative so what is our thought process now because even this quarter we are at 18% around EBITDA margins so where do we want to see our margins pan out in the next two three years?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

I think we are basically in the short-term we are not aiming for more than 19.

Ashish Thakkar – Motilal Oswal – Mumbai

Okay in the short term you are saying 19% is the mark you want to achieve?

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Yes, and that is if you look at the Swiss companies in general most of them would be around 13%-14% in API segment not the formulation segment. In the API segment it is mostly 13% to 14% EBITDA level and we are much higher than rest of the world.

Ashish Thakkar – Motilal Oswal - Mumbai

Sir for Carbogen AMCIS how much could be the employee contribution to the overall sales?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

52%.

Ashish Thakkar – Motilal Oswal – Mumbai

Okay got it. Okay that was it from my side Sir, all the best, thank you.

Mahima – Moderator

Next question comes from Mr. Sree Hari from TCS Securities, Hyderabad.

Sree Hari – TCS Securities – Hyderabad

Yes, thanks for the opportunity. Two questions basically, there is an enjoying very high gross margins for the past two quarters in excess of 75% so it would be helpful if you can give a breakup for the two verticals and secondly you had mentioned that in the hyper unit a third cell is being activated if you can give some more details regarding that?

Janmejy R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

Actually the two cells which are fully prepared and validated and right now we have initiated the work in third and fourth cell which will take up to the end of the current fiscal year that is March or it may go into the Q1 of next fiscal year and we will be completing all the four cells by preparing the two cells we are putting a much larger capacity at the end of SLO and ground and so on so to increase the whole capacity of the unit 9 and the expenses will be roughly between two or three million dollar but it will be unrelated facility be ready by March 2017 or soon July 2017. Thank you.

Sree Hari – TCS Securities – Hyderabad

What would be the capacity expansion roughly?

Janmejy R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

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Our Alpha and Beta cell is basically you cannot calculate the capacity in terms of Kgs because it all depends on the product and process but in volume size I can say that Alpha and Beta versus this remaining two cells where we are now putting up the capacity the two cells will be at least four times larger capacity or internal Alpha and Beta so 1000 liter versus in Alpha in Beta we will have 4000.

Sree Hari – TCS Securities - Hyderabad

That is great Sir, thank you.

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Mr. Hari can you repeat the question on gross margin please?

Sree Hari – TCS Securities – Hyderabad

Yes, gross margins basically I wanted the rough breakup between the two verticals?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

So the gross margin on the CRAM side is roughly about 85% as compared to the marketable molecules, which would be closed to about 70%. So the marketable molecules, you know the correct way to look at it would be the subsidiary wise breakup, so obviously you know our high margin business would be as far as the gross margin is concerned would be India CRAM, Carbogen AMCIS if you are just deducting the raw material cost but the correct way to look at it would be also to look at the employee cost and the third one would be Dishman Netherlands. So we have been doing remarkable profits and that is the one of the major reasons why you are saying the EBITDA margins increasing as compared to the last year.

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Just to add to what Harshil says, because we are also strongly into services where you do not have any raw materials but this is the human inputs which is a critical cost that goes in so as he is correctly mentioned for our kind of business it should be the raw material cost plus employee cost and then you may reverse the gross margins and they would not come to as high as 75% as you perceive but it would be slightly lower rate. Because on a consol basis our employee cost is roughly 33% and the raw material cost is about 18% to 20% so your gross margin would be 47%-48% rather than 75%.

Sree Hari – TCS Securities – Hyderabad

In which vertical have you seen more traction in terms of EBITDA margins?

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

See generally the cramps is always better but I think beyond that we would not be in a position to give you little more segmental information in terms of within cramps generally which vertical etc.

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

So I think it will be better for you, i think our presentation has been uploaded where we have given the segment wise breakup of the EBITDA as in what is our EBITDA margins at each of the major segments that we classify our business into.

Sree Hari – TCS Securities – Hyderabad

Yes, I have the EBITDA breakup but I was looking more at the gross margins so historically also you have been enjoying around 70% for the non-CRAMs business?

Harshil Dalal - Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

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Dishman Pharmaceuticals and Chemicals Limited Conference Call

So you know what you need to look at is that in the non-CRAMs what we are focusing on is our Dishman Netherlands business, which is the vitamin D3 analogs, and the cholesterol business as well as in India we are concentrating on the disinfectants business so as far as our quads, intermediates, PTC business is concerned obviously the margins are lower and that is the reason you see the sales declining in that particular category while the higher sales contribution coming from the cramps vitamin D business the analog business and the disinfectant business.

Sree Hari – TCS Securities - Hyderabad

Okay that explains it. Thank you.

Mahima – Moderator

Next question comes from Mr. Satish Bhat from Ever Stock Broking, Mumbai.

Satish Bhat – Ever Stock Broking - Mumbai

Hi Mark, congratulations on the good set of numbers, I just wanted to know, currently you have the visibility of one drug becoming commercial you know may be in the next three to six months or may be nine months since product coming into the product, what type of visibility you see for other products in the next one and half two years, if you can throw some light on that?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Honestly and I am not saying in a flip of the manner, but if I knew that question, then Arpit, myself and Mr. Vyas would be in the middle of the Bahamas.

Janmejay R. Vyas – Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

I will say I add to your statement by saying that even if the customer knew that answer I will be happy.

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

However I think what we can Satish is therefore and again the company philosophy is not to plan and budget for luck and for good fortune, if I was the betting man I think in the next six months another one would go commercial.

Satish Bhat – Ever Stock Broking - Mumbai

Okay thanks.

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

But you may be aware it is not as Mr. Vyas Senior said it is not in our hands. We are a service provider, the regulatory approvals, the clinical trials, are all being run by our clients. We are just providing service.

Satish Bhat – Ever Stock Broking - Mumbai

Further adding to that Mark, Sir will it be the oncology segment or some other area?

Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

I would say it is across the entire portfolio.

Satish Bhat – Ever Stock Broking - Mumbai

Could you just repeat that I could not hear it?

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Mark Griffiths - Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

Across the entire portfolio.

Satish Bhat – Ever Stock Broking - Mumbai

Thank you.

Mahima- Moderator

At this moment we have no further questions from participants.

Arpit Vyas - Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

Okay, so let us wish a very happy Diwali to all and conclude the call.

Mahima- Moderator

Thank you very much Sir. Ladies and gentlemen this concludes the conference call, you may now disconnect your lines, thank you for connecting to audio conference service from Airtel. Have a pleasant evening. Thank you.