Dishman Carbogen Amcis

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20th November, 2024

To, **Department of Corporate Services** **BSE Ltd.** Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. **Ref.: Scrip Code No. : 540701 (Equity)** **: 974556 and 975834 (Debt)**	**To,** **The Manager,** **Listing Department,** **National Stock Exchange of India Ltd.** "Exchange Plaza", C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051. **Ref. : (i) Symbol – DCAL** **(ii) Series – EQ**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL - QUARTER AND HALF YEAR ENDING 30TH SEPTEMBER, 2024

Dear Sir,

Pursuant to Regulations 30 and 51 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, pls. find enclosed herewith transcript of earnings conference call arranged by the Company with Investors on Thursday, 14th November, 2024 to discuss the financial result and performance of the Company for the second quarter and half year ended on 30th September, 2024.

The aforesaid transcript is also being hosted on the website of the Company, www.imdcal.com in accordance with the Regulation 46 and 62 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

SHRIMA GAURANGBHAI DAVE
Digitally signed by SHRIMA GAURANGBHAI DAVE
Date: 2024.11.20 15:54:42 +05'30'

Shrima Dave
Company Secretary

Encl.: As above

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited – Second Quarter and Half Year Ending September 30, 2024 Earnings Call

Event Date/Time: November 14, 2024/ 1600 HRS

CORPORATE PARTICIPANTS

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

Pascal Villemagne

Chief Executive Officer - CARBOGEN AMCIS entities, Company's wholly owned subsidiaries

Mr. Paolo Armanino

Chief Operating Officer - Dishman Carbogen Amcis Limited

Moderator: Ladies and gentlemen, good day, and welcome to Dishman Carbogen Amcis Limited Q2 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Pascal Villemagne. Thank you, and over to you, sir.

Pascal Villemagne: Thank you, moderator and good afternoon, dear shareholders. I'm glad to be among you and give you a bit of feedback on what's happening during Q2 this year at Carbogen Amcis, but also starting maybe with a bit of market updates.

As you all know, our business is going through a kind of a difficult moment from a market perspective. A few of the venture capital are delaying their investment in new biotech funding in U.S. especially. So we see a kind of a slight slowdown in capturing new business because this money is becoming a bit dry on the main markets.

Hopefully, we've -- now the election of the new U.S. President, that phenomenon will stop, and there will be more investment in the coming weeks and months, and we can -- we'll start to capture new projects in our product portfolio.

From Carbogen Amcis perspective, the end of the quarter and end of the half of the year results are pretty good. The first quarter was not great, but the second one was really better, bringing us to nice results by the mid of the year. So we are exactly where we expect to be and Harshil Dalal, our Global CFO, will give you more spin around the results of Carbogen H1, but we are very happy with this end of the quarter results, which are giving us a lot of good perspective for the end of the year.

This is mainly driven by our commercial product portfolio, where we have a number of products that are well performing into that and as I was saying, on the front of the development project. This is more a bit of a slowdown because of the reasons I was mentioning earlier. But the second part of the year, we have order in hands that are giving us a very good perspective for the end of the year and we will be able to match the target of the budget at around CHF255 million for the year. All in all, we are happy with the results.

A few words about our new facility in France; you know that we were facing a number of challenges on that facility. Now they're all gone, the facility has been fully validated and now it's running, not entirely fully because we are on the ramp-up of the activities, and we are booking a number of new projects.

We have -- two days ago, booked a very nice contract with a German customer for more than 1 million, which now gives us a total order in hands for that facility above 10 million. So it's pretty good results.

The rest of the group is performing relatively well. We're still struggling a bit with the cholesterol market. As you know, after the big boom during the COVID period, the high consumption of

vitamin D on different markets, the last two years has been difficult. So that's one of the reasons our Dutch facility is not over-performing as it used to be. And we are working -- and we work on a strategy to change and to approach different markets with different products over there, and we hope that we can change the trends for that facility.

Above all, we are also engaging much more collaborations between the 2 entities, Carbogen Amcis and Dishman Carbogen Amcis with a lot more of projects that can be ever transferred directly to our Indian facility or new projects that are, right now, in discussions for production in the coming months. So Paolo will tell you certainly a bit more about this very attractive and enthusiastic future for the new collaboration.

In terms of digitalizations, we are finalizing the digitalizations on Carbogen Amcis' side. The new tools to manage the labs, to manage the deviation in quality are almost in place and we have achieved the technical go-live that we wanted to have from a system perspective. And we are now aiming to have an operational go-live of the SAP software for the new fiscal year '25 with the perspective of the 1st of April.

In terms of reorganizations, we are finalizing the reorganization, as I was mentioned in the previous calls, to get more efficient, to pull all the leverage of the industrial excellence. And we are starting to see some first fruits, especially in terms of savings and purchasing savings that we can do around that. So that's very promising.

We still need to fine-tune a few positions, hire new people to get the organization very stable. But we are very happy with the first outcomes of this first 3 months of the new organization. So that should help us with the digitalizations, high expectations on profitability in the next fiscal year and the following years.

That's it from my side. And now I hand over the call to Mr. Harshil Dalal, our Global CFO. Thank you.

Harshil Dalal: Thank you very much, Pascal. A very good evening to everybody. Regarding the financials of the quarter, as you would -- all of you would have seen, this has been one of our strongest quarter at a consolidated level. We clocked a revenue of INR789 crores, which is the highest ever that we have done in a particular quarter.

And the reasons for this high amount of revenue is largely on account of the high commercial revenue coming out of Carbogen Amcis plus increased commercial revenue coming out of India. And also, as we explained in the conference call of Q1, there was also deferment of shipment at Carbogen Amcis which also got recognized as revenue in the current quarter.

Regarding the cost of goods sold, that was at roughly about 24%. If you see historically, our cost has been around 20% as an average. But since the share of the commercial revenue in the total revenue was much higher, the cost as a percentage of revenue is also a bit higher than what our annual average is. The employee expenses for the quarter stood at about INR320 crores. So this is more or less in line with what we had in Q1 of this year.

So there has not been a major increase in the employee expenses. However, the employee expenses largely are denominated in Swiss franc and hence, there is an impact of the adverse FX movement on the employee expenses. The other expenses stood at about INR130 crores. This also included a certain amount of notional FX loss.

But even after that, we dropped an EBITDA, which was about INR148 crores. This is also one of the highest EBITDA that we have reported in our history. What this means is that this also translated into a significant profit before tax for us after accounting for the depreciation, which has increased on account of the capitalization of both the manufacturing lines in France and amortization of the goodwill.

So post that as well as the increased finance costs, which we saw on account of increased LIBOR across the group -- across the world because of inflation. After that, we got a profit before tax of INR42 crores. And all of these numbers are a significant growth over what we had in Q2 of the last financial year as well as sequentially as compared to Q1 of the current financial year. The tax expense stood at about INR9 crores, which is roughly about 20%, 22% of the profit before tax. And the PAT stood at about INR33 crores, which translates into a PAT margin of about 4.2%.

Regarding the EDITDA, earlier Carbogen Amcis CRAMS business contributed significantly to the revenues. So just doing a comparison to Q2 of last year, the revenue for the Carbogen Amcis CRAMS business, driven by the commercial revenue grew by about 52%, so from INR437 crores, it increased to INR663 crores. And this translated into our first half revenue of roughly about INR1,002 crores.

The Cholesterol and Vitamin D analogues business that is done out of our Dutch facility, we saw a decline in revenue as compared to Q2 of last year, and that is largely on account of lower sales of cholesterol assets as compared to the analogues. So we did a revenue of about INR55 crores as compared to INR86 crores in Q2 of last year.

As we have mentioned in the call of Q1 that we are negotiating with the suppliers on reducing the price of the key ingredient which is the wool grease. We have taken significant steps for the same. And we do expect that the benefit of the reduced price should start accruing from January of the next year.

We were expecting that it should happen from Q3 of this year, but because of the existing stock, which needs to be consumed, we expect that the benefit will start accruing from Q4 of the current financial year. And that will also help us in increasing the revenues for the cholesterol and vitamin D analogues business because then many of the products become profitable as compared to the current profits that we're generating on those products.

The India CRAMS business also showed a growth by about 37%. So as compared to Q2 of FY '24, where we had a revenue of about INR36 crores. In the current quarter, we had a revenue of INR49 crores, and this is obviously, on account of the regulatory clearances that we had

received, where we are seeing an increase in the order book from the existing customers as well as potentially new customers.

India Quats & Generic business, which is the business that we do out of our Naroda site, the revenue stood at about INR21 crores as compared to INR27 crores in Q2 of last year. We still keep on seeing a bit of a slack in that particular segment, largely on account of the slowdown in the agrochemical industry.

Hopefully, that should pick up from the beginning of the new calendar year. So overall, all of this translated into a revenue of INR789 crores for the quarter as compared to INR586 crores in Q2 of the last financial year.

As far as the composition is concerned, the CRAMS Carbogen Amcis contributed about 84% of the total revenue at a significantly higher margin. So just going through the segment-wise margins, the CRAMS Carbogen Amcis delivered close to about 20% EBITDA margin as compared to Q2 of last year, where it stood at about 12.2%. What this translated into H1 FY '25 margins was 14.3%. We should see the margins for the full year increasing from the 14.3% as the revenues keep on increasing in Q3 as well as in Q4 of the current financial year.

In the Cholesterol and Vitamin D analogues business, we delivered a margin of 14.7% as compared to 10% of Q2 of last year and this was on account of lower sales of Cholesterol SF, which is a low margin product for us and higher share of vitamin D analogues in the revenues that we generated out of the Dutch business.

The India business on the CRAMS side generated a positive EBITDA of about 14%, which is obviously linked to the higher amount of revenues that we had from the Bavla site and that contributed significantly in the overall margins. The India Quats & Generic business kept on moving close to about 7% EBITDA margin, which is more or less the average that it has been doing in the past.

Apart from this, our -- so the total CapEx, which had been done in the first half of the financial year was close to about INR125 crores and we expect that for the full year, it should be close to about INR250 crores. This includes largely the maintenance CapEx as well as the capitalization of the digital transformation activities that we are undertaking across the group.

The net debt as of 30th September stood at about CHF 173 million, which is a bit of an increase as compared to the March numbers. And this is mainly on account of -- I would say it is more of a timing thing. More or less at the end of the year, we should see a decrease in the overall debt number from what it stands right now. This was just on account of the increased working capital that was required in order to service the increased orders as well as the revenues that we have generated in Q2 of the financial year.

With this, I would like to ask the moderator to open the queue for Q&A.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Tarang Agrawal from Old Bridge Capital.

Tarang Agrawal: A couple of questions. First on the Carbogen Amcis business, the order books reduced materially from about CHF 142 million to about CHF 110 million as on 30th September. So is it a transient development or there is more to read into? And also, if you could give us a sense on how is the pipeline for early-stage projects shaping up in that part of the business?

Pascal Villemagne: So regarding the decrease of the other pipeline, as I was saying, we have a global pipeline. So there's a product commercial pipeline and that one is pretty stable. But yes, we have seen over the last few months some difficulties to capture new projects on the market, mainly caused by the fact that they are in kind of a slowdown or more than a slowdown, I would say, the market was on a waiting mode. It was a bit on hold, especially in U.S., where we have our main drivers for this biotech projects. So we were not able to capture new things.

So that's why we have consumed a part of the order pipeline that we have. However, it was honestly speaking, very, very high so far. So we don't see that as a concern. And like this week, we start to see some -- few movements on things that have started happening.

So I'm pretty confident that in the next few weeks and months -- we'd be able to recapture a new project and come back to a high level in the pipeline. So yes, it's very true that we have consumed part of this. But I'm still very confident that in the next few weeks, we will be able to capture new projects and then regain some of the lost ground we have on the development pipeline.

Tarang Agrawal: Also, you made a comment about CHF250 million. What was that about? Is that the kind of turnover that you're looking at for FY '25?

Pascal Villemagne: That's -- for the Carbogen Amcis, that is the target for the budget CHF255 million.

Tarang Agrawal: And we are on track to achieve that?

Pascal Villemagne: Yes.

Tarang Agrawal: And any update on the project for a customer where you had specifically put capacities for bioconjugation -- sorry, not for bioconjugation, but for manufacturing of specific substances. So has that started flowing in or wait and watch there?

Pascal Villemagne: That's one of the reasons the development project during the first half was lower than expected because it was postponed from a customer point of view also. And then we are going to manufacture during this second half and then cope with the numbers as I was mentioning. So this project is moving forward. And we are engaging new discussion with that specific customer to further invest in another facility to debottleneck the supply chain for the future as well and we are speaking about a 2-digit million investment in that particular facility.

So the project is really promising from our perspective. And the customer is in full confidence, full trust by also acknowledging that we can prepare the future and invest several million into your facility to re-secure high volume for the supply chain in the coming future. So that's very promising.

Tarang Agrawal: Harshil, just a couple of questions. India, when do we see the Bavla business getting to that INR70 crore to INR80 crore run rate because my sense is in Q1 ended expectation from the remaining part of FY '25 was quite high. That hasn't panned out. So how are you looking at it now going forward?

Harshil Dalal: So basically, for the current year, it looks like the second half should be stronger as compared to the first half. But the ramp-up -- since we are already seeing an increase in the orders, overall, the cycle time is anywhere between 4 to 6 months depending upon the product. So as far as the shipments to the customers are concerned, we are expecting most of them should go out in the fourth quarter of the current financial year.

But the run rate that you are mentioning, roughly about INR80-odd crores per quarter, that should be, I would say, visible from Q4 or Q1 of the next financial year.

Tarang Agrawal: And just a couple of more, Harshil, leverage, you did hint that you're going to see the net debt number coming down. From a year-on-year perspective, if I go back to March, my sense is that the number was in the ballpark of CHF160 million, if I'm not wrong.

Pascal Villemagne: Yes, there is CHF162 million.

Tarang Agrawal: So where do we see this number? Where are you pencilling in this number as on March '25?

Harshil Dalal: So I think as of March '25, we expect that it should be somewhere between CHF150 million to CHF160 million.

Tarang Agrawal: And last, is the French facility now breaking even While it's good to hear that new contracts are flowing through but how are your line items -- operational line items for the French facility currently?

Harshil Dalal: So the French facility in the first half of the year did a revenue of close to about 3.5 million and the EBITDA loss was about -- close to about 4 million. What we expect is that in the second half of the year, the revenue should be close to about 6 million. And what that would mean is that the EBITDA loss should come down to roughly about 1.5 million or so. So that is how the current year will go by.

In the next year, what we are expecting is that it should generate a revenue of at least 18 million to 19 million which would mean that it should break even in the next financial year and coming to EBITDA positive.

Tarang Agrawal: And this is million Euro, CHF or dollars?

Harshil Dalal: This is all euros.

Moderator: Next question is from the line of Preet Nagarsheth from Wealth Finvisor.

Preet Nagarsheth: Just a follow-up on the question that I had asked last quarter as well. Are you on track to deliver, say, the 5%, 10% top line growth and 15% EBITDA on the full year basis?

Harshil Dalal: Thank you for the question. So yes, I mean, we do expect that the revenues for the full year to go by at least 8% to 9% and what that could translate into is into an EBITDA margin of at least 16% to 17%.

Preet Nagarsheth: And in terms of opportunity landscape, given that CRAMs could also see a lot of move -- lot of tailwinds coming into. Have you started seeing additional inquiries coming your way from the US?

Harshil Dalal: You mean inquiries on the CRAMs segment?

Preet Nagarsheth: That's correct.

Harshil Dalal: Sure. Pascal, do you want to take this?

Pascal Villemagne: Yes, for sure. As I was saying, in the election, the market was a bit on hold to see what people were -- they knew what to do if one or the other candidates were going through. Now they know, so now they act. So that's it for CRAMs. We have seen very quickly some things starting to change from last week. Nothing concrete yet, of course. It's a bit new, but we have been seeing that now the election is done, that's going to really move forward and especially from a venture capital perspectives, reinforce some of our customers that they were looking for an additional table to come out.

So they should -- they need to perform their next step in their clinical development. So we should be able to see in the coming weeks and probably not that particular quarter, but the first quarter of '25 clearly, the market that is going to pick up and progress in the right direction for us.

Moderator: Next question is from the line of Subrata Sarkar from Mount Intra Finance Private Limited.

Subrata Sarkar: So a couple of questions. First is like, sir, you have shared that there are 19 molecules in CRAMs like late stage. So I just want to understand and first -- 16 molecules rather in the Phase III. So first request is like most of the other CDMO players and say contract manufacturing research players, actually do share the total number of molecules by each phase. So request will be if you can incorporate that, so it helps a lot, basically.

So in this context, so first request is in your presentation, if you can start sharing that, like what is in Phase I, Phase II? And what is the commercialization, this is number one. So from that perspective, if you can highlight like currently, what is the total number of molecules and which is in what phase? And let's say, from the starting of the year, is there any movement from one Phase to another? This is my first question.

Harshil Dalal: So thank you for the question, Mr. Sarkar. So obviously, the most important number, what we try to highlight are the number of molecules in late Phase III and also the molecules which have gone commercial. We can also mention the molecules in the early phases. But as you know, as part and parcel of our business, there will be a huge amount of dropout rate in the early phases.

So the relevance is not that much in terms of mentioning all of the early phase number of molecules and also that movement because that could be something too technical an information. But we can share the total number of molecules that we work upon at any point in time for the development.

Subrata Sarkar: And sir, if you can highlight like we have 16 molecules in late phase. So any ballpark understanding like, sir, out of this 16, do we have any molecule which is relatively bigger and which if moves from Phase III, let's say, to commercialization stage can have a good significant impact in our portfolio. So whether there is a few molecules on that. So -- and if that, like how many molecules we can expect, sir?

Harshil Dalal: So what we specify, which is also there in our annual report is a characterized breakup of the total molecules that we have been developing as well as the therapy-wise breakup of the commercial molecule. But it would -- if you talk to the customer, all of them would think that all of the molecules in late phase they are going to be blockbuster drugs, but then it is up to us to kind of derive at a probability of success as well as try to see what could be the potential revenue from each one of this.

But that really doesn't kind of drive any of the decisions that we have to take. We would just want to have that molecule go into commercial before we think about any kind of capex or any kind of other investments that we have to make for the customer. And in many of the cases, we also have the customer be a co- investor into the investment to be done for that particular customer.

So it will be very difficult to say like what would be the potential of each one of these molecules. But what we can say is that, yes, many of these are in niche therapeutic areas, oncology being a major focus area for us. And you can also refer to our annual report where we have the therapy-wise breakup. Pascal, do you want to add anything to this?

Pascal Villemagne: No, you're absolutely right. It's extremely difficult to predict which molecule is going to come to the market. And once the molecule is in the market, what kind of success this molecule is going to really have. And I think that's also very difficult for our customers. We have, of course, market information. We have a number of scenarios that we are discussing with the customer for the commercialization phase.

But in my 25 years of experience in that industry, it's very often the marketing figures that was provided. We are not totally right. So there was always either a overestimation, very often an overestimation. And sometimes, yes, an underestimation. But it's almost an impossible to predict, which molecule is going to happen.

Lately, we had a project we were working on since 15 years, that was very, very promising. And then the very last point the molecule was just dropped off. So -- and besides that, other molecules that did not appear as very attractive come to the market and meet their success. So it's very difficult to give you an answer.

And even if we would try, we would probably be wrong by communicating something. So we are extremely careful. And what we can say is, yes, we have a number of molecules in the pipe. We know by nature, a number of them are going to come to commercial. But if you could say this one or that one and give a particular number on the perspective.

That said, if you want my humble opinion on that, we are currently in our portfolio, one of the molecule, which is very, very likely to happen because the clinical trials are extremely good and very promising. So yes, it could come as a nice to have for the future for us. But maybe I will be wrong, we'll see. But I have big hopes for that particular molecule, yes.

Subrata Sarkar: Sir, before I move to another segment, let me make another try, sir, if you can help me. Out of the 16 molecule whether, let say that whether any of this is from -- I suppose all of them are from niche biotech client only, but whether there is some exception to that? And if any of your clients in last 1 or 2 waivers has been taken over by relatively bigger company, whose at least 1 molecule is in late phase with you.

Pascal Villemagne: Not all are from the biotech. We have several molecules that are belonging to big pharma company. They are coming from collaborations we have directly with them. Or, as you mentioned, some of them were acquired by a big pharma. So once again, very difficult to say, and we are not involved in the discussions, the biotechs may have with some of the big pharma we never involved.

We'll get to know this when the deal is done. So it's very difficult for us to predict who is going to be acquired by when. Unfortunately, I would like to have that information as well, but we are not in a position to say anything around that.

Subrata Sarkar: No issue on that. Last one clarification I want to get, like, regarding Bavla. Previously, we have guided for around INR350 crores of revenue for this year. So where we stand right now, maybe we will fall short of that. But any -- as right now, the way we are evaluating the situation, what kind of revenue we can achieve for this year?

Harshil Dalal: So for the current year, it looks like we should be closer to about INR300 crores. And we expect close to about 25% to 30% kind of growth in the next financial year.

Subrata Sarkar: INR250 crores you are expecting for -- sorry, rather, 250 million that you are expecting from Carbogen Amcis?

Harshil Dalal: Yes, about CHF255 million.

Subrata Sarkar: Sir, this includes Cholesterol and Vitamin? Or purely ex of that, sir?

Harshil Dalal: No, it includes everything ex of India.

Subrata Sarkar: And sir, the INR300 crores, which you are suggesting, this is ex of Generic and Quats or this include that also, sir?

Harshil Dalal: No, this is just Bavla site. So Quats & Generics is something that we manufacture out of Naroda.

Subrata Sarkar: So any understanding on that, sir, how much revenue we can achieve for this year on Quats & Generics?

Harshil Dalal: Quats & Generics, I think it should do close to about INR80 crores to INR90 crores.

Subrata Sarkar: And sir, is this kind of 6% to 7% margin or that may improve?

Harshil Dalal: Right now, I think it will be good to assume 6% to 7%.

Subrata Sarkar: And sir, just last question, if you won't mind. Sir, since we have, like, just 2 points on the debt side, sir. Sir, what is our kind of hedging mechanism regarding that apart from natural hedge? And sir, do we have any plan to raise some fund and repay back some debt, sir?

Harshil Dalal: So as far as our hedging strategy is concerned, what we try to do is try to see the exposure to various currencies at a group level -- at a net level because even if there are USD payables in certain entities, USD receivables in certain others. So that is something that we would hedge on an ongoing basis based upon our hedging policy.

And that is something that we will keep on doing on a regular basis. We will also swap some of our loans which are denominated in INR into foreign currency because we hardly have any INR-denominated revenues, but that is also something that we will keep on doing on a regular basis.

As far as the repayment of debt is concerned, we don't intend to -- if that's the question to raise equity in order to pay off any extra debt because I mean, now with the interest rate cycle also now going in the reverse direction that is the LIBOR rates or the SOFR rates across the world now expected to keep on reducing, that will also have a positive impact on the interest cost for us, which at any rate would be cheaper than equity.

Moderator: Thank you. Next question is from the line of Satya, an Individual Investor. Please go ahead. As there is no respond from the current questionnaire we'll move to the next question from the line of Sajan Kapoor, Individual Investor. Please go ahead.

Sajan Kapoor: A couple of questions. When it comes to ADC, the value chain we capture as the group is partial. So we just do the linker and the payload for small molecules, of course. So whereas the market is -- over the last couple of years, especially has been gravitating towards this end-to-end solution providers who could do antibody conjugation as well. So from that perspective, don't you think that Dishman Carbogen has a disadvantage in the marketplace today?

Pascal Villemagne: Thanks for your questions and good analysis on the ADC market. You're absolutely right. We are offering the three parts of the value chain you are describing. So we are offering the -- what we call the chemistry, the drug, so the -- the payload and the linker. So the molecule that links the payload to the antibody. That's one thing. We are offering the conjugation. So once you have the molecule and the linker, you link that to the antibody so that we have.

And we are offering the fill and finish part because all of those products are injectable forms. So we are able to propose this. The only thing we are not proposing, you're right, is the antibody manufacturing which is mainly based on cell culture technology, so it's biotechnology. And it requires very specific equipment and very specific knowledge and very intense and high capex requirement. So in that perspective, you're absolutely right. Some of the main actors on that market are providing a kind of end-to-end. But most of the time, they also miss the fill and finish that we have.

So very few are really offering the 4 elements. So we are offering three out of four which is not that bad. And as mentioned, the antibody part is probably for us, one step we have to look at. But as mentioned, it's also very intense in terms of capex and knowledge and that would have to go through major acquisitions in the next few years. But for the time being and from a market perspective, this is not a disadvantage if we don't have that, knowing that the antibody is really something special in the value chain and the fact that we are mastering the rest is also seen as an advantage and economic flexibility.

Sajan Kapoor: So when you talk to customers and today versus 2 years, 3 years ago. I mean, do you get a sense that the innovators are pushing for a more integrated solution kind of a partner? And I mean, do you get that sense or is it business as usual from your perspective or your vantage point that despite not having the antibody capability, you still find relevant opportunity in the marketplace and Dishman is still very competitive as an ADC provider?

Pascal Villemagne: So from a pure ADC perspective, if you stick to a young biotech company coming on the market with the new molecule, yes, there is an appetite for a fully integrated partner because for them they are managing only 1 partner and they have everything under the same roof. That said, very quickly, they realize that despite of the fact they have one company in front of them, they still need to speak to several type of experts internally.

So they need to have anyway on their side as well, several experts. And very quickly, they also see the advantage where they don't have to put all their eggs in the same basket. So having a strategy where you are not offering everything and having the flexibility, and that's what we are offering at Dishman Carbogen Amcis, having the flexibility for our customer to choose either the full package or only picking up on finish conjugation or chemistry.

It's also an advantage because they don't see us pushing them to have one solution and only one solution. So our business model is pretty flexible on that. And that's what also is attractive for the company because they don't feel they are under pressure. We are only one partner that can

basically manage the pricing as they want. So they have the freedom to play a bit with our competitors and try to get us the best price possible.

So on our side, we play the card of being experts and top notch in our market. And then we have the price that we have. So I think we have now a flexible but very, very attractive approach from a technical perspective, and that's what the customers are looking at.

Sajan Kapoor: That's very helpful. And my next question is on the U.S. -- so from the U.S. Biosecure perspective, our costs are high, but we make higher gross margin as well. So our costs are as high as U.S. but our location is several thousand miles away from the U.S. East Coast, right? So from that sense, are some of the Indian or the Chinese companies, so Indian in particular, because this Biosecure Act is anti-China in a sense.

So what I'm trying to understand is there are certain Indian companies who have development and manufacturing presence in the U.S. So logically thinking, I mean, they will have an upper hand or an advantage over additional Carbogen because we have physical presence in the Western Europe though, but we have no presence in the mainland U.S?

Pascal Villemagne: From the Biosecure perspective, once again, there was also a bit of -- and we are still waiting a bit to see what Donald Trump is going to emphasize and what's going to be his strategy with or against the Chinese government. So that has to be seen how this thing is going to be evolved for sure. But we can probably bet on the fact that this movement of America first is going to continue. And then either the Biosecure act which is now reinforced or a lighter version will come.

That said, a number of Chinese company and WuXi was the trigger for the Biosecure Act that they have facility in U.S. as well. That's preventing the American government for putting the pressure to get things back in U.S. and not at WuXi facility. So having a facility in U.S. is not the alpha and omega and the full answer for the Biosecure act. It's a bit more complex than that for sure.

And to add on that, we have a number of inquiries that are coming with very aggressive pricing request. And when we come to the point that where we cannot match the expectations on their pricing, all rethink is it really worth to really go out of China or to stay. So -- from my perspective, we are still in a moment where, yes, the Biosecure Act has triggered a number of inquiries, has triggered a lot of agitation in the market.

But I don't have the feeling that everybody has really taken a proper stand around that. Molecules will be back to the Western World. Yes, part of them, but not all. What we are trying to do on our side, as you can imagine, we are really trying to push our Indian assets in front of that to try to be as competitive as possible and capture new products. That's part of what I was mentioning during the introduction of the call where the Carbogen team is trying to capture a number of opportunities for the Bavla site for instance. So that's the cards we are trying to play.

Sajan Kapoor: So you mentioned the number of inquiries have increased on the back of this proposed Biosecure bill. It's not an act yet. So hopefully it will become an act in the future. So you mentioned about the inquiries. I mean, on a magnitude on a scale, I mean, is it double of what the number of inquiries have they doubled over the same period last year or is it a 50% improvement? I mean can you just give some quantitative?

Pascal Villemagne: No, it's not doubling. It's -- not that much, actually. It's probably like 10%, 15% on top of what we were getting, but not that much. We don't see that much on our side. Where it's very true is Carbogen Amcis and Dishman Carbogen Amcis, we are very well known also for oncology type of work. And a lot of the projects were already manufactured around the Western facilities anyway.

It's more around the midsize and the large-sized molecules that are currently manufactured in China that there is a lot going on. But those kind of inquiries are not crossing our offices in those days because we are not identified as a player for a very large volume manufacturing.

Sajan Kapoor: And one question for you, Harshil, if I may. On the balance sheet side, now that the capex spend is hopefully behind for the near future at least. So over the next couple of years, the incremental cash flows that we intend to generate, I mean, what kind of net debt to EBITDA and the absolute debt number you can forecast or do you foresee over the next 2 fiscal and the fiscal year ending FY '27?

Harshil Dalal: Yes. Sure, Sajan. So what we expect is that over the next years, the major capex that -- or the major expenditure that we would be doing would be on the maintenance capex and not so much so on the growth capex because as you correctly pointed out, most of the capex has already been completed. What that would mean is that we should be generating free cash flow, which should go towards reducing the net debt And over the next 2, 2.5 financial years, that should come down to less than 2. So that is what our net debt-to-EBITDA target is.

Sajan Kapoor: So net debt to EBITDA of less than 2 in fiscal year-ending FY '27?

Harshil Dalal: That's correct. It should be somewhere between 1.5 to 2.

Moderator: Thank you. Next question is from the line of Purva Jhaveri from One Up Financial Consultants. Please go ahead.

Purva Jhaveri: I just wanted to ask you, Harshil, about the EBITDA margin guidance for the whole year would be how much?

Harshil Dalal: So for the full year we expect it should be at least 16% at a consolidated level.

Purva Jhaveri: And you just also mentioned about 150 million to 160 million as of March 2025. So it was regarding what?

Harshil Dalal: Sorry, the 150 million to 160 million? That was -- sorry, that was regarding the net debt.

Purva Jhaveri: And you also mentioned about the net debt to EBITDA should be around 1.5 to 2 at the end of FY '27?

Harshil Dalal: Yes, exactly. So as we keep on generating the free cash flow, that should help us in reducing the net debt. And, obviously, the EBITDA should increase from here on.

Moderator: Thank you. Next question is from the line of Prafull Rai from Arjav Partners. Please go ahead.

Prafull Rai: Sir, just two questions. One, we said that we want to bring down net debt to EBITDA to less than 2. As we speak, we have a long-term borrowing of almost INR1,150-odd crores. So we are talking of that and the current level of EBITDA we are doing is something like, say, INR150-odd crores in the current quarter. So that way, we are -- what we are saying is that in the next 2 years, we should be able to get to the less than INR500 crores kind of long-term debt. Is that the number? I should include short-term, long-term both?

Harshil Dalal: No, this was combining the short term as well as the long term. So if you look at it, right now we are -- because most of our debt is denominated in foreign currency, and that would be the right way to look at the net debt because in INR, it gives a wrong picture. Otherwise, it just shows an increase because of the depreciation of the INR against the Swiss franc.

So right now, with about 170 by the end of the year say 160 million of net debt and an EBITDA of say close to about 45 million to 50 million. We would be close to about 3.2x, 3.3x and that is something that we expect that in the next little over two financial years, we should be able to bring it down to about less than 2x.

Prafull Rai: So say around USD70 million, USD80 million kind of debt level?

Harshil Dalal: Yes. So one would be a reduction in the net debt. On the other side, there will be an increase in the EBITDA. The combination of the two should help us in reducing the net debt to EBITDA.

Prafull Rai: Second question was on the EBITDA margin. On a steady-state basis, if I have to make a 2-year kind of outlook, what should be the steady state EBITDA at the consol level, I should think about?

Harshil Dalal: At a console level, we expect that the EBITDA margin should keep on improving from here on. The major reasons for that would be obviously the French entity getting to an EBITDA breakeven and then generating positive EBITDA. So that will be one of the key factors. The second trigger would obviously be the India business, where historically we have done in excess of 30% EBITDA margin. So as the India operations normalize, that should be the kind of target that we have in mind.

And thirdly, if you see in Netherlands, the margins have actually dropped from what historically they were. So now with the reduction in the raw material prices that we're expecting in the coming quarters that will also help us from a margin perspective. So we do expect that we should eventually get back to the 25% kind of EBITDA margin that we were doing prior to the EDQM

issues that we had for the Bavla site in India. So that is the goal for the next 2 years to 3 years, that is where we want to get at, and then we could move towards the 30% margin.

Prafull Rai: So we are talking of almost 15% odd kind of a growth given the kind of intake we are talking, and we are talking of EBITDA margin going up to 25% is what we are estimating that should occur in the way the business is shaping up currently, correct?

Harshil Dalal: Exactly. Absolutely.

Prafull Rai: Can I ask one more question. There was one point you made in the presentation that there is some spill over of revenue from Q1 to Q2. Can you just quantify that? Because what was the exact number so that we know what was the revenue growth last year versus this year or sequential?

Harshil Dalal: So we had mentioned that in the Q1 presentation, so that was about 9.8 million of revenue, which got spilled over from Q1 to Q2.

Prafull Rai: USD9.8 million?

Harshil Dalal: That was CHF9.8 million.

Moderator: Thank you. Next follow-up question is from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: Just one accounting clarification, if you can provide like under other comprehensive income, there is a few big numbers like movement in foreign currency translation reserve. Can you just explain a little bit this numbers?

Harshil Dalal: This is because we have so many overseas subsidiaries and the major one being the Swiss entity. There is a mark-to-market that keeps on happening on the assets for the consolidation purposes. And all of that mark-to-market on the balance sheet items related to the fixed assets is something which goes into the movement of the foreign currency translation reserve plus there is also the foreign exchange fluctuation in respect of the cash flow hedge. So the hedges that we undertake that MTM on those hedges also goes as part of the OCI. So this is what comprises the OCI related to the foreign currency translation.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Pascal for the closing comments.

Pascal Villemagne: Thank you very much, dear shareholders. Thank you for being with us today. We are looking forward to speak with you on the next call in February. I wish you all a good evening and a good end of the calendar year. Bye-bye.

Harshil Dalal: Thank you very much.

Pascal Villemagne: Thank you very much, everybody.

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