



1<sup>st</sup> June, 2017

<b>To,</b> <b>The Manager,</b> <b>Listing Department,</b> <b>National Stock Exchange of India Ltd.</b> "Exchange Plaza", C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.  <b>Ref. : (i) Symbol – DISHMAN</b> <b>(ii) Series – EQ</b>	<b>To,</b> <b>Department of Corporate Services</b> <b>Bombay Stock Exchange Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.  <b>Ref.: Scrip Code No. : 532526</b>
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**SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND YEAR ENDED ON 31<sup>st</sup> MARCH 2017**

Dear Sir,

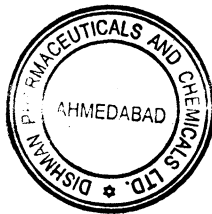
With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Wednesday, 17<sup>th</sup> May, 2017 to discuss the financial result and performance of the Company for the quarter and year ended on 31<sup>st</sup> March, 2017.

Kindly take the same on your record.

Thanking You,

Yours faithfully,  
**For Dishman Pharmaceuticals and Chemicals Ltd.**

  
**Shrima Dave**  
**Company Secretary**



Encl. : As Above

**Note:** As informed to the Stock Exchanges earlier, Scheme of Arrangement and Amalgamation amongst **Dishman Pharmaceuticals and Chemicals Ltd. ("DPCL")**, **Carbogen Amcis (India) Limited ("CAIL")** and **Dishman Care Limited ("DCL")** has become effective from the date of filing of certified copy of the order of Hon'ble High Court of Gujarat dated 16<sup>th</sup> December, 2016 with the Office of Registrar of Companies, Gujarat i.e. w.e.f. 17<sup>th</sup> March, 2017. Accordingly, DPCL has been merged into CAIL and Board of Directors of DPCL has been appointed as Board of Directors of CAIL. Subsequently, in terms of the said Scheme, the name of Transferee Company i.e. Carbogen Amcis (India) Ltd. has been changed to **"Dishman Carbogen Amcis Ltd."** w.e.f. 27<sup>th</sup> March, 2017.

**Dishman Pharmaceuticals and Chemicals Limited**

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**Government Recognised Export House**

CIN NO L24230GJ1983PLC006329

## Earnings Conference Call Transcript

Event: Dishman Pharmaceuticals and Chemicals Limited - Fourth Quarter and Year Ending March 31, 2017 Earnings Call

Event Date/Time: MAY 17, 2017/1600 HRS

**CORPORATE PARTICIPANTS**

**Janmejay R. Vyas**

Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

**Arpit Vyas**

Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

**Mark Griffiths**

Global Chief Executive Officer & Director – Dishman Pharmaceuticals and Chemicals Limited

**Sanjay S. Majmudar**

Director - Dishman Pharmaceuticals and Chemicals Limited

**Harshil Dalal**

Vice President (Finance) - Dishman Pharmaceuticals and Chemicals Limited

**CONFERENCE CALL PARTICIPANTS**

**Ashish Thavkar**

Motilal Oswal

**Nitin Agarwal**

IDFC Securities - Mumbai

**Dhruvesh Sanghavi**

Propero Tree Financial Services – Mumbai

**Rashmi Sancheti**

Anand Rathi – Mumbai

**Surjit**

PL Securities – Mumbai

**Sangam Iyer**

Subhkam Ventures - Mumbai

**Amish Kanani**

JM Financial - Mumbai

**Ranvir Singh**

Systematics - Mumbai

**Nishid Shah**

Ambika Fincap - Mumbai

**Tushar Vohra**

Reliance Capital - Mumbai

**Rahul Sharma**

Karvy Stock Broking - Mumbai

**Satish Bhatt**

Anvilshare Stock Broking – Mumbai

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**PRESENTATION**

**Pritika - Moderator**

Good evening ladies and gentlemen I am Pritika, the moderator for this conference. Welcome to the conference call of Dishman Pharmaceuticals and Chemicals Limited. Mr. J.R. Vyas and Mr. Arpit Vyas 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 in the conference. I now hand over the floor to Mr. Arpit Vyas. Thank you and over to you Sir!

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

Good evening everyone. First of all apologies for the delay. We had a few very important guests coming from UK for UK India Trades. So the management was a little busy in that. So apologies for a few minute delay. Good evening to all of you and welcome to the concall of fourth quarter results for Dishman Pharmaceuticals and chemical limited. Before we discuss the quarterly performance I would like to inform you that we have successfully completed the merger of Dishman Pharmaceuticals and Chemicals limited and Dishman Care and Carbogen AMCIS India Limited post the merger we will now be known as Dishman Carbogen AMCIS Limited.

The merger has allowed us to revalue our net assets leading to a goodwill of and intangible of almost 3500 Crores on a consolidated level, which represents the excess configuration payable over the net assets. The merger has resulted into a strong balance sheet and will allow us to have improved operational control. This revaluation is beneficial for our customers to understand the true and fair financial health of the organization, which without post the values were not doing justice to the worth of the company and hence this merger is going to play an extremely pivotal role for our existing customers and potential customers to truly understand the value of this organization and of course with that extra benefits are created helping us to plan our growth strategy in a much more efficient manner and derisk our capabilities and create extra sustainability.

Talking about the fourth quarter performance we displayed an all round improvement across all financial parameters. Our revenues increased by 26% driven by a strong order execution of both new orders and certain orders defer from third quarter to the fourth quarter. We saw a good traction in both developmental as well as commercial orders. Our EBITDA margins further inched up to reach 28% plus and additional amortisation charge of 222 Crores in quarter FY2017 and quarter FY2016 and Rs.88.5 Crores in FY2017 and FY2016. Hence we need to adjust the additional amortization to get the correct picture of profitability.

Excluding this merger impact, we displayed 56% growth in the PAT with an improved PAT margin of 14.5% compared to 11.7% in the prior period. We generated Rs.114 Crores of cash profit. In addition to improve operation profitability we were also prudent in reducing our balance sheet leverage. Our total debt reduced by Rs.61 Crores to Rs.910 Crores as on March 2017 further deploying a judicious mix of foreign debt and rupee debt, we lowered our financial cost by 57% in the fourth quarter.

Going forward we shall continue to focus on strength across five key therapies which you already know, but I would like to mention it again anyways, oncology, cardiovascular, central nervous system, ophthalmology and orphan drugs. Our focus developmental work performed overall well in the past few years is now translating into a very strong commercial pipeline across all segments providing us with a good revenue visibility. Our key growth driver will be oncology drugs and we have good traction and a good trust and relationship built with our customers and many products visible now to go into the late phase validation across the group.

We foresee a good number of drugs getting approved as well in the coming couple of years. We shall continue to display profitable growth leading to further bottomline expansion, which should benefit all our stakeholders.

With this I would like to hand over the call to Mr. Mark Griffiths to give us an insight on Carbogen AMCIS and its performance and post that Mr. Harshil Dalal to give you a further detailed view on the financials.

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

Thanks Arpit. Good afternoon, good evening everybody. It is a pleasure to have the opportunity to speak to you again. As Arpit mentioned, we have seen continued strength and growth in our pipeline. We are now able to tell you that we have yet another commercial product into the portfolio of Carbogen AMCIS. This is a project that we have been working on number of years and the client has just received commercial approval and only last week, we got offers commercial order.

We continue to drive the strength of our pipeline through from clinical phase I into validation and supporting our customers to enable them to bring these new drugs onto the market. Our development pipeline continues to be exceedingly strong. We are not at the moment seeing any downturn in the US market and by that specifically I mean in the early phase preclinical. There still seems to be strong investment money going into small to medium biotechnology companies and that is translating into continuing strong order book for the European operations.

If we move to Dishman Netherlands, again Dishman Netherlands had a very, very strong year, continues to generate very good profit margins out of its operations. We have some exciting new products that we will be working on in a very near future sponsored by our Chairman Mr. J. R. Vyas. We have some very interesting technology coming through which will secure the future for that business for the long-term.

With that I will handover to Mr. Dalal who give you a bit more detail in the numbers and we will look forward to your questions coming forward. Thank you.

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

Thanks Mark. Very good evening to everybody. So for the quarter ended March 31, 2017 our revenues grew by about 26% to Rs.534 crores for the quarter, which is a significant growth as compared to the comparable quarter last financial year. For the full financial year ending March 31, 2017, the revenue grew by 7% to Rs.1714 crores for the year as compared to the last financial year.

The EBITDA grew by 28% so as we have in saying of our focus has been on the margins and basis that are EBITDA grew by 28% to Rs.150 crores for the quarter this includes other income as well with an EBITDA margin of 28.2%. For the full financial year, the EBITDA grew by 10% to Rs.480 crores, which represents 27.7% as the EBITDA margin.

As you already know, we have entered into merger transaction, which got approved by the High Court and we have already filed the schemes with registrar of companies there is an impact of amortization on the number of depreciation and amortization to the extent of Rs.88.45 crores for the full financial year FY2017, which has been equally spread across all the four quarters so in the current quarters the amortization impact is about Rs.22.5 crores for the quarter and we would be equally amortizing it in the previous financial year as well in order to make results comparable which have been also uploaded on the stock exchange website.

If we take out the impact of the amortization our adjusted PBT, that is profit before tax grew by 57% in this particular quarter as compared to the comparable quarter in the last financial year. This gives up PBT of 105 crores for this quarter. The adjusted PBT grew by 31% for the full financial year to Rs.305 crores for financial year 2017.

So these are the key highlights for the financial year and the quarter this year. As you would have seen the taxes for the quarter look a bit higher than what are the average tax rate is and this is largely on account of the deferred taxes that we have accounted for on account of the merger.

Additionally there is reversal of certain deferred tax assets in one of our subsidiaries, which is the Shanghai subsidiary. That is the reason we have deferred tax of about 20 crores for the quarter. The finance cost is something that we would like to highlight, which has declined significantly over the last financial year. The finance cost declined by about 51% from 20 crores to 10 crores in this particular quarter and by 48% for the full financial year from 94 crores to 49 crores.

The decline in the finance cost apart from the reduction in the debt was on account of conversion of lot of key borrowing into foreign currency debt without any forex risk and that is having very positive impact on the overall profitability numbers. I think with that we will open.

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

I am Sanjay here. Just couple of small inputs as a measure of preempting some questions so just from a very simplistic point of view if you have to summarize the impact of the amalgamation, there are two basic variables that are very important one is as Harshil explained an additional charge amortization of amortizable goodwill of about 1300 crores which is spread over 15 years, which comes to about 88 crores per year.

This had to be done for FY2016 as well because the scheme is becoming the appointed date is January 1, 2015 therefore as of March 2016, the charge of amortization had to be included in the previous year and it has also been pro-rata included in the current year. So if you look at the reported PAT of 145 crores which is after the effect of amortization of 88 crores if you tax adjust that 88 crores it comes to roughly about 60 crores so this is just to give an indication that adjusted preamortization PAT of around Rs.200 odd crores is reported as now Rs.145 crores on consolidated basis and this is point number one.

Point number two out of the total goodwill as per the Accounting Standard of about Rs.3400 crores as of March 2017, about Rs.1300 crores is only amortizable representing intangible assets as per the definition, rest all is goodwill on amalgamation and this would continue to be in our books as Arpit Bhai explained the whole idea is to bring forth is a true value or the sustainable basic value of Dishman in terms of stakeholders, in terms of other customers, global peers and the obvious effect also is on some tax savings, which is incidental, I think with this I would request the moderator to open the house for an Q&A session.

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**Pritika - Moderator**

We will now begin the question-and-answer interactive sessions for all the participants' who are connected to audio conference service from Airtel. Participants' who wish to ask questions may please press "\*" "1" on their touchtone enabled telephone keypad. Participants' who wish to ask questions may please press "\*" "1" now. The first question comes from Mr. Ashish Thakar from Motilal Oswal.

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**Ashish Thavkar - Motilal Oswal**

Thanks for the opportunity. Mark the question for you. In your comments you did mention that you had got a commercial order for a new molecule last week, could you elaborate the same?

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

All I can elaborate is that due to confidentiality we have with our clients they are a North American based customer, they have been a customer of Carbogen AMCIS for nearly 10 years and the product is in bacterial skin disease.

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**Ashish Thavkar - Motilal Oswal**

But the product falls in the late phase 3, we have supplied validation batches or it is too early?

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

Validation is complete. We got our first commercial order last week.

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**Ashish Thavkar - Motilal Oswal**

So that is from the Carbogen AMCIS side?

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

Yes.

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**Ashish Thavkar - Motilal Oswal**

Broadly on Niraparib the molecule is in the market now, when are we expecting the European authority to give us the approval?

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

We are expecting approval by the European Authority to the client is and we have no timeline for that, I am afraid

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**Ashish Thavkar - Motilal Oswal**

How is the US launch fairing out vis-à-vis your expectation since we had already started API supplies?

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

We anticipate that the customer will be launching that product within the next or will be starting to launch, they are manufacturing the product now. They will be launching in the next three to six months. They are holding the stock now.

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**Ashish Thavkar - Motilal Oswal**

And any comments on the order book for the Niraparib API?

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

No.

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**Ashish Thavkar - Motilal Oswal**

The Tesaro has not given any guidance on the same?

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

We are working for the supply agreement right now and that is client confidential, we are not able to talk about that and so we have final confirmation by the client that the supply agreement was in place.

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**Ashish Thavkar - Motilal Oswal**

We would like to have an update on the ADC the drug that we were supplying. Did we happen to supply the validation batches in Q4 or there any revenues booked in this quarter?

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

We finished one project, which was a clinical phase two, we expect that customer to come back within the next 12 months. We have just commenced a large program for a German customer and that project actually incorporates Manchester producing some material, then that material going to Switzerland being produced as the warhead and then the conjugation being done in Switzerland as well. That project is due to be complete around about the November time and that is the clinical phase 2 also.

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**Ashish Thavkar - Motilal Oswal**

Perfect and lastly we would like to have your comments on the expansion at Carbogen AMCIS, the development lab that we were building up, the technical infrastructure that we are planning to set up, can we have your comments on this?

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

The project is moving forward. We have for the first phase we have the necessary approvals from the board and the project is moving forward. We are on target.

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**Ashish Thavkar - Motilal Oswal**

Thanks Mark.

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

Thank you for your questions.

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**Pritika - Moderator**

Thank you Mr. Thakar. The next question comes from Mr. Nitin Agarwal from IDFC Securities, Mumbai. Mr. Agarwal you may ask your question now.

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**Nitin Agarwal - IDFC Securities - Mumbai**

Mark and Arpit can you help us, take us through last couple of quarters in terms of key business milestones that you can point us to us in terms of - give us a sense of the direction of business?

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

In the last few quarters the efforts that have been put by Mr. Vyas and his team in Bavla to reduce and optimize on the product efficiencies in general regardless of the raw material being expensive or not has helped immensely in increasing the EBITDA margins. From the finance side, we have been consistent and constantly being able to reduce on the cost of the working capital and long-term and also the treasury in the finance have done an exceptional job in locking the prices of the foreign exchange on the sell side at a higher cost, which has come as an additional operating income for the organization safeguarding it to a certain extent from the declining forex and consolidatively all these efforts have resulted into the higher profitability that you see in the previous quarters and this quarter and in the final year.

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

Nitin, I have given the best possible reduction in the raw material and improvement in EBITDA and all that and you can see that in our numbers of last quarter-over-quarter and we will continue to work continuously on all the processes and improvement. I am heading most of the R&D head production and we expect to bring in a lot more improvement in the coming quarters.

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**Nitin Agarwal - IDFC Securities - Mumbai**

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Mark any thoughts, any comments on the – how pipeline is shaped up over the last six odd months in terms of phase III and phase II molecules?

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

It still remains strong. I can say no more than that, we are pleasantly surprised how well are customers are doing. We are also pleasantly delighted with the hard work that everybody in the company is putting in to making our customers businesses as a success. We are not seeing a slow down at the moment. We constantly are vigilant. We are looking at it from a finance perspective, from an operational perspective we are looking at it from our client's market perspective. At the moment we do not see any areas for concern. Of course we always have our Plan Bs in place already and that is the most important thing that we spend a lot of time making sure that we got Plan Bs and Plan Cs, if Plan A does not work.

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**Nitin Agarwal - IDFC Securities - Mumbai**

Mark how many products would we have in late phase III right now closed to commercialization?

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

11 to 12 in Switzerland and 4 to 5 in India.

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**Nitin Agarwal - IDFC Securities - Mumbai**

In your own assessment what period of time some of these may get commercialized?

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

With the greatest respect, Nitin if I could do that I will only work one day a week, one day a year, we live (inaudible). I really wish I could predict. Data tells us that with that number we should expect conservatively three or four to go in the next 18 months or so that statistical data that is available on the Internet anyway, but I think it is not reasonable to suggest that three or four of those may reach commercial status within the next 18 months to two years.

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**Nitin Agarwal - IDFC Securities - Mumbai**

Lastly Arpit on this you mentioned about the restructuring and the fact that improved balance sheet will help us in terms of addressing some customer concerns can you throw some light on that in terms of how does the enhanced balance sheet help us with respect to customer in terms of international customers?

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

For example, if you see one of the – in the balance sheet of DPCL India, the value of Carbogen AMCIS which was sitting in the book was about \$20 million, but we all know and need to understand that the value of Carbogen AMCIS is far greater than what it is showing in the books, each and every molecule, which is in its phase and the moment it passes a phase becomes an asset and when they pass a phase to reach another phase that value of the asset increases. We were able to capture all of these intangibles and bring it to the books, which showcases greatly, the capabilities of what we have been able to achieve in the past 10 years including the five years of the difficult recession period the entire globe saw and it gives a tremendous information to our current investors, the stakeholders of what the true and fair value is of the organization and what the base mark should be for such a company to be evaluated, having such number of products in the pipeline and kind of talent they have in terms of people which we call the intangibles and the value that they bring by working in the organization for a long time and on the client side it gives them a true knowledge of where the company was and to where it has grown showcased on a paper, which it was not previously.

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**Nitin Agarwal - IDFC Securities - Mumbai**

Okay. Thank you and best of luck.

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**Pritika - Moderator**



Thank you, Mr. Agarwal. The next question comes from Mr. Dhruvesh Sanghavi from Propero Tree Financial Services, Mumbai.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Can you explain me at what stage the approval is in terms of Niraparib. I did not understand correctly in terms of somebody asked a question related to we started supplying API, but I think the US FDA is yet to approve the plant, if you can provide some clarity in terms of the process remaining?

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

I would really beg everybody please not to use the product names because we were on the risk of getting into a conflict with our clients on confidentiality please.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

I am sorry.

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

That is okay, it is not a criticism, it is just a plea, but that particular molecule the FDI has approved the drug, they have yet to visit our site.

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

That is the fact.

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

Yes, but as Mr. Vyas quite rightly says this site is only just recently in the last 12 months had a full systems audit by the FDI and was passed, so I think our site here in Bavla is seen as a low risk site to the agency. They will come for a pre-approval inspection. We anticipate it some way during the third or fourth quarter more likely the fourth quarter, but we cannot predict that. In the meantime, we already have a purchase order an initial supply, which was received I think a month ago, but whilst we are working on that molecule for the client we are also working with the client to finalized the manufacturing supply agreement, which is the long-term supply agreement between Dishman and that client. So they have already placed the purchase order under the guys of commercial whilst we are still working on agreeing the commercial supply agreement with them.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Okay, but without the FDA visiting us and giving a final approval how long we can continue to supply these batch orders?

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

No we can supply even at commercial, the FDI would choose the to come. As I said the site was approved on a full systems audit under 12 months ago.

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

It is a FDA approved facility. So PAI is the option of the FDA. They may do the PAI or simply do not come for the PAIs. We have the company being approved we have the authority to export the material to the client who gets the material whenever we keep it.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Thank you and on the amortization part, you said the overall impact has been Rs.88 crores so will it continue in the same way?

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

Yes it is for 15 years.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Okay for another 15 years...

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

For another 14 years, another 13 years, we have already revaluated last couple of years, which has used up almost 190 crores of amortization, so as Sanjay Bhai said around 1300 crores of amortization remaining which will carry on for another 13 years.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Basically our depreciation and amortization cost will broadly be in line with what seen in this year?

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

Yes just a base.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Right that is the new base.

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

This 8.4 crores will remain every year, what increases, decreases is going to be the variables, this is fixed.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Last part here in terms of the fire that happened what is the status in terms of rebuilding that plant and how does it affect our site in the mind of the FDA because does it translate into a riskier category as a plant or can you throw some light on that?

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

Basically the fire is not in an API building, it our KSM, not RSM. RSM is a regulatory starting material as KSM is a key starting material, the fire was in a KSM building, so FDA has absolutely no issue or connection with that, so no regulatory asset except our QA has to approve, when it is restarted the approvals have to given by QA after auditing the facility and approving the facility to restart.

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

It has also not impacted the production because we have temporarily shifted that part, we have a lot of units here in this plant, so on the very next day we have shifted it to one of the other general purpose plant and therefore there is no real impact even on in terms of operations or in terms of the production, etc.

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**Dhruvesh Sanghavi - Propero Tree Financial Services – Mumbai**

Fine Sir. Thanks a lot.

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**Pritika – Moderator**

Thank you Mr. Sanghavi. The next question comes from Ms. Rashmi Sancheti, Research Analyst from Anand Rathi, Mumbai. Ms. Sancheti you may ask your question now.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Thanks for taking my question and congratulation for good set of numbers. Mark on Niraparib can you comment on the blended pricing since it will be available in 100 mg, 200 mg and 300 mg so what is the pricing scenario?

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

Okay the first thing is that we as Dishman manufacturing the bulk API not the finished drug product, so we have no control over what the client is doing to have his drug of product manufactured. We are making bulk API and shipping bulk API to his drug product manufacturer. That does not change our pricing. We have an outline forecast in the client, which is for bulk API to go into various different dosage forms. We are not in control of that. We have no sigh in the dosage forms.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay and we are only the sole supplier or there is one additional supplier or so for supplying API?

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

There were two suppliers.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

There are three suppliers you are saying?

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

Two.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Two suppliers, okay, but Dishman would be the primary source of supplier?

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

At the moment, it looks as though it is going to be split 50:50.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay, it would be 50:50 and Mr. Arpit Vyas regarding Sirturo drug, which we are supplying API to Johnson & Johnson can you just let us know like what was the sales in FY2017 and how it will be picking up and whether Johnson & Johnson has registered in other countries and whether they have received approval, if you can give a colour on that?

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

So which countries they have registered is the information that we are not at level to. The sales in FY2017 were close to 3 million Euros and going forward we see the sales increasing soon as you rightly mentioned with increasing approvals from different countries as well as Johnson & Johnson now are thinking of possibly a wider ray of treatment for this drug as a broad spectrum antibiotic and if that happens then we would see the sales number going up by quite a bit. I would not like to use any big words, but by quite a bit in the coming years.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

But any guidance you are giving in next two years, the product sales can become so much for Dishman Pharma?

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

It is for every one calls approved MDR TB drug. So it was specifically for the TB, which is registered to other drug therapy, so I (inaudible) and they have agreed with my suggestion and they have gone for the approval as a normal TB drug and not MDR TB drug, which will now improve their scope of widening the market. Now what they want to do and how much they want to widen the scope is absolutely up to them, we cannot ask them.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay, so the product sales you mentioned is \$3 million or 3 million Euro?

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

3 million Euros

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

3 million Euro as MDR TB drug, now it will become a TB drug where it will be they will decide.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

And Sir a followup from the earlier participant related to the antibody conjugate you mentioned that you all have supplied API for that particular drug in phase II?

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

Yes.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay, so it is currently in the Phase II trials?

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

Yes.

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**Rashmi Sancheti - Anand Rathi – Mumbai**

And Sir what about the debt guidance, how much it will be reduced in FY2018 or 2019?

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

Madam I will ask you one question that if the debt is this cheap then would you give it back?

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**Rashmi Sancheti - Anand Rathi – Mumbai**

No the thing is that I think earlier you mentioned that it will be getting reduced every year, so that is the only reason I asked.

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

The normal repayment schedule whatever it is will continue.

**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay that will continue, okay and Sir what about the capex guidance, will you maintain the same capex guidance of 160 crores this year also?

---

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

Yes, so we will have a maintenance capex of around 125 crores and on top of that the incremental capex would be on two accounts largely one would be the capex at Carbogen AMCIS for the new building that we acquired in January this year and secondly it would be for the hypo facility where we would be putting in additional machines.

---

**Rashmi Sancheti - Anand Rathi – Mumbai**

Okay. Thanks that is it from my side and wish you all the best.

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**Pritika – Moderator**

Thank you Ms. Sancheti. The next question comes from Mr. Surjit, Analyst from PL Securities, Mumbai. Mr. Surjit you may ask your question now.

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**Surjit - PL Securities – Mumbai**

Good evening everybody. Thanks for the opportunity. I have just few questions two, three, basically could you explain that what could be the driving reason for this margin? My objective of this question is that is there any kind of financial benefit or infrastructure benefit would you get by margin?

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

The margin you mean to say the EBITDA margins or the PAT margins, your voice is not very clear Mr. Surjit.

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**Surjit - PL Securities – Mumbai**

What I am saying is that what financial benefit or is there any kind of infrastructure benefit for merger of these two entities, Carbogen AMCIS and Dishman?

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

If you look at the EBITDAs it is agnostic of finance because it is before financial charges, so EBITDA is a real operating margin that we actually benchmark, you are talking of margins or merger?

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**Surjit - PL Securities – Mumbai**

Merger, I am talking about merger of these two entities what actually drive you to go for that?

---

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

I think I will pitch it back to you. So in terms of infrastructure, it creates no additional capabilities or capacities. It is more to do with better understanding of the company because if you consider Dishman as a group and its capabilities we are probably one of the three or four or maybe even a maximum five companies who do such things available in the entire world, not just India and hence financially it has always been a black box because of the kind of regulations that we have in India according to the accounting standards, this has helped us bring the true and fair value for our investors including the bankers as well as the stakeholders and the clients to understand the true financial health of the organization and the potential of the work that it is doing right now.

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

## Dishman Pharmaceuticals and Chemicals Limited - Conference Call

Also our client they would look at the network of the one of the important financial key criteria for them is to look at the network of the companies that they are contracting for keeping the molecules for development and eventual commercial manufacturing so because of this exercise overall network of the company has now gone up to 4800 crores versus the earlier network which on a standalone basis was only about 900 crores so we expect to possibly get additional business because of this merger where we would be able to meet the financial criteria for our customer.

---

**Surjit - PL Securities – Mumbai**

But cannot we do that in consolidated accounts because your network in consolidated amounts would have been the same because you were creating goodwill, I mean, we would have consolidated the accounts from the perspective for any subsidiary wherever any substantial asset I would have merge know?

---

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

A goodwill cannot be created without doing a merger by doing mode of valuation of the assets on the balance sheet, so there has to be a merger or single sort of activity, which would help us in creation of goodwill without creation of a revaluation reserve.

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**Surjit - PL Securities – Mumbai**

And we are not going to get any tax benefit either?

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

There would be, so that would be the....

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

That is the amortization benefit that..

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

It would be the incidental benefit of this merger where to the extent of the amortization there would be a direct tax saving to us year-on-year, so on 1350 crores if we amortize over a period of 15 years, the net tax benefit to us would be excess of 300 crores.

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**Surjit - PL Securities – Mumbai**

And in cash tax benefit?

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

Yes that is the cash tax benefit.

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

That is cash benefit to us.

---

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

Roughly about Rs.30 crores a year.

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**Surjit - PL Securities – Mumbai**

Okay, second point is that could you just repeat capex number for FY2017 and proposed number for FY2018 I just missed that?

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

So for FY2018 we expect a capex of close to about Rs.180 crores and the year after that it would be a similar number anywhere between Rs.180 crores and Rs.200 crores.

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**Surjit - PL Securities – Mumbai**

In FY2018 you are talking right?

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

Yes 2018 and 2019.

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

2018 and 2019.

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**Surjit - PL Securities – Mumbai**

In FY2017 how much you did?

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

FY2017 we did about Rs.130 Crores.

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**Surjit - PL Securities – Mumbai**

Okay. Thank you and wish you a good luck.

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**Pritika – Moderator**

Thank you Mr. Surjit. The next question comes from Mr. Sangam Iyer, Account Manager from Subhkam Ventures, Mumbai. Mr. Iyer you may ask your question now.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Just a small clarification for the particular molecule that we had build up the inventory at the end of Q3 the supply has already happened and revenue booked on that?

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

So we had a buildup of inventory for various products of which certain shipments have happened in Q4 and some of them would happen in this quarter.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

This is more in particular to the product that we had said that the approval had already come in so for that particular one single molecule.

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

The post date is in March so the shipments we expect to start from this particular quarter. This quarter or the next quarter depending on the customer when they would need.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Right, so revenue of that is yet to be booked, right?

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

The production is in full swing and then whenever customer requires partial shipment or a full shipment that they have to take a call as of now we are being asked to do a full shipment, which will take may be end of this quarter or the next.

---

**Sangam Iyer - Subhkam Ventures - Mumbai**

For the second product, the derma product that the customer received in a couple of weeks back, was that second product that we were expecting the last call we had eluded another product which was expecting, so was this other product for which the call was expected?

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

Yes, that is the one we expected.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Could you just elaborate into little bit in terms of kind of size of the product that we are looking at over year, some colour or flavor on that?

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

The volumes range from anywhere between 10 tonnes down to we are working once more molecule at that moment which is in phase II for pediatric indication whether the patients will go ahead every year, so with the annual volume of that particular product is going to be 300 grams a year potentially. It is right across the map. The one that is being commercialized in Switzerland is probably in the first two years going to be about 10.5, but then will grow beyond that.

---

**Sangam Iyer - Subhkam Ventures - Mumbai**

Coming back to your pipeline and the outlook of at least three to four kind of an approval based on statistics. These two are also part of the approvals or three to four that we are factoring in, three to four are excluding to that we have received so far?

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

Ones that are in the pipeline or once within the pipeline, the two weeks we have been speaking about are outwit those numbers.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Okay and would you provide a some guidance in terms of how you look at the base businesses moving for the next financial year FY2018 to get a sense in terms of what?

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

Could you repeat that?

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**Sangam Iyer - Subhkam Ventures - Mumbai**

In terms of guidance of the base business how you are looking at the base business segments moving for the next financial year?



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

It is steady. We are always going to keep investing into increasing our capabilities for increasing more and more developmental revenues that ensures the future pipeline for the entire group and also enables us to do a more and more important work to the best of our capabilities which helps us to bring out the molecules in the market as quickly as possible to cater to the less fortunate. So that is going to be our agenda and hopefully which provides sustainability for a long period of time.

---

**Sangam Iyer - Subhkam Ventures - Mumbai**

So for FY2018 can we see that the base business excluding this they did launch of the two molecules going ahead a double digit growth, low double digit or so?

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

Closer to double digit I think.

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

We have conservative basis, we want to maintain 8% guidance that we have given earlier.

---

**Sangam Iyer - Subhkam Ventures - Mumbai**

Okay, coming back to Q4 numbers was there a change in the product mix that was seen, because in spite of the sharp jump in your revenue, the gross margins have not seen a movement there. I am excluding other operating income?

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

If you see in Q4, there has been an adverse downside movement on the dollar as compared to the rupee as well as the other currencies. So since all of our business is export oriented obviously the sales realization that you see in the net sales was that at a lower rate than what it would have been in the first nine months. Also the raw material cost, if you see the last quarter, there was a huge built up of inventory, now that inventory was procured at a higher exchange rate in the first nine months which then got utilized in this quarter. On one side we have the utilization of the inventory, which was procured at a higher exchange rate, and sales realization was at a lower rate than the previous month. There was a major reason why you see 2% to 3% increase in the raw material cost and hence the lower cost contribution as compared to the previous quarter. Otherwise there has been no change as far as the process efficiencies that Mr. Vyas is brought into the business.

---

**Sangam Iyer - Subhkam Ventures - Mumbai**

Is it fair to conclude that in Q4, if the currency had been the same, the numbers would have been way-way beyond what people we are expecting because even now you have now beat the estimates in a big fashion, so had the currency been in our favour then the numbers would have been significantly better?

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

They would have been better.

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

On our sales front, they have been better but may be from cash flow perspective it would have eminent more or less for sale, because we have hashed most of our exports and obviously we have our borrowings in foreign currencies, so that also hedge. So from cash flow perspective it would have been remained the same, but from sales perspective it would have shown a higher number.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Okay, the other operating income does it have any forex component here?

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

Yes, the part of it is on account of forex. This forex is on account of the derivative contract that we had booked in the previous quarters taking into account the sales for the fourth quarter, so even though the sales is the accounting principle that would not allow us to book a sales at a forward exchange rate that which we had booked a contract that we have to book at the invoicing rate, but since we had forwards against these sales we were able to book that as an operating income.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

How much was that number, can you share it Sir?

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

So that for the quarter was about Rs.24 crores.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Rs.24 crores, then if I were to look at in terms of hedging for next financial year, could you share some idea in terms of what is the amount of hedge that we would have and at what rate?

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

As I told you all of our borrowings are in foreign currency. That is a natural hedge to against our sales, so if you want to use the currency tomorrow, if the dollar rupee moves to Rs.60 we will not be impacted from cash flow perspective, because accordingly then I pay less to the bank. In that way we are fully hedged; however, in order to minimize the timing mismatch, we enter into forward contracts on a selective basis as and when we believe that we should be covering up positions for the next 12 months. So we are not exposed to any kind of foreign currency risk for the entire financial year.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Got it and any outlook on margins for the base business that you should be looking at. I think so Mr. Vyas alluded to around 28% as a steady state margin going forward and then moving up?

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

At the EBITDA level, pure operating EBITDA around 27% should be a very phased figure.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

That is for the base business.

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

Correct.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Got it Sir and then these are something different. Great Sir. Thank you, I will join the queue.

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**Pritika - Moderator**

Thank you Mr. Iyer. The next question comes from Mr. Amish Kanani, Associate Director from JM Financial, Mumbai.

**Amish Kanani - JM Financial - Mumbai**

Congrats Sir. If you can give us an update on the China business whether it is what is it improving as per the expectation and also there was some reference about deferred tax reversals with respect to that, so can you just explain that?

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

We will ask Harshil to take the deferred tax is question first.

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

In China, if you remember till the FY2014, China was incurring losses year-over-year. During this period, what we had done is we have booked deferred tax asset because of the business losses assuming that there would be a certain amount of profitability that would be coming into future years. So since the profitability that we were expecting at that point in FY2014 was much large number that what it is right now we had to write that certain deferred tax assets that we have booked at that point, so that number is close to about Rs.6 crores and we believe that with the revised projections and the revised plans that we have for China for this financial year and going forward we do not expect any major write back or any top going forward.

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

Operationally, there are two very important and interesting events that have just recently happened. First of all as we mentioned earlier, we have an exciting plan that we are putting together sponsor by Mr. Vyas, Senior to look at a vitamin D analogues and work surrounding that. Shanghai will be the key to that part of this exciting project and the other very good news is the Shanghai last month received its first our GMP audit by US customer and passed. So we are very, very pleased. The team has worked very hard and we have taken that from basically no GMP to the ability to do GMP there. We have already proud of the team in the April to May.

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**Amish Kanani - JM Financial - Mumbai**

In terms of capacity utilization I believe it was working at a very low rate, so what was the capacity realization for the last year and what it is expected if possible for FY2018?

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

Right now, we operated about 30% utilization and there would keep on improving as we get more and more projects into China.

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**Amish Kanani - JM Financial – Mumbai**

What is the status in terms of EBITDA and PAT margin, EBITDA breakeven and PAT for breakeven?

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

At an EBITDA level, China is doing roughly about 40% EBITDA. At a PAT level it is more or less breakeven without the deferred tax impact, which had to be taken in the last financial year.

---

**Amish Kanani - JM Financial – Mumbai**

Okay which can improve FY2018 based on the development that was here.

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

Right.

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**Amish Kanani - JM Financial – Mumbai**

And I had also partly addressed vitamin D business if you can just tell us how is it doing and expectations for the next year?

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

We can say it would be very happy with the current status of our facility in Holland after restructuring three years ago. We have increased the profit margins significantly whilst optimizing the business, but as I have mentioned before we have a couple of exciting new plans which we are moving ahead with which will have minimal impact on capex as Mr. Dalal said, but we will have potentially very large potential positive benefits of the business and we are working very hard on that as we speak. We have had an all day meeting today with Mr. Vyas Senior discussing our plans and making our dispositions accordingly.

---

**Amish Kanani - JM Financial - Mumbai**

And one last extension are the same, is it possible to give us the breakup, how much is value added and how much is the commodity in vitamin D business?

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

We have almost gone out of the commodity business that we were doing earlier in Netherlands, so all of it largely represents analogue in the cholesterol.

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**Amish Kanani - JM Financial – Mumbai**

Thanks a lot and all the best.

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**Pritika - Moderator**

Thank you Mr. Kanani. The next question comes from Mr. Ranvir Singh, VP from Systematics, Mumbai. Mr. Singh you may ask your question now.

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**Ranvir Singh – Systematics - Mumbai**

Thanks for taking my question. Sir, can you give gross block figure for FY2017 after restated financials?

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

You want gross block correct?

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**Ranvir Singh – Systematics - Mumbai**

Yes.

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

It should be I think about Rs.4700 crores roughly including – this is if you see...

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**Ranvir Singh – Systematics - Mumbai**

This is also tangible gross, okay.

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

Tangible would be about Rs.1700, Rs.1800 crores. Because the net block reported figure is 1343. We will get back to you on the gross block.

**Ranvir Singh – Systematics - Mumbai**

After this merger, our asset side, one side goodwill has increased amortizable, the part of it seems to have been revalued, I just wanted to understand the difference that actually on tangible asset, how much value has been increased there?

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

You are talking about the capex?

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**Ranvir Singh – Systematics - Mumbai**

No, after revaluation in tangible asset, because in this merger process our gross block is getting inflicted that includes goodwill also.

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

Only thing that changes is, as far as the tangible assets are concerned, the only revaluation is on account of the mixed assets, which had to be done because of the Ind-AS. So we have revalued the land in India as well as other lands that we own overseas as well, so the total increase would be close to about Rs.200 odd crores on the tangible asset side.

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**Ranvir Singh – Systematics - Mumbai**

Okay, I say that gross block in FY2016 we had Rs.2284 crores and we see the total asset, because in goodwill, we have included this Rs.3747 crores, so all this Rs.3750 odd crores is a goodwill only minus this Rs.200 crores land revaluation you are talking about?

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

All of it is goodwill. So what the goodwill also consists of are two components. One is the component which is amortizable which is the goodwill ridge arose at the India level which is Rs.1350 crores as and when it was done which was done in January 1, 2015 and the second component is the goodwill on consolidation. So since we revalued our investment in our subsidiaries, which obviously need to be knocked off when we do the consolidated accounts. The difference in the revalued amount of the investments and the book value is what stands as goodwill on consolidation. So these are the two parts to the goodwill and as far as the tangible assets are concerned, the revaluation of the tangible assets was also carried out on January 4, 2015, so those are already revalued on that particular date. So it is not that the revaluation would happen only in 2016. There will go to that respective asset account.

---

**Ranvir Singh – Systematics - Mumbai**

Okay and secondly I see that in India CRAMS business was slower during this quarter has gone down, so any particular reason?

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

Our key product the first product, Irbesartan, which has shifted again, and now you all would know into the hands of Mylan from Abbott was doing stock building last year and picked up significant amount of quantity and from this year they have gone back to the normal quantity that usually ordered. So if you take out that one of impact of last year even India level we would have done a growth of about 7%.

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**Ranvir Singh – Systematics - Mumbai**

So going forward that was the run rate, this is the normalized number?

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

This is the base number and now the growth should be targeted from this number.

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**Ranvir Singh – Systematics - Mumbai**

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Okay and what would be the effective tax rate for FY2018?

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

That would be about 25% to 26% on the PBT but it is important to understand is that the PBT base itself go down because of the amortization impact.

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**Ranvir Singh – Systematics - Mumbai**

After amortization I just wanted to understand how much tax benefit you will get due to additional amortization?

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

If you consider the average tax rate at 25% that much would be the benefit that would accrue because of amortization.

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

Amortization would happen at India level, so in India since we are on MAT you can take 20% on a conservative basis, which would be closed to about Rs.20 crores on the Rs.90 crores.

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**Ranvir Singh – Systematics - Mumbai**

Fine.

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

The cost of tax would go down by 10%.

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**Ranvir Singh – Systematics - Mumbai**

Okay, that is it from my side. I am in the queue.

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**Pritika - Moderator**

Thank you Mr. Singh. The next question comes from Mr. Nishid Shah, Chairman from Ambika Fin Cap, Mumbai. Mr. Shah you may ask you question now.

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**Nishid Shah – Ambika Fincap - Mumbai**

Congratulations the entire team at Dishman for fantastic numbers. My question is to Mark. Mark, can you give little more colour on the late phase 3 pipeline and the early phase 3 pipeline, I heard that probably you have late phase 3 about 11 drugs in the late phase 3 and what about early phase 3 and you can give colour on basically therapeutic groups in which you guys are focussed on right now?

---

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

It is about in 11 in Switzerland, and four to five in the rest of the world, so we are looking at around about 16 that are in late phase 3. I would say a third of those are in oncology and in some way phase IV and then the rest are in a broad map of CNS, cardiovascular and orphan so they are quite spread. In the earlier phase, so let me say phase 1 to phase 2 we probably got again may be 20% to 30% in the oncology area by number of projects and then the rest across the map again. We have specialty in oncology drugs but that is not all we do, so an early phase again across the map everywhere.

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**Nishid Shah – Ambika Fincap - Mumbai**

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How many in early phase 3 Mark?

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

Early phase 3 is probably about 16 to 20 light phase 2 to early phase 3.

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**Nishid Shah – Ambika Fincap - Mumbai**

That is a pretty good pipeline.

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

First you have to remember for crucial oncology drugs, a lot of pharmaceutical companies are skipping traditional phase 2 trials and that is driven by the regulatory authorities pushing to get the drugs on to the market quickly. The old method of pre-chemical phase 1, phase 2, phase 3 commercial for oncology is changing a little bit as we are seeing a number of customers pushing a straight from phase 1 into phase 3.

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**Nishid Shah – Ambika Fincap - Mumbai**

So that is the exciting time for you guys right?

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

Basic exciting times that is very true.

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**Nishid Shah – Ambika Fincap - Mumbai**

With pump inhibitor and dermatology product which both have gone commercial and also an orphan drug, I was trying to do some numbers and I think your numbers can be very different next year is not it?

---

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

Basically very much hope so.

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**Nishid Shah – Ambika Fincap - Mumbai**

But that is not a guidance?

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

That is not guidance where we know.

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**Nishid Shah - Ambika Fincap - Mumbai**

Nobody watch the guidance and anyway if you can elaborate a little bit on antibody drugs conjugates, because that is where I saw in your report last year that you guys are way ahead of competition on ADCs, so it would be useful if you can elaborate little bit on ADCs?

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

I can give you a little bit colour. We have a very significant strength in one part or two parts of the antibody drug conjugate. One is warhead, which is the actual biological material, the active and also the linker, which is the molecules that links the active to the antibody. We continue to be very strong multiple compound relationships with three customers plus some other smaller ones. During the actual conjugation, we successfully finished off first one late last year, early this year. We have been very successful in winning the project as I mentioned earlier for German Pharma Company and that would be tying us up for quite a bit of time that is a

very important project for them. So we feel quite confident that the antibody drugs doing conjugate franchise. This is said to grow. We are already very, very strong in linker and payload and we are getting stronger in the antibody.

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**Nishid Shah - Ambika Fincap - Mumbai**

How is the market opportunity on ADCs, how do you see the market opportunity opening up?

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

Again without being flippant if I knew that I think I probably would be on my yacht now in the Maldives. We hope that it is going to be take-off. At the moment the reality is there are two products on the market. Commercial products, one of them we are working with the client for the followup molecules. There are own followup molecules at our own product. We believe from the research and the discussions we have with our customers and there is other sources that it could be a significant franchise, but that is why we have been very cautious in putting our capital into the ground. What we have not done, we spend \$50 million on a ADC large scale manufacturing plant. We made clinical phase 2 facility and when we started to see things may be picking up then we are rapidly place to grow quickly with the addition of the new building that we acquired back in January. So we are still cautious. We are cautiously optimistic.

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**Nishid Shah - Ambika Fincap - Mumbai**

Can these trends that you have in terms of linkers and biological molecules. Can it be used for what Mr. Vyas has been talking about doing analogue research on some of those molecules? Are you going to use some of those things or some of those techniques?

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

No, what we see is the chemistry processes and strategy that Mr. Vyas has put together is optimum for the business at the moment. The problem with antibody drug conjugates one of the many problems beyond them being exceedingly complex is that on average a tonne or 1000 litres of antibody would cross more than a million dollars. So the application of those types of technologies to other indications has to be considered. We believe that there is research going on in the drug dependency and that is an area that we are maintaining a watchful view on from a marketing perspective, but at the moment the only real indication that can justify this significant spend on these drugs in oncology at the moment.

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**Nishid Shah - Ambika Fincap – Mumbai**

Fantastic and can you give little more colour on the analogue research that you guys planned to do in China and in India?

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

Could you repeat the question please?

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**Nishid Shah - Ambika Fincap - Mumbai**

Can you give a little more colour on the analogue research that you planned to do in China and in India?

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

Basically what we thought is it is a very well developed and complex supply chain starting with cholesterol and moving rather way forward, so a number of high value products. What we are doing is we are bringing Shanghai into that supply chain, which will add significant value to the entire product line as we move forward. We are still in early stages of developing our strategy here to the point where we have had meeting all the day this morning, so I think but in the next concall we should be in a position to give you much more colour.

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**Nishid Shah - Ambika Fincap – Mumbai**

Great, that has been very useful and all the best to the entire team.

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**Pritika - Moderator**

Thank you Mr. Shah. The next question comes from Mr. Tushar Vohra, AVP from Reliance Capital, Mumbai. Mr. Vohra you may ask your question now.

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**Tushar Vohra - Reliance Capital - Mumbai**

Thanks for the opportunity and congratulations to the team for excellent set of results.

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

Thank you Tushar.

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**Tushar Vohra - Reliance Capital - Mumbai**

A few questions, firstly on the PRC indicator. I am not meaning the product of course. We mentioned that it is a possibly 50:50 pipe remake, right with one other player. The second thing is it...

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

We have already given more information than we allowed to but that is what it is.

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

We are negotiating. Arpit, myself and one of our senior commercial guys are the negotiating team on the supply contract, so this is being well with very seriously we hope together conclusion in the next few weeks.

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**Tushar Vohra - Reliance Capital - Mumbai**

Understood, Sir I am not getting into the contours of that. Is that the other person that involved in this entity, other entity whichever it is was also involved in the research itself, the CRAMs part of it?

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

No, the other supplier who is involved, they were in development work, we did the development work between Switzerland and India.

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**Tushar Vohra - Reliance Capital - Mumbai**

It is mainly risk mitigant strategy from Tesaro so we expect it to be the dominant supplier may be at some point.

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

Absolutely, very rare these days do customers go single source. I think Mr. Vyas Senior arranged with the API projects was unique in many respects. Generally speaking most of pharmaceutical companies have two suppliers for three APIs.

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**Tushar Vohra - Reliance Capital - Mumbai**

Got it. Are we including this molecule in the base business now, when we say in 8% growth target on the base business?

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

Yes.

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**Tushar Vohra - Reliance Capital - Mumbai**

It is 8% after including for the growth in to this drug.

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

Because it will take time for the molecule to reach the peak and it will be increasing incrementally, although the marketing would be done by the client side and how the market it is not under our control and how well the product is accepted and how quickly is also not under our control.

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**Tushar Vohra - Reliance Capital - Mumbai**

We are being most conservative in our estimates when we include this product right for the year?

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

Yes.

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**Tushar Vohra - Reliance Capital - Mumbai**

And very quickly on the same product what is the broad status for the other indication that is being tested for?

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

There are six indications like bowel, prostate, ovarian, recurring breast cancer, recurring ovarian cancer and I think also an ADC that they are into, but I think majority of them are in early phases one of them is in late phase 3 and one is in phase 1, phase 2.

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**Tushar Vohra - Reliance Capital - Mumbai**

Just on the overall late phase 3 pipeline, if you could just sort of help with more clarity on where these drugs are in when you see in late phase 3 and what kind of visibility is there over the next 12 months to some of them?

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

Depending on how well the clinical trials taking place, late phase 3 would mean anywhere between 18 to 24 months. If clinical drugs were going substantially well then FDA might decide to give it an early approval, but that again all of that is not under our control.

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**Tushar Vohra - Reliance Capital - Mumbai**

But any of the drugs is it already having in early approval sort of status for any of our drugs, any of the projects we are working on, or where validation is completed may be, so the result can be sooner than payment?

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

The single trial results are not levied publicly, so it is unbreakable.

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**Tushar Vohra - Reliance Capital - Mumbai**

Okay, fair enough. On the overall approach you mentioned five therapies that we are focusing on, just very quickly there is a lot of emerging body of work on gene therapy, gene editing and all sorts of stuffs around that, are we carrying into any kind of research projection on those areas also?

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

We are not into any large molecules or anything to do with large most biologics.

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

It depends on customer who brings them molecules to us, it fits into our capability structure then we will take it. But otherwise we have no project on developing our own FDIs.

**Tushar Vohra - Reliance Capital - Mumbai**

No, I meant for CRAMS projects only at Carbogen and some of the early phase, early tinkle trial work or early research work?

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

We do not entertain our program. It is our only customer molecule program. It is treated as a customer refers molecule not as SG.

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

As of now even for that we have not seen any kind of molecules, which are related to gene alteration or therapy whatever it is.

**Tushar Vohra - Reliance Capital - Mumbai**

Fair enough that is helpful. One last question. Just looking at financial this year and may be just extrapolating through one more year, we are looking at about 200 crores of PAT and adding the depreciation close to Rs.70 crores, to Rs.80 crores may be of n cash right that we are going to generate from the business. Our capex requirements of course are much lower, so what is the intention with this cash? Do you have specific plans to giving a larger dividend or anything else or what are the requirements of the business in general working capital perspective?

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

Obviously as the revenue increases, there would be additional working capital that would be required to fund that and the additional cash that we generate would be utilized either for the capex for the working capital and lastly for the debt repayment according to the schedule of the repayment.

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

Tushar just to be very candid, I think at least for the next couple of years the situation of very comfortable free cash considering the tremendous growth potential that our business has intrinsically and that is where we do not want to starve that growth, so I think we will remain a big conservative on the dividend side or the payout side for at least couple of years.

**Tushar Vohra - Reliance Capital - Mumbai**

I understood, but then in that case, one or other two things should happen right, either 8% growth target on base business is extremely conservative, because you are saying very large growth number or is that these business we are going to go that kind of numbers, working capital requirements cannot be very serious increase in working capital?

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

Agreed, but nevertheless having said that there are lot of opportunities which are in pipeline given what Mark and Arpit explained about the late phase 3 and anything can come up at any point in time and we have to ensure that we are ready to take that. I mean we internally are too much excited about this huge pipeline and we do not want to be over optimistic and put capex on the ground too much in anticipation at the same time we are mentally ready that if I have to put some capex on ground I will and that took pretty quickly.

**Tushar Vohra - Reliance Capital - Mumbai**

Understood, so I just take away from investor perspective, is that we expect the growth would possibly be much larger, so from a guidance perspective we are sticking to what?

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

We would still like to maintain the guidance.

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

As explained earlier also Tushar we have seen products die down in late phase 3 and also after a partial launch, so till we see a stable income post commercial from newly launch product we will not be incorporating any revenue from those molecules in our growth strategy or growth indications.

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

Tushar I will tell you something. In fact I need more money, but this finance guys are not giving. You people help me.

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**Tushar Vohra - AVP - Reliance Capital – Mumbai**

Fair enough. Thank you so much that is helpful.

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

I think moderator, if we do not have any further questions, we can close the call or take one last question.

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**Pritika - Moderator**

The next question comes from Mr. Rahul Sharma, Head Institutional Equities from Karvy Stock Broking, Mumbai.

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**Rahul Sharma - Karvy Stock Broking - Mumbai**

Thanks for the opportunity. My queries already have been answered. Thank you.

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**Pritika - Moderator**

Thank you Mr. Sharma.

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

I think we can close the call moderator. Has there any questions in queues, moderator?

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**Pritika - Moderator**

Yes Sir.

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

How many?

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**Pritika - Moderator**

Four questions.

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

Let quickly take at least one or two.

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**Pritika - Moderator**

Okay, sure Sir. The next question comes from Mr. Ranvir Singh, VP from Systematics, Mumbai.

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**Ranvir Singh – Systematics - Mumbai**

My questions have been answered. Thanks Sir.

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**Pritika - Moderator**

Thank you Mr. Ranvir Singh. The next question comes from Mr. Sangam Iyer, Account Manager from Subhkam Ventures, Mumbai. Mr. Iyer, you may ask your question now.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Just wanted a small clarification. On the three to four approvals from the pipeline that we are looking at over the next two-year period it would include FY2018 and FY2019 that is the timeline within this you are expecting?

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

We are just three to four approvals, we do not know which drugs are, it is just a thumb rule calculation that we have done in ourselves from our past experiences, otherwise we do not even know which molecules have the potential to go forward in the next two years. We are a service provider and we keep providing the service, which is acquired by the customers, and we just wish all the best to them to have a launch the product and to discuss.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Secondly on the 8% guidance that we gave I mean, sorry to harp on the same, it was excluding the two product launches right or because that was part for the base business growth that we were looking at around 8% or you are factoring in the supply for the two molecules as well?

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

That will increase slowly. After the launch, the peak of any molecules would take at least three to four years depending on the indication and then necessity or the need of the hour of that molecule, so right now the small quantities that are required for launch as well as for sustainable supply chain and secure supply chain for customer is going to be picked up for the next two, three years. Yes, there could be a possibility and uproar requirement of the molecule can happen and we have asked to manufacture the product at a much larger level and the numbers could showcase that later but that is not something that is incorporated. In the growth of 8% gradual increase of the requirement of the launch products are calculated, yes.

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**Sangam Iyer - Subhkam Ventures - Mumbai**

Based on the inventory that we were carrying and the second molecule that itself would give us more than 5% of growth next financial year, so from the base system perspective, are we seeing that the growth is more or less stabilized at around 2% to 3%?

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

In our business margins, you have to carry lot of inventories for lot of ongoing projects. We do not know that at what point in time the client will ask you to flip it. So I do not think there is a direct correlation, but nevertheless there is some inventory, which we will be uploaded as Harshil will explain, but I do not think I am afraid, there is no direct correlation.

**Sangam Iyer - Subhkam Ventures - Mumbai**

Thank you.

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**Pritika - Moderator**

Thank you Mr. Iyer. The next question comes from Mr. Satish Bhatt from Anvil Share Stock Broking, Mumbai. Mr. Bhatt, you may ask your question now.

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**Satish Bhatt - Anvilshare Stock Broking - Mumbai**

Congratulations on a good set of numbers. This question is to Mark. Mark, I just wanted to know whether we have on the oncology pipeline which you have late phase 3 and early phase 1, are we working on any immune oncology drugs?

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

One good side, all of the immune oncology essentially in the mechanism of action with the old technology of Vinca alkaloids has gone, so most of these products are inhibitors, part inhibitors or IgF inhibitors sometimes they are consoling blood flow to tumours, (inaudible), immune oncology actions, I do not know. I am just humble engineer. What I do know is the oncology still the bigger single on the critical need. There are still too many people suffering from terrible disease and branches of this terrible disease. Unfortunately we are in a position where we can help our customers bring the drugs to market. It is still growing. We are still picking up more work in oncology which is why we are expanding unit 9 in Bavla, because we are responding to market need which is why we are continuing to add some more development capabilities in Switzerland, because customer need that support.

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**Satish Bhatt - Anvilshare Stock Broking - Mumbai**

Thanks.

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

Moderator, I think we can end concall now.

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**Pritika - Moderator**

Ladies and gentlemen this concludes the conference call. You may now disconnect your lines. Thank you for connecting to Audio Conference Service from Airtel and have a great day.