



13<sup>th</sup> August, 2016

<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>To,</b> <b>Department of Corporate Services</b> <b>Bombay Stock Exchange Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
<b>Ref. : (i) Symbol – DISHMAN</b> <b>(ii) Series – EQ</b>	<b>Ref.: Scrip Code No. : 532526</b>

**SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER ENDED 30<sup>TH</sup> JUNE, 2016**

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Thursday, 4<sup>th</sup> August, 2016 to discuss the financial result and performance of the Company for the quarter 30<sup>th</sup> June, 2016.

Kindly take the same on your record.

Thanking You,

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

*S. D. Dave*  
**Shrima Dave**  
**Compliance Officer**



Encl : As Above

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## Earnings Conference Call Transcript

Event: Dishman Pharmaceuticals and Chemicals Limited - First Quarter Ending June 30, 2016 Earnings Call

Event Date/Time: 4<sup>th</sup> August, 2016 at 5.00 p.m.

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

### CORPORATE PARTICIPANTS

**Janmejay R. Vyas**

Chairman & Managing Director - Dishman Pharmaceuticals and Chemicals Limited

**Arpit Vyas**

Managing Director & CFO - Dishman Pharmaceuticals and Chemicals Limited

**Sanjay S. Majmudar**

Director - Dishman Pharmaceuticals and Chemicals Limited

**Mark Griffiths**

Global Chief Executive Officer – Dishman Pharmaceuticals and Chemicals Limited

**Harshil Dalal**

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

**Dr. Himani Dhotre**

Senior Vice President Project Coordination - Dishman Pharmaceuticals and Chemicals Limited

### CALL PARTICIPANTS

**Ritika Galan**

Noida

**Chetan Badia**

Mumbai

**Ranbir Singh**

Mumbai

**Ashish Thavkar**

Mumbai

**Nitin Agarwal**

Mumbai

**Sangam Iyer**

Mumbai

**Rahul Sharma**

Mumbai

**C Hari**

Hyderabad

**Tushar Bohra**

Mumbai

**Rakesh Naidu**

Mumbai

**Amit Kadam**

Mumbai

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### PRESENTATION

**Nidhi - Moderator**

Good evening, ladies and gentlemen. I am Nidhi, the moderator for this conference. Welcome to the Conference Call of Dishman Pharmaceuticals and Chemicals Limited. Mr. J. R. Vyas and Mr. Arpit Vyas and Mr. Mark 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 call to Mr. J. R. Vyas and Mr Arpit Vyas. Thank you and over to you, Sir!

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

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Good evening everybody. I am happy to be with you again after a quarter and I must thank all for a number of interested participants who have joined us in this concall. As you may be aware, we have completely as a policy we have made a decision of not going to any media for any call for the results on the TV or newspaper or anything and we want to brief you before what we want. I must thank you for very warm response that you have given to us when I looked at the cash prices which I earlier do it, but I saw it today and I must thank all of you for giving a very good response. On our basis, I can tell you that we are doing extremely well in our developmental work and putting the overall aspects in line. Of course, Arpit will give you more details, but first to tell you our transition is right now of course on oncology which Arpit will tell you more. It is on disinfectant which is also becoming both in terms of contract manufacturing where by next year against March target of Rs.50 Crores of net revenue of the contract manufacturing it is likely to exceed Rs.100 Crores which will certainly be shown in the increase in our results and we are also looking to improve a number of generic that we have in our pipeline and improving the technologies and making them more efficient and more economic and that is the reason why I am now completely shifted to the front one-and-a-half years and I focus only R&D and production. I hand over to Arpit to discuss further.

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

Thank you Papaji. Good evening to all participants. Thank you all for joining the call and apologies for changing the timing from 4 o'clock to 5 o'clock. We understand that there were many clashes during that time and we wanted the best of you to join the call and hence we took a deliberate decision to change the timings so that we can accommodate everyone.

I will discuss briefly the key business of Dishman Group as a whole and then forward on to Mr. Mark to talk a bit in detail about Carbogen AMCIS and European assets and then of course with that we will hand it over to Mr. Sanjay Majumdar and Mr. Harshil Dalal to talk about the details of the finance numbers.

During the first quarter, you would have seen that the margin improvements are visible, so as the profit has been maintained at the same level as the last quarter of the previous year, which is following our story of replacing low value products with high value commercial products and new products and hence you see a marginal decline in the topline, but it is not only because of replacing of the molecule that you see decline, it is because in the last corresponding quarter we had one of major products that was delivered which fell over from Q4 of the previous year and hence the last quarter was exceptionally high, but in this quarter you can see that with the number being less than last year the profitability is much higher than the corresponding quarter as well.

As we have mentioned earlier that, we will try our level best to maintain these profit margins and EBITDA levels on the consolidated basis, we are very close to achieving our target. We had promised that we will be anywhere between 26% and 28% on a consolidated level and in the last two quarters, we have been maintaining that and we do not foresee any issues in not maintaining such margins.

The reason for that is basically in India CRAMS we saw margin improvements by almost 700-basis points because of the execution of commercial products and some many pilot batches were taken for new molecules and also as Mr. Vyas mentioned that he has been in the factory for almost year-and-a-half doing all sorts of process improvement to further improve on the margins, so majority of the basis point increase is because of the process improvement as well. So that is where we can be confident of seeing the same profitability throughout the year till the life of the molecules manufactured by us.

On Carbogen AMCIS levels, we saw almost 2.5% rise due to the commercial products being delivered in the first half of the year and many of the inventories also being utilized and delivered and hence we see a margin jump in Carbogen AMCIS by almost 220 basis points. Carbogen AMCIS is almost at 90% to 95% capacity in terms of development and we see a very strong order book for development of molecule as well many products going from phase II to phase III in the coming 18 months. Because of this high capacity, we would like to inform you that there might be or there will be rather a small investment in Switzerland for increasing the lab scale capacity to process as many developmental orders as possible, when I give the call to Mark he will be able to explain it better.

On Dishman Netherlands front, we continue to focus on high value products and not flooding the vitamin D market, focusing on analogues which are crossing a higher margin and yielding better profitability and that was the change of strategy almost two years ago and it has been working till now and we do not foresee any issues that could hamper the strategy that we are following as of now. So we see the EBITDA margins to stay at the similar levels as earlier years right now.

The Chinese facility is working out very well in terms of risk mitigation. Of course it takes time for the customers to come and see and approve the facility and then take pilot batches and then start commercial production, but everything is happening behind the scene, although it is not visible by numbers, a lot of things are happening in the Chinese facility which Mark will be able to give you further lights on.

What has helped us negate the losses is mainly Chinese facility is being catering to India and Switzerland for supplying intermediate helping both the facilities de-bottleneck their the higher value assets for non-GMP work and utilize them for more expenses and costly GMP products.

The unit 9 is we have almost four clients which have been finalized and we see commercial level production starting maybe by the end of this fiscal year or first quarter of the next fiscal year, 50% of the compounds will happen within this fiscal year for sure and these products are said to be blockbusters at their own levels.

The indication is of course oncology and single molecule is being used for many therapies unfortunately we are not at the liberty to discuss in detail until we get a clear cut go ahead from our clients. As soon as we get a go ahead, we will be able to provide you with better information, but we would like to let you all know the rest assured that everything for the oncology products that we like to focus on for the betterment of this world is on target and is our full focus to make sure that those products are launched as quickly as possible.

Yes, in terms of revenue, it will help the company but also in terms of ethics where we want to help launch the product as quickly as possible for our clients, so that people suffering from these horrible diseases can get the treatment that they deserve and be able to live a better life with their families. This is number one priority. Yes, money will come because of that and again that money will be utilized to further be invested into more such products so that more lives are being saved and going forward we should focus on increasing our operational profitability and maintaining steady growth in revenues.

We see a robust growth across all the groups in terms of products and kind of philosophy fundamentals that we have adopted for ourselves to think of the patient rather than the customer and I think we are very well on track and whatever we have been informing you all this while of our focus and strategies, thankfully it has all been working out very well and very well received by the clients as well and hence you can see a stable growth and recovery of the company that you all have supported so dearly for such a long period.

Thank you for all that. With that I would like to transfer the call to Mark to say a few words.

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

Thank you Vyas, thank you Arpit. Thank you very much everybody for joining the call. I am delighted to join on the month of 10-year anniversary of the acquisition, the Carbogen AMCIS by Dishman and I would like to give you a little bit more of the picture of what is happening around the globe.

We continue to consolidate key operations to enable us to drive our strategy. We are in the midst of reorganizing and restrategizing to our service group now and that is ongoing process that we started this month and that should well be underway and clarified within the next few days; that will enable us to have a much higher focus and much more control and various focusing on efforts in commercial arena, targeting of course on oncology, targeting of course areas where the market, the molecules done straighter to the needs of the world, so that is one of our big focuses as Arpit has mentioned.

So moving to Carbogen AMCIS Switzerland, as Arpit said, we have a very high level of utilization. The market still remains very positive and we have been able to meet our targets to introduce additional new customers into our business. So we are working on a very large number of phase II and phase III and late phase III validation products. They continue to move through the plant, you would have seen from the press release earlier or later last month that the two development sites in Switzerland were approved by the FDI for prove probe inspection. We are now shipping small volume commercial products from those two sites and that has really been able to provide those sites to a very strong base at the present which is very pleasing for us.

Commercial products continue to be stable and as we have been consistent with our critical parameters bringing things from phase II into phase III and into validation and it is critical because we cannot influence the actual launch of these products by our customers apart from providing them with the molecule. So we need a large number, because the dropout rate in Pharma approvals is still very high and the barriers to get into the market is still very tough and our strategy is working very well. We have in it as a 13 molecules now across the business right away through the group which are in life size and in validation.

As Arpit mentioned, we are looking at a modest investment in Switzerland to enable us to debottleneck and to enable us to grow our oncology platform. Our oncology laboratories are completely full and our strategy of expanding that is now underway, but it is some modest investments and that will enable us to address more customers and bring more projects though piloting and then be able to transfer those into manufacturing plants in Switzerland or unit 9.

So moving onto unit 9, Arpit mentioned we are actually in validation now for US customers, for very, very positive, products which has been fast tracked by the FDI and if that product goes we will need a modest expansion unit 9 to enable us to adjust into commercial volumes, interestingly one of other key clients has been licensor of this particular products for different indication and that could also be exceedingly positive for us.

We have a couple of other molecules in unit 9 which are moving forward with our European customer and we hope to be in validation by the end of the fiscal year for at least one of those products. So unit 9 is now starting to deliver the promise that the management at Dishman Group always believe that it would.

Moving on to Riom site our small clinical size formulation facility that facility is working with the customer on a novel microencapsulation projects and that we believe brings in some very significant advantages not just with the customer we are working with, but also to the actual industrial formulation and on that basis that product has provided us with a very strong base that we have on Riom site and again as last year we are moving in profit.

Moving on to the Manchester site, which is a non-GMP facility at New York, that facility continues to heavily support Switzerland with non-GMP complex molecules and that product the site is also on target with its profit and to our budgets.

Moving on to Dishman Netherlands, I think it is way to start of following two years of restructuring. We believe now with Dishman Netherlands is a very strong, very well positioned and very profitable business focusing on niche products, complex, difficult things to do where competitive barriers of entry is very high and reputation is critical and we are very lucky to have some very smart people over there whose reputation in vitamin D analogues and liposomal formulations is exceedingly strong and that has brought us some very, very low volume but highly valuable products and we will continue to drive that.

I think our strategy which is driven by Mr. Vyas Senior moving away from vitamin D for large scale manufacture has proven itself to be an excellent decision that market is really bloody, and very, very brutal and vitamin D prices are still very low, so the decision to move out of that business and move away from it and allow the big players to fight out themselves has enabled us to focus on better products with better margin and place not much more technology base. I think that is all I have to say Mr. Vyas and Arpit.

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

I think we will move ahead to the numbers now, just one thing that was missed from my end was the disinfectant business where we have been able to get very good clientele for contract research and manufacturing and as Mr. Vyas mentioned that we see this growing quite rapidly on a large scale, so although the numbers are not significant as of now, but in a few calls, we will be able to discuss those numbers separately as well. With this I would like to pass the call onto Mr. Harshil Dalal to discuss the numbers with you all. Thank you.

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

Thank you Arpit Vyas and hello everyone. Going on the numbers we did a top line of Rs.375 Crores this quarter as compared to Rs.404 Crores in the corresponding quarter last year. As Arpit briefly mentioned, we had this one customer who required certain shipments for certain orders in the last quarter which in this year is back ended, so those orders will be delivered between Q2 to Q4, so overall for the year we should be able to achieve the topline guidance that we had given. As far as EBITDA is concerned, there has been dramatic improvement in the EBITDA margins from 27% to 29% that represents about 200-basis points.

The profit before tax increased from 13% to 15% again in line with what we had estimated and guidance as well as profit after tax increased from Rs.40 Crores to Rs.45 Crores that represents an increase from 10% to 12% and one important thing to note is that IND AS there are the new accounting standards which have been modified by the Institute which has been applicable to the company and as you would have seen in our results the IND AS accounting does have positive impact on our results which has been shown in the reconciliation of the last year June quarter, so overall it was a good quarter for us.

As far as debt reduction is concerned, we have been able to reduce our overall debt in Rupees terms by about Rs.20 Crores in the current quarter which translates to about 4 million to 4.5 million in dollar term. As far as the subsidiaries is concerned, the segment wise revenue is concerned, CRAMS India there was a degrowth in the revenue and that was largely on account of the orders that was spilled over last year from Q4 to Q1 which this year would be normalized in Q2 to Q4.

Carbogen AMCIS CRAMS the revenue has increased by about 14% and that is largely on account of the commercial product sales, which has increased the sharing the revenue as compared to the development orders in this particular quarter; however, quarter remainder of the year, we expect that the development revenue should increase as compared to the commercial orders.

CRAMS UK has been very much in line with full year revenue that it did in last year, so we did topline of about Rs.13 Crores. As far as our marketable molecule segment is concerned, on the Netherlands business, there was a degrowth of about 28%, that was largely on account of not focusing on the book value added vitamin D business and we had a Chinese customer last year in the first quarter to whom we have now discontinued supply.

As far as the other concern in the marketable molecules, it also comprises of our China facility which did a topline of about Rs.7 Crores with about 35% EBITDA and overall the other segment, it de-grew by about 25%. That was largely again on account of the low margin product that we are not focusing on in India.

As far as the segment wise margin is concerned, India has exceedingly outperformed from the last quarter on Q1 to Q1 basis, so last year we did about 49.5% EBITDA margin versus 56.5% this year. Carbogen AMCIS CRAM showed a remarkable improvement again in the margins which improved from 17% to 20%, this is largely on account of the commercial orders whose revenue shares was larger as compared to the development order.

CRAMS UK did about 24% EBITDA margin again in line with our full year estimate. Netherlands facility has been able to improve the margins further from 30% to about 34% in the current quarter, again on account of focusing on the analogues and the cholesterol business. The other segment again since China has been doing well and because of our lesser focus on the low margin products that has also yielded a 30% EBITDA margin as compared to 23% in the previous year same quarter.

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

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

This is Sanjay here. Good afternoon everyone. Just one point to add to our Harshil's presentation, if you see the standalone as well as consolidated finance cost, you will see a MAT reduction in the cost of finance, which is again in line with the strategy adopted by the company to replace high cost borrowing with low cost borrowing to the extent possible. But if you negate the assets effect of both the quarters, still there is a perceptible reduction just to elaborate on our standalone basis in the Q1 corresponding of FY2016. The finance cost included a loss of about Rs. 7 Crores due to FX, which is just about Rs.2 Crores in this quarter. So even if you just normalize it, there is still a MAT reduction of about Rs.4 Crores in the effective standalone finance cost. Similarly if you look at the consolidated numbers, there is again net to net almost the same Rs.4 Crores to Rs.5 Crores net effect of the reduction in this quarter which means this is sustainable so we are talking about Rs.20 Crores, Rs.25 Crores reduction in the finance cost in the current fiscal year plus it will be further helped by debt reduction, targeted this year for the whole year of about Rs.102 Crores as per the repayment schedule of various loans. I think moderator with this let us put the house open for Q&A.

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### Nidhi - Moderator

We will now begin the question and answer interactive session for all the participants who are connected to the Audio Conference Service from Airtel. The first question comes from Ms. Ritika Galan from Noida. You may please ask your question now.

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### Ritika Galan - Noida

Thank you for the opportunity. I just had few questions. Just wanted to understand in China and India utilization plan, what is the utilization?

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

The Chinese utilization is not more than 30% right now madam.

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### Ritika Galan - Noida

What about India?

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

India is about net-net 60% to 65%.

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### Ritika Galan - Noida

Thank you, relating to the vitamin D business how the pricing scenario is now whether we see any discount downwards front or upward front?

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

Can you repeat the question madam?

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### Ritika Galan - Noida

Vitamin D business how the pricing scenario now whether we see any downwards trend or upward trend?

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

As we mentioned earlier, we are out of the formulated vitamin D3 business, which is the whole price incentive and are controlled by the large players like Garden in China and DSM in Europe. So we prefer not to get into that category and we were refraining ourselves from entering that market which we were earlier where we heard that there was the potential we do not see it anymore and that strategy have changed years ago. So, now we are focusing on more costly and highly coated vitamin D analogues which are much better for the human consumption in terms of efficacy as well as the acceptability in the human body.

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

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## Dishman Pharmaceuticals and Chemicals Limited Conference Call

Let me add Madam, I will add to what Arpit said, actually our chemistry of vitamin D has given us in that novel about the cholesterol chemistry and it has also had in developing progesterone chemistry molecule which is a identical molecule and the intermediate from the progesterone molecule are more costly and rarely produced by many players worldwide and our target in India from cholesterol and progesterone chemistry itself is in excess of spends up several million dollars for the next year.

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**Ritika Galan - Noida**

Thank you. One housekeeping question, what would be the effective tax rate we are expecting for FY2017?

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

The effective tax rate should be around 23% to 24%.

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**Ritika Galan - Noida**

Okay and just one more question. What is the Carbogen and next order book?

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

What is that order book look like Mark for Carbogen AMCIS?

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

Some orders are yet to start in the excess of \$75 million new order book is extremely strong.

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**Ritika Galan - Noida**

Okay. Thank you.

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**Nidhi - Moderator**

Thank you Madam. The next question comes from Chetan Badia from Mumbai. You may please ask your question now.

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**Chetan Badia – Mumbai**

Thanks for the opportunity. I wish to have the gross and net debt numbers in the cost of debt as of now.

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

So the gross debt currently is about Rs.920 Crores.

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**Chetan Badia – Mumbai**

Okay and the net?

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

And the net debt is Rs.858 Crores.

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**Chetan Badia – Mumbai**

How much have you saved?



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

Rs.858 Crores.

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**Chetan Badia – Mumbai**

Rs.858 okay and how much is paid on the interest cost because of the conversion to foreign currency?

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

The conversion to foreign currency it is still an ongoing process, so we are still in the process of growing this, but effective interest rate which last year average rate which was about 8.5% it should come down to around 5.5% by the end of the year.

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**Chetan Badia – Mumbai**

Okay and if you can touch upon the guidance for FY2017 once again for separately for India operation and for Carbogen EMCIS?

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

We do not see any major you can say about 5% to 7% topline growth, but more visible bottomline growth in line with the strategy. So you should see a much better bottomline growth in this year as compared to last year which itself for quite good.

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**Chetan Badia – Mumbai**

Okay and you touched upon that the Carbogen EMCIS may require additional Capex, will that likely to happen this year or may be in FY2018?

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

This year.

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

It is not predominantly this year, a little bit into next year, but as I said before it is pretty modest. We are not talking tens of millions of dollars, it is pretty modest, but that will give us quite significant uptake in development and which is what we need.

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**Chetan Badia – Mumbai**

That is all from my side and all the best to you.

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**Nidhi - Moderator**

Thank you. The next question comes from Mr. Ranbir Singh from Mumbai. You may please ask your question now?

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**Ranbir Singh - Mumbai**

Thanks for taking my question. I had one question related to Carbogen AMCIS. Can you give Mark breakup about the projects under phase III and phase II?

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

Yes predominantly, perfectly may be 50%, 55% revenue oncology area and as we are now the oncology is very far disease, number of different targets, there is no such kind of magic bullet, so we are working on products which were in the lung, bowel, brain and

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

other areas most into US customers but there are a couple of customers in Germany and UK, so they will be working with those then we have got a couple of products in larger disease areas, gastrointestinal, GI and a couple of coming through diabetes.

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**Ranbir Singh - Mumbai**

Okay, altogether how many projects currently under process?

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

In phase II, we probably had in excess of 30 projects, but I assume in early phase III we probably got something about 20 and in late phase III we got about 13 across the board, which is remarkable. We target somewhere between 7 and 9 and over the last couple of years we have been very successful in taking products through and those ultimately a larger proportion of those like phase III where we have some of the commercial products which could provide in both phase I products.

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**Ranbir Singh - Mumbai**

Okay, so you said commercial project would be how much in there?

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

Coming to the commercial products of about 40% of our turnover in Switzerland and the rest of development work and we normally strive for balance through around about 45%:55%, but of course trying to hit that sweet spot on the run rate basis is impossible because in other commercial operations in these products certainly the customers, so we have not in control of the service profile.

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**Ranbir Singh - Mumbai**

Okay and you said talked about API business coming in, in the API, so what is your status whether we are filing we are going toward this business?

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

So far for generic API business as we mentioned in the last call as well we have changed the strategy a little bit where we are not jumping on the bandwagon or like the rest API manufacturers. Because we have predominantly API manufacturers and we do not have finished product. It does not make sense to each and every API that become generic, so we have decided on to pick and choose the molecules which are of the need and focusing on the segments of oncology, cardiovascular, ophthalmic and the drugs new indications for the already generic molecules and that strategy has worked very well for us. We have identified a couple of molecules which we see very good growth potential to be in a much broader markets apart from only US and Europe and the same time yielding has good amount of profits because of the need. So we will keep identifying those products and keep filing as and when we find the correct product and keep winning good products in the market in terms of generics.

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**Ranbir Singh - Mumbai**

Right now we are not devoting any time, any resources there in API?

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

Right now we are in right finding and we have a few products you can say out of the overall revenue may be 10% or may be 12% would be from generics, but nothing more.

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

Arpit, Dr. Himani is here, Dr. Himani Dhotre just has just joined us in the concall and she will be able to tell you about the entire philosophy on generic product here.

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**Dr. Himani Dhotre – Senior Vice President Project Coordination - Dishman Pharmaceuticals and Chemicals Limited**

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## Dishman Pharmaceuticals and Chemicals Limited Conference Call

Good evening everyone. On the generics like Arpit said we are selective about generic we work on and we have about 12 filed already in the US and we have also number of cases. We continue with our current generic plus we are also working on some specific molecules, which like the contrast media use specific refer MRI. There are hardly any players in the regulated markets on these molecules and we already have three of them ready to file, already customers developed for them plus which are niche again because of the indications they are useful. So there is a lot of activity happening on the generic side, but since we do not separate it out on our numbers this may not appear on the numbers as such.

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**Ranbir Singh - Mumbai**

My question was more on the strategy this number may not be there, but I am still not clear whether we are focusing on API business or not, the earlier comment was saying that we are not very much interested on this Sir.

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

When we are talking about 17, 5 APIs and so many others, already orders have come and we are in the process of filing itself reply your question that we are very strongly going in the direction.

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**Ranbir Singh - Mumbai**

Another question was what Capex plan we have altogether in FY2017 and 2018?

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

This year capex.

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

For the current year on a consolidated basis, we are estimating our Capex of about Rs.150 Crores to Rs.155 Crores because as Mark and Arpit bhai had mentioned will be acquiring this particular building. So there would be some incremental Capex for the same at Carbogen AMCIS apart from that we do not have any major Capex plans across our subsidiaries and at the parent so it would be around 150 to 155.

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**Ranbir Singh - Mumbai**

How much would be towards that Carbogen AMCIS expense Sir?

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

About half.

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**Ranbir Singh - Mumbai**

About half okay and what was the revenue from Chinese facility in this quarter?

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

Chinese facility this quarter was about Rs.6 Crores.

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

Yes this quarter we did about Rs.6.5 Crores of topline was about 35% EBITDA.

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**Ranbir Singh - Mumbai**

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

In opening remarks Mr. Vyas said something about that CRAMS going Rs.100 Crores I was not able to understand which part of CRAM he was talking about that was related to disinfectant or something else?

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

Let Dr. Himani respond because she is in charge of that, please go ahead.

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**Dr. Himani Dhotre – Senior Vice President Project Coordination - Dishman Pharmaceuticals and Chemicals Limited**

This business what we mentioned was the disinfectant business we have contract manufacturing for three major players in the market and we are currently the sole suppliers for certain geographies for these players and we intend to expand that business very well and currently we see that to reach about Rs.100 Crores very soon thus we will continue to add to the customer portfolio there and there has product portfolio.

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**Ranbir Singh - Mumbai**

So, that was a big jump from Rs.100 Crores additional we are talking about?

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

Over a period of time.

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**Ranbir Singh - Mumbai**

Over a period of time. Okay fine that is it from my side. Thank you.

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**Nidhi - Moderator**

Thank you Sir. The next question comes from Mr. Ashish Thavkar from Mumbai. You may ask your question now.

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**Ashish Thavkar – Mumbai**

Yes, thanks for taking the question, Sir, on the margin side where do you see better margins would be on the development side or on the pure commercial manufacturing side?

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

Margins will always be better on that commercial side Ashish, because of the constant manufacturing and the process optimization has already been implemented and the volumes have increased. So commercial would always yield the better margins, but regardless of that being true we have been able to maintain in country like Switzerland which is very expensive country in terms of resources especially manpower able to maintain almost about 18% to 25%. Is that right Mark?

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

At the end of last year was I think for 2017 my target ratio is 20% and that is driven by two things, like Arpit said, one of them is the commercial once we lock in commercial we are on supply agreement for three to five years and as you know currency the contact is there and we will try to bring and so during the course that locks in new margins so on the development side as we continue to elevate and move in to things like antibody.com and warhead linkers and things like that which are much more difficult to do and again as I said provide quite significant barrier to entry for a number of conservators that may be just to supply the margins much higher, because they have got people in the game and those in the game Carbogen AMCIS has one of the strongest reputation in that area, but I am unable to sustain large margin on the development work and if you go back five years development work was actually lost leading in Carbogen AMCIS, it is now a significant contribute to both to the topline and bottomline and we will continue to drive that.

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**Ashish Thavkar – Mumbai**

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## Dishman Pharmaceuticals and Chemicals Limited Conference Call

Sir, follow up of that would be, since we have good set of projects now in phase III, are we ready with the manufacturing assets or you feel that going ahead we need to invest more on the manufacturing sites?

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

No, I think our strategy was which we think about a number of concalls is that we have got enough capacity around the world if Switzerland does not have capacity then we have Bavla, especially for the larger volume high focussing products which is why there is Bavla say in the first place, we have very and very good assets in all the API and also for complex intermediaries and risk managed for customers we also have the ability to push certain products albeit with the front high size as well. So one of the problems with the current strategy that we have seen benefit on, we have been able to offer the customer I just manage strategy to bring product to the market and then supply in market product. So I see significant moving across continents having full set of supply within the time build. We have enough large scale capacity.

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### Ashish Thavkar – Mumbai

Got it, thanks, Sir other question would be on, just wanted to know whether we have started supplying to Clovis Oncology so we had this agreement has that kicked off?

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

I will not make any comment here, it is against our company's policy and part of our confidentiality, we cannot discuss that.

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### Ashish Thavkar – Mumbai

Okay no problems. That is all from my side thanks.

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### Nidhi - Moderator

Thank you Sir. The next question comes from Mr. Nitin Agarwal from Mumbai. You may please ask your question now.

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### Nitin Agarwal – Mumbai

Sir, thanks for taking my question, Mark how is in your experience over the last few quarters the whole integration process in terms of clients actually willing to more keen to transfer projects to China and India from Carbogen, how is that traction really playing out?

---

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

I think that all is going to be transferrable to one outsource to certain parts of the world and that is the fact we will have to deal with, but I can tell you that our most sophisticated clients and a lot of those are the medium biotech's now, very comfortable of having a spread of capabilities within our group and we have that as strength and I think that is something that will starting to play. Now what we do is intend to really make those clients, we spend some time on this what that profile is and what their expectancies are and when we address our strategies itself with them and on that basis we have customers who are acquired and before the acquisition they do not have (indiscernible) and once there is acquisition may be a larger company all of a sudden that larger companies influence in a few weeks (indiscernible) and all of the benefits we know, so it is a constantly moving piece and that means that you got to be in constant touch with the customers all the time and that is one of the reasons why we are as I mentioned in my introduction now right in the middle of reorganization and entire focus so such to get more focus and to generate market it may be is our strategy, but it works.

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### Nitin Agarwal – Mumbai

Thanks. And secondly on Carbogen AMCIS the fact that you alluded to capacity constraints are the capacity constraints also there in the commercial side and if that the key how do we leverage the late phase III pipeline which is there with us?

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

There are two elements to it, one is as I mentioned earlier that we have a certain amount of capacity in the manufacturing, the larger manufacturing unit in Switzerland, we will never add more capacity there because we have power with an excellent capability and

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both are have the access in Shanghai as well. So there will never be in my view and let us say technology and I never will allow the fact there will be a new technology which by itself is certainly right but in philosophy our large-scale access in Asia and that is what we drive to push. We have therefore are consistent with whole about the large scale capacity to take more development work the key for topline full and technology.

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### Nitin Agarwal – Mumbai

Secondly how many piece of the 13th phase III, late phase III canalize that you talked about, a) how do you characterize late phase III or in your own definition and then two how many of these molecules is three getting commercialized over the next 12 to 18 months?

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

Well we think fairly consistent across the board which we talked like first thing in late phase III and late phase III according to us is just heading towards validation or invalidation, then compare with this we would be looking at somewhere between 7 and 8 that could get the market and that place on industry specifics you can find that information itself. Early Phase III is we moving into the focused analysts of arranging lock in we do like the commercial product compelling engineering batches on up sky. I would say we got either 20 of our early phase III across the globe muted growth.

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### Nitin Agarwal – Mumbai

Thanks very much and best of luck.

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### Nidhi - Moderator

Thank you sir. The next question is come from Mr. Sangam Iyer from Mumbai. You may please ask your question now.

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### Sangam Iyer – Mumbai

Sir you just mentioned about unit 9 in your initial remarks, just wanted to understand in FY18 when the commercialization notice or manufacturing begin what is the kind of revenue and profit potential that we are looking at in the initial years maybe 2018 and 2019 can you just give us some idea on that?

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

Frankly it is very difficult to note, customers will give you prelaunch, customers would give you what they believe their commercial volumes but we as an organization sensibly skeptical on those because the customer does not really know and savings in the market and he starts to see uptake from decisions from hospitals and health facilities so we tend to try and avoid to putting numbers to house simply because we don't know and the customers don't really know until they are get into the market.

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### Sangam Iyer – Mumbai

Sir so then when we are migrating to the next stage right from play stage validation towards the commercialization stage as a company how do we plan our future expansion policies given that the uncertainties are paramount in terms of what is the kind of final outcome of these products are going to be at least but from products size perspective you would have some kind of a sense in terms of or some flavor that you could share with us in terms of the seven to eight products that you said might go into the commercialization stage or the product that is expected to come into the commercialization stage what is the kind of revenue trajectory that one can look at from the commercialization strategy?

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

Very good question Mr. Iyer and I would like to say something and then may be if Mark likes to add or dad likes to add they can add to it.

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

Let me just say one sentence because I had a discussion regarding what questions is being ask right now, we have customers validations going on and the senior people from the customer are here and I told them very clearly that look this is the capacity that

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this plant get offered if as and when you need more capacities we will have to discuss at least six to eight months in ever because this is a time we should take for procurement of the equipment, installations, validations and so on and it also requires an upfront payment now from you before we can proceed but till that time our existing capacity will meet your requirement to the extent that we are committed and this is how we will propose at the board.

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

Mr. Iyer we are in constant communications with all our clients and some clients like the midsize biotech who are less bureaucratic do have the decision making power and that it give us what is that they think is going to be the uplift in the market of the product and we initially decide on what kind of investments will be required and in what timeframe but in some large organizations the more bureaucratic organizations this kind of information is very difficult to obtain from the personnel so it is just on a need basis that we would make that investment or if we are highly optimistic about something then we would take a call ourselves to make a minor investment and be ready with them at the same time for a thumb rule guidance for you would be that for oncology products which are low volume high value products you can say that if molecule for the end-user is a billion dollars when the API manufacturer will earn anywhere between 2.5% and 7% of the revenue and in terms of non hypo molecules we can say that it is about anywhere between 10% and 25% of the revenue of the molecule. Now this revenue for the API sources they have a risk mitigation policy to go with at least two API manufacturers so we are in the front seat and 80% to 90% of the revenue for the API should come to us because we have multiple geographies where you can cater to them with so being a primary source, helps and then this thumb rule calculation that you can do in terms of monitoring where the molecule is going from the customer's end and the revenue coming to the API manufacturer.

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

Before you do that just to add for this is that we are now doing with our key clients we work with them for validation, we work with our key clients so put together a documented risk management strategy based on what the things are and how we can satisfy their strategy. Now those are live documents so we start doing that prior to validation so we are trying to put a strategy, which number one, services the customer, number two gives us a bit of a picture of where the commercial volumes may be, but I say again after this absolutely right the larger organization will never give you that information, the small to midsized guys once give you an indication but until that in the market these companies do not know what the uptick is going to be because the uptick is dependent completely on position on patients based profile where they say it is very difficult and what we make a decision to do is not to come from billed capacity before we have a good picture and as Mr. Vyas. says we are in discussions with customers who are trying to get them to help us so that we can help them.

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**Sangam Iyer – Mumbai**

Sir on the current manufacturing capacity that we have under optimal utilization what is the kind of revenue you can generate or turnover?

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

I think it would be very difficult to hazard a guess but very broadly it and of course it depends on the product mix, but I think we can easily add 300 to 500 Crores without making any major Capex, sorry if I look at Bavla, if I look at China I think the figure can be actually much higher.

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**Sangam Iyer – Mumbai**

Got it, sir one more thing when I am looking at your revenue guidance for 2017 which is around 5% to 7% top-line with around 25% to 27% EBITDA margin where do you think that this expansion of margins can get stabilized based on your optimal mix can it further improve by another 100, 200 basis points next financial year or do you think that 25%, 27% is kind of a stable margin for this business and that is where you would stabilize on the initial research and R&D kind of a segment and then beyond that once the commercialization happens you get raising in terms of incremental margins with an utilization?

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

I think we are comfortable with the level of 26% to 28%, 29% EBITDA margin on a consolidated level. If you do look at the company as a whole our predominant presence is in the European market where having 20% to 25% EBTIDA margins is the highest level possible in our sector the further margin improvements can happen we decide to go in the finished goods which is formulations but that is a different topic all together.

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**Sangam Iyer – Mumbai**



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So purely on the current business because we got the commercialization in terms of growth beyond FY2017 how much would be the run rate that one should be looking at?

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

In terms of top-line.

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**Sangam Iyer – Mumbai**

Yes.

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

I think at least 8% to 10%.

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**Sangam Iyer – Mumbai**

Okay, so when we are looking giving a guidance of 5% to 7% this year is there something that is different?

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

It is a pipeline driven exercise quite a few projects like Mark explained and all of us explained that quite a few projects that are likely to come, again the endeavor would be to maximize the margins and there are quite a few things that are going to happen so at a further time being for next year maybe an 8% to 10% is the reasonable growth expectation with endeavor to improve margin further let us see as we travel further.

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**Sangam Iyer – Mumbai**

Got it sir, and my last question would be given that when we look at our overall numbers barring Q1 last year wherein we had this push out from Q4 of FY2015 where we are going to see the compensation of that coming in, in the coming quarters right, so could you give us some idea on the size that actually got that you are expecting in terms of the offsetting factor here from Q3 onwards for the India business?

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

If you are asking me that last corresponding Q1.

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**Sangam Iyer – Mumbai**

No when we said that last year corresponding Q1 had a push out and a particular customer take?

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

That is about 38 to 40 Crores.

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**Sangam Iyer – Mumbai**

Which we expect to come through in the remaining three quarters?

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

Yes.

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**Sangam Iyer – Mumbai**

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So would that entail that the margin from India business would expand further given that you have a incremental 5, 10 Crores per quarter increase coming through?

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

See margin is a function of manufacture including the product mix only this factor alone will not push up the margins but there are constant efforts as you can see my raw material costs are down, my product mix is improving, hyper is playing a major role I think all of these factors will push India's margins or it is rather maintain it at a decent current level.

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

Right now the PAT that we see of around 12% plus is what is that going to be our constant target.

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**Sangam Iyer – Mumbai**

Okay, got it sir. That is very helpful. Thank you very much.

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**Nidhi - Moderator**

Thank you sir. The next question comes from Mr. Rahul Sharma from Mumbai. You may please ask your question now.

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**Rahul Sharma – Mumbai**

Sir just had a clarification our debt as of March 2016 was around 841 Crores so it has gone up to about 980 Crores as of now, the 920 Crores and how much is long-term and short-term debt.

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

So the total gross debt as of March 31, 2016 was about 942 Crores so what you also need to take into consideration the repayment due within a period of one year which is not classified under short-term or long-term debt but it goes under the current liability, so along with that it was 942 Crores as of March 31, 2016 which now is about 920 Crores. Also if you see in dollar terms we were at about 133 million as of March 31, 2016 which has now come down to 129 million. 133 has come down to 129, okay.

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**Rahul Sharma – Mumbai**

What we are yet looking at 8% to 10% topline growth which is there for the current year.

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

Current year could be about close to 5% to 7%.

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**Rahul Sharma – Mumbai**

Okay and this 150 odd Crores for capex that we are planning to do how the funding will be done?

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

The funding would largely would be from our cash accruals which will be utilizing for the capex.

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**Rahul Sharma – Mumbai**

And will you be doing this over a period of next two years?

**Dishman Pharmaceuticals and Chemicals Limited Conference Call**

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

One and a half years. This will be spread over FY2017 and 2018. Major of it will be in 2017 some part will spill over maybe 30% in 2018.

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**Rahul Sharma – Mumbai**

But you foresee the entire 70% being capitalized in the current year?

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

Capitalization is a function of that totally getting completed but the spending part of the capex.

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

Because if you see our normal maintenance capex across our subsidiaries and parent is roughly about 125 Crores so that is something that we will have to incur to maintain the FDA compliance facilities that we have across the subsidiaries and at the parent.

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**Rahul Sharma – Mumbai**

So next year also your Capex will be what FY18 will be similar number 125 odd Crores?

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

Yes. It will be at least 125 Crores.

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**Rahul Sharma – Mumbai**

Thanks.

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**Nidhi - Moderator**

Thank you sir. The next question is come from Mr. C Hari from Hyderabad. You may please ask your question now.

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**C Hari – Hyderabad**

Thanks for the opportunity. If I get it carried in your CRAMS India business you had a campaign supply last year?

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

No it was not a campaign based supply it is a commercial product that we had supplied and which we are supplying even current. It was just that the customer required orders to be supplied in the first quarter as compared to the last quarter of 2015 because of which there was heavy supplies in the first quarter last year as compared to this year first quarter.

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**C Hari – Hyderabad**

So is that product supply recurring in this fiscal?

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

Yes, it is continuing it is an entirely long-term agreement it continue. It is depends on when the customer wants the delivery basically.

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**C Hari – Hyderabad**

Okay, getting phased out given the year but it is a regular supply.

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

Yes, it is a regular supply.

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**C Hari – Hyderabad**

Now coming to the vitamin business can you give a split between D3 and the higher value added product how it has shaped up?

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

See it would be difficult for us to share so much details but broadly D3 if you see this the vitamin D3 division about a year and a half ago it was clocking more than 270, 280 Crores it is now coming down to about 200 Crores and bulk of it is more contributed by the basic cholesterol and other value added products like analogues that Arpit and Mark explained and I think you can continue this at run rate to be maintained at a rate of about 200 odd Crores per year with this kind of about say 20%, 24% kind of EBITDA margins.

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

I think it should be about something from the entire topline of 225 Crores about 30% to 40% would be from the analogs the expense in molecules, yes.

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**C Hari – Hyderabad**

So it is 30% to 40% currently.

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

Yes.

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**C Hari – Hyderabad**

And how do you expect the share to shape up?

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

It might slowly go up but I would say this is more or less a sustainable number if we look talk about D3 business.

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**C Hari – Hyderabad**

And on the repayment you had a repayment schedule of around 102 Crores this year?

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

Yes.

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**C Hari – Hyderabad**

So what is your dividend policy?

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

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See last year we have given a little one time addition dividend but our normal dividend policy would be roughly as it was if you exclude that one half effect.

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**C Hari – Hyderabad**

So that is roughly 10%.

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

Yes.

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**C Hari – Hyderabad**

And what is the kind of incremental working capital that you are factoring in this fiscal?

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

We do not see any major incremental working capital in the current financial year may be 30, 40 Crores so we should be able to at least maintain our debtors inventory and the creditors level.

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**C Hari – Hyderabad**

Fine that is all from my side. Thank you.

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**Nidhi - Moderator**

The next question is come from Mr. Ranbir Singh from Mumbai. You may please ask your question now.

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**Ranbir Singh – Mumbai**

Thank you for taking my question again. Just again on disinfectant business so just I wanted to understand what kind of margin normally we expect from this ramp up?

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

It depends on the geographies where the disinfectant is being sold as Dr. Himani mentioned that in some geographies we are going to be sole manufacturers from certain companies but if those geographies are not of the Europe platform, the European, USA standard then the margins there would be a little and for European, USA as and when that starts the margins will be quite high so this is a finished good product so you can say that the margins should consolidated around anywhere between 25% to 35%.

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**Ranbir Singh – Mumbai**

Whether we need to do additional capex for this facility?

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

Very minor.

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**Ranbir Singh – Mumbai**

When actually we will see visible traction from this strategy in this business?

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

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Probably next fiscal year I would say.

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**Ranbir Singh – Mumbai**

Okay and one more doubt I had that whether we are supplying for Brilinta right now?

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

No we are not working with AstraZeneca anymore.

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**Ranbir Singh – Mumbai**

That is it from my side.

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**Nidhi - Moderator**

Thank you sir. The net question comes from Mr. Tushar Bohra from Mumbai. You may please ask your question now.

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**Tushar Bohra – Mumbai**

Thank you so much for the opportunity and congratulations on the improvement and profitability. Sir just a couple of questions a) I wanted to understand when we look at the margins our overall margins have gone up to 27.1% now taking into account in the other income, but if we look at the segment wise margins I am referring to the presentation share on BSE the margin across segment has gone up by much higher number than what is visible in the overall console margin, is it referring to your sheet, India business has gone up by about 700 BPS, Carbogen is by about close to 280 BPS, UK by about 8% and vitamin also by close to 4% so then why is it that at a consolidated level the margin has gone up by only 100 BPS?

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

We have to consider the Forex as well Tushar, so Tushar the important point over here is the share of the revenue of each of the segments so CRAM India for example this last year did a margin of about close to 50% which has now increased to about 56% the share of CRAMS India has reduced significantly in the overall revenue mix.

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**Tushar Bohra – Mumbai**

I understand I am actually referring to the revenue numbers also even if you take the lowest increase vitamin, your Carbogen AMCIS and which is incidentally the highest contributor also to overall revenue, that is still about 280 BPS, so I am assuming that at least the overall margins should have been in line with that number or there is the element of forex if you could just quantify how much of it is?

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

Yes, there is an element of forex plus there is an element of elimination of profit from consolidation which will get converted into inventory plus there are a few subsidiaries who have still not given this kind of margins for example China has given a good EBITDA but at the PAT level plus I do not know but I have check, whether this segmental analysis whether you have also considered the unallocated expenses, so what happened Tushar basically the forex would be a major role where Switzerland is you can say predominantly receiving their the receivables are in dollars almost 60% to 70% but their major expenses are in CHF and now we can see the movement happening in that aspect may have expenses in euro as well where that came into picture as well they have expenses in pounds as well where that factor also came into picture.

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**Tushar Bohra – Mumbai**

So just for a clarity what could be the numbers that you taken above EBITDA for forex impact?

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

So above EBITDA it was about 2.5 Crores in the other income.

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**Tushar Bohra – Mumbai**

2.5 Crores loss in the other income.

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

No the other income included 2.5 Crores of gain.

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**Tushar Bohra – Mumbai**

I am not taking other income, I am saying the EBITDA excluding other income also is at 27.1% and that 100 BPS increase in EBITDA vis-à-vis the segment wise increase that we are saying that 100 BPS looks to me to be on the lower side so if you could quantify what part of the where that gap is and what part is the contribution from forex on the numbers?

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

No so the entire forex has been accounted for in the other income and in the finance cost so if you are not considering that it is largely on account of the share of the revenues of each of the segment so we can definitely discuss that offline, we can give you a proper breakup, no problem, will be now reconciliation, no issue.

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**Tushar Bohra – Mumbai**

Sure that would be helpful thanks. Second sir you have mentioned that we have certain molecules across the globe? Just a quick check this number was 15 last time or...

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

So 13 plus we said.

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

It is like the first thing that has gone into commercial.

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**Tushar Bohra – Mumbai**

So one more and again its move into commercial.

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

Yes it has moved for a German company.

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**Tushar Bohra – Mumbai**

And one molecule has dropped out from that 15?

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

Yes, one molecule is dropped out one is on commercial and we got about 20 in the place. The ratio is remarkable. I have never seen this ratio before in 33 years in industry I have never seen this ratio before. It is remarkable.

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**Tushar Bohra – Mumbai**

In terms of conversion.



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

In terms of conversion in terms of a number of products we have an organization had in that price, yes.

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**Tushar Bohra – Mumbai**

Sir in terms of the product that is recently gone commercial last year Situro I would not ask for the specific number but overall are we looking at this developing into a meaningful product, by next year do we see that visibility?

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

It really depends on how the product as Mark has said earlier the product has been accepted by in the general patients this kind of information is not easily shared by our clients and this product being one of from larger companies such data is not being shared but looking at the indication we hope that this molecule does get traction not the revenues as the secondary part of it but in terms of servicing the people we hope that this molecule does get larger traction.

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**Tushar Bohra – Mumbai**

So coming to Mark you mentioned about ADC and if you could just help get a little more detail on ADC and some of the other being more complex would have that they attempting I could not catch the entire conversation on the call is it because help to qualify a bit more on the opportunity?

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

Yes the opportunity is quite good. There were two products from the market at the moment. The s emerging product in the market is anti-body, basically what you take is an anti-body which responds to certain molecules or certain cells in the body will be a potent molecules to it and that certain molecules can be a new chemical entity or it can be an existing marketed drug. The technology is interlinking of the potent molecules to the anti-body it is still be very complex, very long string and very difficult to do. We will bring to anti-body to have a very strong replication in what we call the linking side of it, by taking the potent molecules and developing the linking which is the complex space and we are now transitioning into being able to link, take those molecules and link them to the antibodies. These are very well volume products, very potent and are starting to get some traction in patients. We are working in life science to early phase III with the followup with the customer we have got those commercial products on the market at the moment and we are working on the follow up to that.

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

Just to elaborate on the benefits of this technology Tushar is that basically right now if you see the oncology market the majority of the product not just oncology market but any molecules you say they are not target specific so especially in terms of oncology what happens if it is they are not target specific the entire good cells in the body are get affected with the doors of the current therapy that are available, with ADCs as Mark explained it becomes at target therapy and the linker needs to delink itself on the payload and go directly to the target and then destroy the cancer cell so this is the technology that we were talking about where the person can feel much more energetic when they would with the current therapies available.

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**Tushar Bohra – Mumbai**

Great, so we are progressing well in that particular area as Mark mentioned?

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

We are just concluded in our first project. We finished the facility because it needed a specific facility. We finished the facility last year. We just completed our first customer project.

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**Tushar Bohra – Mumbai**

Great and this would be I am assuming significantly higher margin business products?

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

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

Yes, even higher margin business.

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### Tushar Bohra – Mumbai

Great and other than ADCs you mentioned one more area of development, which I could not touch on you mentioned and there were two projection which I had one more regarding ADCs and one more regarding some other area of development?

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

That is in our client specific with regard to small clinical facility in France. That means we are moving in the area with nanotechnology. So it is microencapsulation of finished product as a formulated product and moreover in an innovator customer, one developing a microencapsulation and we have a system in developing likely for that.

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### Tushar Bohra – Mumbai

So again this is an area we expect that could be meaningful for us over a next three to four year period?

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

I think four years is not unreasonable. If you need to move into manufacturing capability of this then that place what Arpit said earlier, which is as we have consistent value, we are still looking at formulated facility. The French facility is not large enough to make large volumes of commercial product. At the moment, that facility is sized for clinical trials. So manufactured products for clinical trials.

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### Nidhi - Moderator

The next question comes from Mr. Rakesh Naidu from Mumbai. You may please ask your question now.

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### Rakesh Naidu – Mumbai

Thanks for the opportunity, my questions on operations have been fairly answered. I have a question on the balance sheet. Now we are looking at debt status of around 800 odd Crores which has been fairly constant or last couple of years, I just wanted to get a management's view on this and how do they see evolving and what is the comfortable debt equity levels are in the medium-term?

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

Our focus Mr. Rakesh is to reduce the long-term debt and bring it down to zero as quickly as possible. The working capital which amounts to a bit more than a 50% of the current net debt we prefer keeping the working capital because it provides us internal financial control and we prefer although it become that a cost but we prefer doing all the work through working capital and for that we have been able to reduce our working capital interest cost almost by 200 BPS. We are doing the same exercise on the long-term as well where we are predominantly we are net exporters so our revenue is mainly into foreign currency across all the groups so unfortunately the economic scenario right now which suggests as the rupee is not doing very well against other currencies so the debt position in rupees comes out to be a little higher but if you consider in dollars then you would see a much larger shift.

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### Rakesh Naidu – Mumbai

Right so the cost of this is around what 10% to 12% for you right so combined both domestic and dollar denominated?

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

So the cost of capital.

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### Rakesh Naidu – Mumbai

The cost of debt.

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

The cost of debt has come down from 8.5% to 8% this quarter and so that is the combined including the foreign currency debt and the rupee debt so we expect it to go down even further in the current financial year.

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**Rakesh Naidu – Mumbai**

One small question on inventory, if foreign base of the inventory that is inherent to our business operation or you see a potential of this changing favorably for us?

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

No we are required by customers to maintain certain levels of inventory for well for rainy day basically.

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**Rakesh Naidu – Mumbai**

Thank you.

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**Nidhi - Moderator**

Thank you sir. The next question is come from Mr. Amit Kadam from Mumbai. You may please ask your question now.

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**Amit Kadam – Mumbai**

Good evening. Sir my question is regarding our guidance what we are stating for this particular quarter. Last call if you mentioned the guidance for FY2017 to be between 10% to 12% kind of thing whereas in this particular quarter we are saying somewhere at 5% and 7%. Considering we had a drop of 7% in Q1 on topline which means to meet a guidance of FY2017 we should be growing more than somewhere around 15% for the rest of the year whereas on the second side we have this Carbogen AMCIS order book dropping from 100 CHR to 75 million CHR so with considering all these things how do like what gives us confidence that we will be able to grow at may be 15% for the rest of the year?

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

For the guidance of 10% to 12% we maintain that guidance of 10% to 12%. It can vary anywhere between from 8% and 12% but the point of the conversation was that we are right now still focusing on better profitability because at the end of the day the money in the pocket is what the money comes that is the money which comes so even though you would see not that much growth in the topline the bottomline growth you would see in terms of the Carbogen AMCIS, the \$100 million pipeline you would expect that all of us are working very hard to make sure that the \$100 million would come down and turn into revenue and does not stay in terms of only orders so that is why you would see that at least 25 million of order are being worked on right now and 70 plus millions are the orders which are not starting yet.

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

Amit I just wanted to add a point and the paring down of order book is as a result of our capacity constraints so we are working there a little harder and longer to play with deck to get more work done in a shorter period of time so that is the efficiency is trying to revise any data that is not a negative signal. That is a positive signal because we are telling people working harder, more efficient and clearing the work quicker.

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**Amit Kadam – Mumbai**

Yes because my discussion was like if in this today's result Q1 Carbogen AMCIS played a major role and that to the major came from this commercialization of product. Had that not been the case in this particular quarter the things would have dropped more in this particular thing so just like I just wanted to be a little bit assured about this thing the sustainability of the business on the topline. I know you guys are doing remarkably well in growing the margins and picking out a good high quality margins for products in the pipeline just like because anyways we have now moved towards this 29% as a margin it would then has a limited headroom on the upside so then eventually your topline should be like moving at a significant phase so that a momentum is maintained a bottomline too.

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

That is true once we are confident of our bottomline levels in terms of the fixed cost, remaining at a constant level we will be able to focus only on the topline regardless of this point it does not with that we are not telling on the topline. As discussed earlier we have almost 30 plus in near commercial phase. It is waiting days now of when the molecules are going to be launching. It depends on very many aspects including that anti-body and the filings of that product in particular countries and the approvals driven for launch so the gestation period of the launch is quite strong. So whatever whenever that product goes to launch we would not see a tremendous spike in that year itself but in the consequent years we see a constant revenue coming in and may be by the end of the second or the third year after the launch you would see a spike if the molecule has performed well in terms of efficacy in the patient.

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**Amit Kadam – Mumbai**

My second question is that I missed like in the morning I have been reading the scheme of merger and amalgamation thing which the notice is come to us as an investor so just can you throw some light on it like because this is regarding the Carbogen earlier like our strategy of Carbogen was to allow it to be a separate independent company and may be in future listed as a separate company?

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

It is completely different that if you would have read the note more clearly it says the Carbogen AMCIS India Limited, Dishman Care India Limited these are the subsidiaries of the parent which lie within India which we are consolidating all of them together it has got nothing to do with our operating subsidiaries. We are not doing consolidated here so I think whatever we have maintained earlier is still approve.

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**Amit Kadam – Mumbai**

That is all from my side. Thank you.

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**Nidhi - Moderator**

At this moment, there are no further questions from participants, I now hand over the floor back to the speakers for the final remarks.

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

Thank you everyone for joining this call. Again very much appreciative of you supporting the business asking the right questions and being patient with the organization and understanding the gestation period and also understanding that our business is not a quarter-on-quarter base business but it is actually here a year-on-year or may be two-year-on-two-year is an ideal scenario for the business that we are in so thank you very much for understanding that. We hope for your continued support. We assure hard work from our side committed work from our side, keep doing what we are doing at the best of our capabilities. Thank you all and have a good evening.

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**Nidhi - Moderator**

Ladies and gentlemen, this concludes the conference call you may now disconnect your lines. Thank you for connecting to the audio conference service from Airtel and have a pleasant day.