

7th June, 2024

<p>To, Department of Corporate Services BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.</p> <p>Ref.: Scrip Code No. : 540701 (Equity) : 974556 (Debt)</p>	<p>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.</p> <p>Ref. : (i) Symbol – DCAL (ii) Series – EQ</p>
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**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL - QUARTER AND YEAR
ENDING 31ST MARCH, 2024**

Dear Sir,

Pursuant to Regulation 30 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 Friday, 31st May, 2024 to discuss the financial result and performance of the Company for the quarter and year ended on 31st March, 2024.

The aforesaid transcript is also being hosted on the website of the Company, www.imdcal.com in accordance with the Regulation 46 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 Dave
Company Secretary

Encl.: As above



Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited – Fourth Quarter and Year Ending March 31, 2024 Earnings Call

Event Date/Time: May 31, 2024/12:30 HRS

Dishman Carbogen Amcis Limited

Conference Call – May 31, 2024

CORPORATE PARTICIPANTS

Arpit Vyas

Global Managing Director - Dishman Carbogen Amcis Limited

Harshil Dalal

Global CFO - Dishman Carbogen Amcis Limited

Paolo Armanino

Chief Operating Officer - Dishman Carbogen Amcis Limited

Pascal Villemagne

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

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Moderator: Ladies and gentlemen, good day, and welcome to Dishman Carbogen Amcis Limited Q4 FY '24 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Arpit Vyas, Global Managing Director, Dishman Carbogen Amcis Limited. Thank you, and over to you, sir.

Arpit Vyas: Thank you, moderator. Good morning, everyone. It is a pleasure to have you all for our yearly conference call. It has been an exciting 5-year journey. But in that journey, we have the tremendous effort from the people and tremendous hard work was to put in through all the challenging times of COVID and also the war and the global uncertainty that still exists today.

Through all this difficult period, we were unfortunate enough to, as you all know, get the observations from the European authorities, which made it challenging for us to do any business in Europe. For that, we took up the challenge of resolving the entire issues highlighted by the EDQM from ground level up. And one after the other, everything was resolved. It took time, but it got resolved. And finally, we were able to pass the EDQM with flying colors. We've got no more than 5 minor recommendations. There will not be an observation, which we had justified already and we have already received the certificate as on January this year.

Subsequently, unexpectedly, what happened was USFDA also decided to audit the plant and they decided to come in March itself. And whilst we were gearing up for production and manufacturing. And that slowed down, again, the -- our ability to manufacture in full force because we have to start again preparing for the USFDA audit, and we have no more than 2 weeks for doing so. Nevertheless, the team were tremendous. Great efforts were put in and again, USFDA was also passed with flying colors.

So now in the -- today's world where many companies, one after the other, are getting import alerts and import bans, we have come out victorious and like a rising star with the approvals being done. If the approvals -- have any approvals in that during such a period.

The customers who know what we need are not just happy, but they're extremely calm because they were also very anxious for all the companies in India getting such import alerts, especially at the time when the business was shifting from China to India. And this, with the import alert, the customers who are very worried that what may happen for the drug prices if a lot of communities that India get this ban, which is happening right now, and the drug prices are increasing unfortunately. But in that, they were very, very happy. And for that reason, we are also getting tremendous amount of inquiries for new projects. The future is looking bright is all I can say.

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And I would like to thank all of you for your support through all the tough times that we have faced in the past 5 years. We know it would not have been easy keeping the faith and it would have been an extreme relentless belief in the company for wanting to be -- remain invested throughout the 5-year period. Nevertheless, we are finally out of it and we are going to put all our energy and effort now to make sure that the sky is going to be the limit. Again, I would like to thank you -- thank all of you for your trust and support.

And with that, I would like to pass the call on to my dear colleague, Pascal Villemagne.

Pascal Villemagne:

Thank you very much, Arpit, for your work and good afternoon, dear shareholders. Very happy to be here today to give you a bit of comments on the performance of the Carbogen Amcis branch.

So we ended the last quarter of the year with a tremendous performance from a turnover perspective because for the first time, the Carbogen Amcis Group was able to generate more than [CHF0.25 billion], so the first time in our history, we achieved such a level. So we are quite happy with that. Of course, it represents a lot of work as Arpit just said. All the teams very much motivated to satisfy a large number of customers and a large number of patients in the world.

However, we had a bit more ambition last year, and we wanted to achieve even more and need to achieve a challenge in operations that are now resolved. We are facing some shifting of the revenue in the late months of the last quarter. So as a consequence, we are not able to reach the very ambitious budget that we have had. And as a consequence, we achieved a slightly lower EBITDA than we used to have. But as I mentioned, all the problems have been fixed, and we can now operate normally, especially for our drug product -- new drug product facility in France. So that's the good news.

I'd like to emphasize that it's absolutely not a market issue. The market is doing still okay. Probably, a bit more difficult than the last few years where there was a lot of investments through the pharma industry. Here, the -- especially on the biotech -- small companies for biotech quite especially in Europe, it's a little bit more difficult to raise money because of what Arpit talked about the general geopolitical situation. So some of our small biotech customers are also in a bit of a challenge to move their projects forward or to start new projects.

But as a perspective for this year, '24, '25, we are very, very optimistic as we already have large numbers of POs that's covering the vast majority of our -- that's already in hand, and also very good perspective from the major customer that we have. So we are very, very opportunistic and actually excited by the numbers of the customer visits we have and also new POs that we are getting for the end of this year and for the full year.

On top of that, I mentioned the last time -- over the last call that we also do a digital transformation that is coming to the remainder of the soft phase. So we are starting to implementing a number of digital tools that are going to enable us to be more productive. And as the major stone into this project, we are going to implement and go live with SAP this year.

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So I'm very happy that we can turn into this phase and really looking forward for all the efficiencies that all those new tools will have in the future.

Thank you very much for you all for listening, and I'm handing the call -- hand over the call to Mr. Harshil Dalal, our Global CFO.

Harshil Dalal:

Thank you, Pascal, for the business update. I think for the benefit of all, it would be better if, Paolo, you can also give the business update for India, and then we can get into the financial discussion. So Paolo, I hand over the call to you, if you can give the latest update for India for us.

Paolo Armanino:

Yes. Thank you, Harshil, and good afternoon, everyone. As mentioned by our Global Managing Director, we are elated to inform that we had a dis-inspection in the last two months, which was planned for 5 days but ended up with only 4 days. Just a few weeks ago, we received the established inspection report. And so we can say that in just a bit more than 6 months, Dishman Carbogen Amcis Limited successfully complied to PMG in Japan, AIFA in Italy and the USFDA. And currently, all the certification are received and are available with us.

Of course, we want to say that we are in all of the fields, which were able to achieve this. And we see for sure now a new phase opening. As far as the dealing of Bavla and Naroda, We have seen a great enthusiasm in the -- on the customer, who are really keen to restart business with us after achieving all the major compliance worldwide. We are also seeing and witnessing the great interest towards us from many new customers. These customers are basically from any geographical area.

As far as CRAMS business, which is considered by us instrumental, we strengthened substantially the link with Carbogen Amcis. And we are now adding a consolidated strategy to receive a new technical proposal. This year, after so long time working in compliance with -- to start moving towards technical business level and extremely exciting year and, for sure, in the future of the organization.

As far as the pipeline and the new projects, we are also strengthening our sales team and deploying major resources to cover all the war geographical areas. Also, this is today's considered as an instrument for this phase of the organization. At capex level, we have completed some of the larger capex, both Naroda at the site. But of course, we are also not stopping the general upgrades of the other factory. The main upgrades are currently ongoing, especially at the Naroda site.

So to conclude, I would like just to highlight that at the long term, we are dedicated, especially to the GP compliance. now the organization is really to step to the next level from a business standpoint.

And as we said that, I will move back to our Global CFO, Harshil.

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Harshil Dalal:

Thank you very much, Paolo, for that update. Hello, everybody, a very good afternoon to all. I would like to brief you on the financial performance for the quarter ended March 31, 2024, and also for the full financial year. So as you would have already seen the presentation that we have uploaded, there were a lot of one-offs in the last quarter as well as for the full financial year this year, which we can go through in details later on.

As far as the revenue for the quarter is concerned, there was a growth of 6%. So from INR618 crores for Q4 of FY '23, we moved to INR654 crores for Q4 FY '24. Then EBITDA, as adjusted for all of the one-offs last year, Q4 FY '23, it stood at INR83 crores. As compared to that, we were closer to INR100 crores for the Q4 of financial year '24. As far as cash generated from the operations is concerned, we generated close to about INR400 crores for the full financial year. And for the quarter, after the one-offs, it was around INR75 crores.

As far as the revenue for the full year is concerned, we closed the year with INR2,616 crores of revenue, which is a growth of 8.5% over the previous financial year, where we closed with a revenue of INR2,413 crores. The EBITDA stood at about INR409 crores for the full financial year '24 after adjusting for the one-off. We stood at about INR414 crores in financial year '23. The cash profit stood at INR303 crores as compared to INR326 crores in the previous financial year.

Taking a look at the segment-wise performance of the revenue. Carbogen Amcis CRAMS did a revenue of INR449 crores for the fourth quarter of financial year '24. This was -- and this also includes the revenues related from our new facility in France. So even though we did not achieve the expected revenue of CRAMS because of various factors that we just discussed, still, there was a growth in some CRAMS revenue at Carbogen Amcis as compared to Q4 of financial year '23 by about 3%. And for the full financial year, there was a growth of 15%, where we ended the year with INR1,953 crores as compared to INR1,700 crores in financial year '23.

The cholesterol and vitamin D analogues business for the quarter did a revenue of INR91 crores, which is a growth of -- so more than 50% as compared to Q4 of financial year '23, where we did a revenue of about INR60 crores. And most of this growth is contributed by the vitamin D analogues subsegment within the widening of -- within the Carbogen Amcis BV business, where we saw quite a significant amount of growth in Q4 of FY '24. On a yearly basis, the revenue increased by about 23% for the cholesterol and vitamin D analogues business, where we closed the year with INR332 crores as compared to INR270 crores in financial year '23.

As far as the India business is concerned, we already started seeing the growth in the CRAMS revenue from Q4 of FY '24, where the growth was at 16% as compared to comparable quarter in financial year '23. So we did INR85 crores of revenue as compared to INR73 crores in Q4 of FY '23. For the full financial year, we did a revenue of INR215 crores as compared to INR245 crores in FY '23, which is a decrease of about 12%. As now we have all the necessary regulatory approvals, especially from EDQM and a lot of the major market for the India business, we do expect the India CRAMS revenue to increase substantially from hereon.

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The India quats and generics business, which is largely the owner of our Naroda facility, did a revenue of about INR29 crores in the quarter as compared to INR49 crores in the comparative quarter of last year. This degrowth is largely attributable -- and it's the same reason for the full year that there was again a degrowth. This is largely on account of a slowdown that was being experienced in the -- especially the agrochemical industry. And also, FY '23 was more of an exceptional year where we saw a lot of orders being serviced in that year, which was like a deferment of the orders from FY '22.

So overall, on a consolidated basis, as I mentioned earlier, there was a growth of about 8.5% for the full financial year as far as the revenues are concerned. And for the quarter, that stood at roughly around 6%.

As far as the segment-wise margins are concerned, on a quarterly basis, the Carbogen Amcis CRAMS business segment did an EBITDA margin of about 15.5% after adjusting for the one-off, which was at 16% in Q4 of FY '23. For the full financial year, this translated into 17.7% as compared to 20% in FY '23.

The cholesterol and vitamin D analogues business did a margin of about 25% in Q4 '24 as compared to 13% in Q4 FY '23, largely because of the increase in revenue of the vitamin D analogues. For the full financial year, we stood at 17.8% as compared to 17% during FY '23. The India CRAMS, that's the NCE APIs and intermediates business is concerned, it is an EBITDA of about 5.2% as compared to roughly 2% in Q4 of FY '23. And the quats and generics business did an EBITDA of about 7.2% as compared to 7.4% in Q4 of FY '23.

So overall, from a quarterly perspective and the year perspective, it was a good year for us in terms of revenue as well as operating profit at all the entities, but the performance, as reported, looked quite subdued, largely on account of the delay in the operations in our French entity. And as Pascal also mentioned, most of those issues, which were largely related to the machine failure, have already been resolved now. Those are all technical issues.

There is no issue on the market side, on the demand side of the product, and we do look forward to French being -- the French entity being a significant contributor to the overall consolidated performance from here on, both in terms of revenue as well as profitability. As on 31st of March, we already have confirmed orders of about EUR9.5 million for the French entity. And another EUR7 million of orders are highly expected from the requests of proposals, which have been planned for about EUR90 million.

Just to give a little bit more highlight on the French performance for the quarter. We reported a negative EBITDA of about INR47 crores. And for the full financial year, this was reported at about INR97 crores of negative EBITDA. So if you adjust for this for the quarter as well as for the full financial year, in addition to some of the other one-offs which have been highlighted in the presentation, the EBITDA for the year stands at about INR408 crores.

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The other adjustments, one is the SaaS IT project cost, which is expensed out in the P&L because of an increase in duplication, so that amounted to about INR9 crores. There was a onetime adjustment because of inflation in the remuneration, in the employee cost, which amounted to about INR31 crores. There was a onetime maintenance on refurbishment expenditure which had to be incurred at all of our locations, which was a one-off -- which was also a one-off nature and nonroutine maintenance that amounted to about INR22 crores.

We also provided for our soil reclamation in our Carbogen Amcis BV facility, and that provision stood at about INR4 crores. And there was a notional forex impact of around INR10 crores for the full financial year.

Talking about the forex impact, even just on account of translation especially on the major item on our P&L, which is the employee cost, that was a negative impact of almost INR100 crores, which is not reflected as a foreign exchange fluctuation difference, but it's embedded into the employee cost, which is reported for the full financial numbers.

So net debt, as on 31st of March '24, stood at about CHF 163 million, which, at the beginning of the year, stood at about CHF 159 million. So that was an increase by about CHF 4 million as far as the net debt is concerned. The capital expenditure for the full financial year stood at about CHF 31 million, so which is more in line -- more or less in line with the guidance that we had mentioned.

So this was a brief update on the financial performance for the year and for the quarter. And with this, moderator, you can open on the floor for Q&A.

Moderator: Thank you very much sir. We will now begin with the question-and-answer session. We take the first question from the line of Ankit Minocha from MRLR Capital.

Ankit Minocha: Yes. Having a look at your investor presentation, I mean, if I look at FY '22, if I look at FY '23 or FY '24, the one-off item is on the exceptional items in the EBITDA have always kind of contributed a high number, which ends up changing the EBITDA margin significantly. So my first question would be to understand what is your understanding with regard to these one-off items moving forward for the next financial year? And secondly, in that case, could you help us with what could be your final EBITDA margin for FY '25 considering that we might also have some one-offs in FY '25? So we want to understand the final EBITDA number, including all of these one-offs as well? That's the first.

Harshil Dalal: Thank you for your question. So yes, you're right. One of the major factors which impact the numbers on a consolidated basis as reported, one of the major impact is on account of the foreign exchange fluctuation just on account of the translation of the numbers from various currencies into INR.

So just to give you an example regarding the employee cost, if you see the Swiss P&L, the P&L for Swiss entity, the major cost is the employee costs, which is all reported, paid in Swiss franc. However, when it's consolidated into the numbers for reporting purposes in India, all of that has

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to be reported at the average exchange rate of the Swiss franc to the INR. And that is just one of the examples where we have seen an impact of almost INR100 crores for the full financial year.

So yes, I mean, to a certain extent, we do hedge our receivables, our cash flow that will be coming from our customers. But on the cost side -- and the net position is what we hedge. But on the cost side, just on account of translation, that will always have an impact when the reported numbers are given out. And it could be on either side if the exchange rate is in our favor, even the cost could even be lower.

Now the argument to that could be said on the revenue side as well, there could be a benefit. But if you see most of our revenue, they are in U.S. dollars. So if you have observed the U.S. dollar to INR conversion, the exchange rates have, more or less, remained stable over the last 12 months. So there is not that much of an impact just on account of the translation of the revenue in different currencies to INR. But on the cost side, we have seen a major impact.

The other one-off, if you see, like if you just consider the current year, the French operations, we were expecting that in Q4, that would at least be a breakeven at the French operations considering the revenues and the cost for that particular quarter. However, because of these unexpected issues, because of which we were not able to generate that much amount of revenue because of the failure of the trial batches. That was an exceptional cost that we had to incur, and all of that is booked through the P&L.

One of the lines in France is already ready for operations from November of '23. So it is no longer possible to capitalize any of these expenses to that particular line to the manufacturing line. And all the expenses are diluted to the P&L, which is more of an exceptional thing because we have yet not been able to generate the revenues from that particular line, which now with the resolution having been achieved, we should be able to generate that.

In the last 3, 4 years, we had these issues in India because of the EDQM observations that we had received, and there was a substantial amount of cost, which was also incurred for EDQM. A part of it was passed through the P&L, which now going forward, we do not expect to incur. So as far as financial year '25 is concerned, barring any kind of impact because of the translation, because that is something which obviously we would not be able to know, we believe that a 20% kind of EBITDA margin is what we are looking forward to at a consolidated level.

So that is something which is our target, because when we make our targets on a consolidated basis, we will have a positive number for the revenue, for the EBITDA, and that takes into account the same exchange rate as we have right now. So that is something that we expect.

On the positive side, as far as our Dutch entity is concerned, in the last call, we did mention about the increase in the raw material cost in Netherlands because of the increase in the wool grease prices, which is the major raw material for the particular business. So over there, in the current financial year, we are expecting that the prices should come down, and that should have a major impact -- positive impact on the margin in Netherlands for the full financial year.

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So yes, I mean -- and those costs were kind of normal costs in the past, though we would like to want those costs to be reduced even further. So I think coming back to your question on a normalized basis, a 19% to 20% kind of EBITDA margin is what we'll deem for financial year '25.

Ankit Minocha: Okay. And there was also -- so this is not adjusted EBITDA? This is actual EBITDA margin that we're talking about, right?

Harshil Dalal: Yes, this is the actual because right now, we are not considering any kind of one-offs will happen in the next financial year.

Ankit Minocha: Right. And in terms of PAT, would you have some indication as well?

Harshil Dalal: Sorry, in terms of -- you said taxation?

Ankit Minocha: Net profit.

Harshil Dalal: So on a net profit basis, I don't have the estimated figure right now in front of me. But yes, I mean as far as the interest cost is concerned, barring any kind of forex fluctuations, we believe that the interest cost should, in the worst-case scenario, remain at the present level, but we are already working on different initiatives in order to reduce the interest cost, which would be taking the borrowing in Swiss francs, which would be -- or swapping some of our loans into Swiss franc from U.S., which will help us to reduce the interest cost at a consolidated level.

Plus, as far as the depreciation and amortization is concerned, the depreciation right now already takes into account the additional depreciation because of the operationalization of the line in France. So we don't see an additional impact because of increased depreciation coming out of France unless and until we also start line 2 later -- in the later part of the year, where the depreciation charge for part of the year might increase.

The tax rate for us would, more or less, remain at the same level. So roughly around 20% to 25% has been our historical tax rate, and more or less, it would remain at that level. So those are the items below the EBITDA. One of the things which we write off as part of the depreciation and amortization is the goodwill, which is sitting on the balance sheet at an India stand-alone level, and that is something that will continue. So that is to the tune of about INR45 crores per annum.

Ankit Minocha: Right. That's a lot more clarity. My second question is with regard to -- there were some notes with regard to the breach of the venture covenants. So could you please just some more -- add some more color to what exactly happened and what is the future situation?

Harshil Dalal: Yes, no problem. So basically, for one of the loans that we have taken at Carbogen Amcis Holding level, there are certain covenants which the banks will specify for the loan agreement. And there was a breach in the covenants as on 31st of March. So we have already received the proposal and the in-principle okay from the bank as far as giving us a covenant holiday for the

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next 12 months. There are certain other terms and conditions which we are discussing with the bank. So we should get the final letter from the bank in the next days, I would say.

Moderator: We take the next question from the line of Karan Agarwal from Old Bridge Asset Management.

Karan Agarwal: Just a couple of questions. One, on these covenants, Harshil, if you could explain what are these covenants that have been breached? How critical are they? Why were they breached? Number two, if I go through the investor presentation on Page 12, right, you've listed down -- and this is further to the question that the earlier participant post, you've listed down some one-time expenses, right?

Now the thing is that how one-time are they in the truest sense? Because we keep seeing them recurring for an exceedingly long period of time. And just to bring to your attention, the forex loss there seems to be about INR9.69 crores. But in Q3, you all did incur a INR76 crore forex loss, which is shown as a separate notes to account. So just wanted to get your sense.

Harshil Dalal: Sure. So answering your first question. So as far as the covenants with the banks were concerned, so we have -- so there are two covenants which are specified. One is the net leverage ratio and second is the economic equity ratio. So what the banks have specified is the 4x of net leverage ratio, while as of 31st of March, at the -- and this is just at the Carbogen Amcis Holding level, the net average ratio stood at about 4.8x. And as far as the economic equity ratio is concerned, the specification is 40% and we were at about 33%.

So we had already given -- the bank has already given us the proposal for the waiver of this covenant. And we are trying -- so they have specifically mentioned about the 12-month holiday till June '25 for testing of any of the covenants. And we have given them a counter proposal where the holiday is okay, but there are also certain other terms and conditions in the existing agreement which we would want to be better than what they are stipulated right now. So that is the negotiation, which is ongoing with the bank and we do expect that we should get a waiver letter in the next two days. So that's on the covenant part. Do you have any further questions on that one?

Karan Agarwal: Yes. I mean what percentage of your overall debt is sitting out of that entity?

Harshil Dalal: So out of that entity, that would be on a net debt basis, that will be close to about CHF100 million.

Karan Agarwal: Okay. CHF100 million?

Harshil Dalal: That's correct.

Karan Agarwal: Okay. And when you say net leverage, you -- my sense is it's net debt to EBITDA, correct?

Harshil Dalal: Yes, that's correct.

Karan Agarwal: And the second ratio, which you referred to, how do you define that ratio?

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- Harshil Dalal:** So that's basically largely sticking the debt to equity.
- Karan Agarwal:** Debt to equity, okay, sure. Yes.
- Harshil Dalal:** So essentially, it says that the debt needs to be like -- as far as the covenant was concerned, it needed to be like 60% of the total assets and equity at 40%, which for us is at 67%-33%. And the reason for this breach is because they would just take the reported numbers and if you add back the negative EBITDA of France, then we are actually not breaching any of this covenant. So that is already understood by the bank. And there's a couple of points where we are discussing with the bank and we should...
- Karan Agarwal:** So France gets consolidated into that entity, is it?
- Harshil Dalal:** Yes, that's correct.
- Karan Agarwal:** Okay.
- Harshil Dalal:** So coming to your second question, as far as the one-offs are concerned, so one of the major part, as I discussed earlier, is the EBITDA loss due to the French facility, which the EBITDA impact, while for the full year, the negative EBITDA is about INR96 crores but about INR46 crores of that is kind of a one-off, which could not have been -- which does not need to be incurred in the future. So these all costs related to resolving the malfunctioning of the machine as well as the incremental cost that we had to incur because of the trial batch failures, etcetera. So this is actually a one-off, which we -- as now the resolution to the issues have already been done, we don't expect this to be recurring in the future.
- The second one is related to the IT costs. So in France, we implemented the D365 -- the Microsoft D365. And logically, all of the license costs as well as the implementation costs should be allowed to be capitalized and that's what most of the companies do. But as far as the IFRS is concerned, where the reporting of the overseas entities happens, there was an EFRC paper which came out, which said that all of this cost has to be expensed out in the P&L. So while it's not as such related to the operations of the company, all of those costs have been debited to the P&L and that amount is roughly about INR9.18 crores for the full financial year of '24.
- Now the implementation of this 365 has already been done. There would be certain recurring costs which would have to be incurred every year, but it would not be to the tune of this INR9.18 crores, which will have to be incurred every year. As far as the employee benefit expense is concerned, last year, as you know, because of Russia-Ukraine war as well as the global interest rates increasing everywhere, there was a huge amount of impact on the inflation in all of the countries, especially in Europe and in the U.S.
- So for all things, most of our entities are based in dollars, there was -- I mean, we had to provide for a one-time employee remuneration correction due to this higher inflation, and that amounted to INR31 crores. Now that the inflation rates are actually coming down, the central banks are actually looking to cut the interest rates. There would not be any incremental inflation cost or

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the incremental salary correction that would have to be done in the current financial year and going forward.

There was also a one-time refurbishment expenditure, which had to be incurred at the overseas location, which was more in terms of refurbishment of the reactors as well as pipings etcetera, which was like a sort of a mutual overhaul that we had to do in order to make sure that there were no issues as far as the production for the future is concerned. And that amounted to INR22 crores. This is in addition to the normal maintenance expenditure which we would otherwise incur.

The provision for the soil reclamation, this is specific to Netherlands to the tune of about INR4 crores. And this is on account of changing the soil, which is -- or bringing the soil up to a quality level, which is required for manufacturing the product in Netherlands. So over a period of time, there are a lot of solvents, lot of other chemicals which get mixed with the soil. And since that was identified in the soil, we have already provided for that reclamation. The cost might be incurred over a period of time, but all of the provision was done in financial year '24.

The forex loss of INR9.69 crores, that is all notional in nature. To your point, the loss that we have booked in Q3 of financial year '24 of roughly around INR76 crores. So that notional loss, we have already realized the profit on that particular loss. So that is something which is not reported as a one-off, which was reported in Q3.

So most of that INR76 crores, so roughly about INR60 crores, INR65 crores of that notional loss has now been realized as a gain in financial -- in the Q4 of financial year '24. So that is the reason that impact is not taken into the full year financial result. And only the balance of the INR9.69 crores is the actual forex impact, which is taken for the full financial year.

Karan Agarwal:

Got it. Just two things, right? One, Harshil, and to the management, conscious feedback. I mean the number INR46 crores for the French business and the INR22 crores number as one-time maintenance expenditure, on top of the INR300 crores of capex that we've done in FY'24, I understand that onetime start-ups could result in some overruns, but the number that you're calling out are quite sizable. So I would request you to be a little bit more conscious about it please going forward. That's just a sincere request.

The second -- now that when I look at the business now, Bavla is clearly out of the woods thankfully. And overall my sense is all your capital outlay maintenance everything around your sites seem to be in order. And on top of that what I read in the presentation is you are all looking at about EUR90 million of RFP in the French business. So when we put all of this together, is there a reason to believe that whatever we've seen over the last 4 years, 4.5 years and I mean from FY '25 onwards things should look materially different for the business both on P&L as well as cash flows?

Harshil Dalal:

Yes. Karan I would say so and obviously Arpit/Pascal can also pitch in, but yes I mean from FY '25 onwards we do expect that as you correctly mentioned most of the capex cycle is almost

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over. The last thing that we are currently undertaking is the digital transformation across all of the locations, but apart from that most of the larger capex programs are already completed.

So apart from the routine maintenance capex and one water purification plant that we are setting up in Bavla we don't see any major capex outlay that should happen from FY '25 onwards. As far as the revenues are concerned as I had eluded earlier all of the entities have been performing quite well in terms of the revenue. And the French operation also now starting to contribute with the revenues right from financial year '25. We don't see a reason why we cannot grow in double digits as far as the revenues are concerned.

As far as the EBITDA and the cash flow is concerned that should be growing at a much faster pace largely because one we don't expect the kind of EBITDA loss that we have seen in France to be incurred in the future. Plus with the efforts that we are putting in, in terms of the cost controls, in terms of trying to see various alternatives in order to reduce the raw material costs, not just for Netherlands where the cost have increased substantially, but across the group, that should help us in reducing the operating expenses for the group as a whole.

And as I also mentioned earlier we are also working on the interest cost for the group and as we start generating the free cash flow one it will help us in reducing the net debt on one side. And second we are diligently working on reducing the interest rate for the group as a whole. So we don't see any reasons why the cash flow generation should not be healthier than what we have generated over the last years.

- Karan Agarwal:** Okay. And if it's not been given already what's the capex guidance for FY '25?
- Harshil Dalal:** So FY '25 we expect that the capex should be somewhere between 25 million to 30 million.
- Karan Agarwal:** And I mean, historically about \$15 million to \$18 million is what you guide as maintenance capex. So my sense is that number continues?
- Harshil Dalal:** Yes. So roughly about 18 million would be more of the maintenance expenditure and rest would to complete the digital transformation project as well as I mentioned a certain amount of capex that we need to do between Bavla and Naroda in India. So close to about 25 million is what we expect should be incurred in FY '25.
- Karan Agarwal:** Okay. Thank you. All the best.
- Moderator:** Thank you. The next question is from the line of Kanav from Garg Advisors. Please go ahead.
- Kanav:** Sir I have few questions. First is on the balance sheet side. If I look on the consolidated assets I see there is a INR500 crores work in CWIP. Given that most of our capex is done then why did we have INR500 crores of CWIP?
- Harshil Dalal:** Sorry, you're talking about the capital work in progress?
- Kanav:** Yes.

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Harshil Dalal: So the capital -- if you see in the previous year the capital working progress was about INR996 crores. As compared to that it has come down to about INR500 crores. So this INR500 crores largely includes some of the capex in France which is yet to be capitalized. So as I mentioned earlier the Line 1 in France we stopped -- so we basically catalyzed the line in November of '23.

And then there is the second manufacturing line which is yet not operational and we expect that it will become operational during the course of the current financial year. So that would be capitalized when it is ready for use. So the major part of it is related to the second line in France and apart from that some of the capex that we have done in India as well as in the other entities.

The point at which it would go from the CWIP to the property, plant and equipment will be when that capex is ready for use. So one of the expenditure, as I mentioned earlier is also the digital transformation that we are undertaking at various locations. So most of that cost is capitalized right now as and when we go live with the fourth phase going live in Switzerland in the current financial year that will also then move out from the capital work in progress.

Kanav: So is it fair to assume that this number will be around, let's say, by the end of September quarter when you will publish the next balance sheet, this number should be closer to INR100 crores, INR150 crores this should be a continuous CWIP because we do the maintenance capex also.

Harshil Dalal: Yes, it should keep on reducing as we keep on operationalizing this asset. So yes, I mean, whether it would be September or December, it's just a matter of time, but yes over a period of time, we should see this number going down.

Kanav: Okay. Sir, next year like if you look at intangible assets and the development, it has gone substantially up by INR100 crores, so like what happened what caused that?

Harshil Dalal: So there would -- just a second, I'll just take out the breakup. So that is largely on account of certain products which we have in the portfolio that we are developing on our own majorly related to the vitamin D product. So one part of that is because of that particular vitamin D development that we are doing. Apart from that, there are also certain intangibles on account of -- well one of the reasons is also the forex impact on the intangible and that is also true for all of the fixed assets where all of these assets are stated at the closing exchange rate. So these two are the major impacts, but I can also -- we can also discuss this offline once I have the breakup of this thing.

Kanav: Sure. So just when I look at the provisions on the equity and liability side I think we have again gone up substantially right, from INR233 crores to INR380 crores, so substantial jump in provisions. So like what happened there?

Harshil Dalal: I'm sorry, but which line item are you looking at?

Kanav: Provisions. If you look at provisions we have jumped substantially from INR233 crores to INR380 crores or INR379 crores?

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Harshil Dalal: So the provision one would be on account of the employee benefit expenses. So where on account of the additional recruitment which has been done there would be an increase in the provision for the employees. So that is number one. So the pension provision which was about INR189 crores in -- as on 31st of March '23 so that has increased to about INR333 crores. So this is on account of the change in assumptions.

So as you remember, last year -- from last year to now there has been a substantial movement in the interest rates. So because of that the impact of provision that needs to be made for the pension. So that is the major impact, but there is no impact on account of -- there is no cash impact because of that. It is just a provision which needs to be restated at the end of every year.

Kanav: And then similarly if you look at noncurrent liabilities that again went from INR167 crores to INR448 crores again a substantial jump. So what happened here?

Harshil Dalal: You're looking at the noncurrent liabilities?

Kanav: Yes.

Harshil Dalal: So that is largely on account of the prepayments that we have received from our customers. So the prepayment which was at about INR138 crores in -- as on 31st of March '23 that increased to about INR418 crores as on 31st of March '24. So that is basically directly connected to our business where for the development orders that we received, we would be working with at least 30% upfront advance that we would be getting from our customers.

So since the development orders have been increasing and we have also mentioned in the presentation that currently we are sitting on development orders in excess of 140 million. So that is on account of -- that represents the prepayments that we receive on these orders.

Kanav: Okay. Sir just a couple of questions on the business side. So I think one thing was on the CRAMS business Carbogen Amcis. So in that business the growth in Y-o-Y if you look at from Q4 '23, Q4 '24, I think it is just 2.9% and in the last call I remember you mentioned that from the new Swiss facility there is an ADC project which was getting operationalized. We are just trying to understand like why that growth is not visible here or the base business got down what happened here, keeping France aside I understand the Frenchmen?

Harshil Dalal: If you do a breakup of the entities which are comprised as part of the Carbogen Amcis, CRAMS that includes the Swiss entity, the U.K. entity, Shanghai entity and the French entity for now. So France as it starts contributing substantially to the overall performance. So that is from the current financia, we will be classifying France as a separate entity.

So one there was a decline in the revenue coming from France because of the delay in operations of this particular plant of the new facility that we have set up. So that is number one. As far as the Swiss entity is concerned there is already a growth in those Swiss entities. And that is I can take out the exact percentage as well. As far as the U.K. entity is concerned, again there was a degrowth in the U.K. entity.

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And that was largely because one of the major customers for U.K. had decided to – I mean that particular product it was not being manufactured then by the U.K. entity in the full financial year as we had estimated. However, that customer has now come back and basis that we do expect that U.K. should come back to the levels that -- to the level of revenues that it was doing earlier.

So this is a broad -- I mean, composition of the entity. Shanghai has been performing well, but all of the sales that Shanghai does is through Swiss entity. So if you take out France, if you take out U.K., the percentage of growth would be close to about 7% to 8%.

Kanav: Okay. But I think in the previous call, you mentioned that the CRAMS business can continue growing at early-teens to mid-teens. So I think that is the number that we should work with for FY '25 and '26?

Harshil Dalal: Yes. So that would include all of the France businesses across all of the entities that we have. So that will also include India CRAMS. So as we mentioned earlier we do expect that the India CRAMS business should ramp up quite significantly from the numbers it has posted in FY '24 and the earlier year now that the regulatory clearances have been received. So with that -- I mean, that will be a major contributor in the growth in CRAMS plus as the Swiss entity with the kind of order book that we are sitting on, we do expect that the Swiss entities will keep on posting anywhere between 8% to 10% kind of growth.as far as the revenues are concerned. And also now U.K. also coming back on track. We do expect that the U.K. entity -- just in financial year '25, we do expect a 40% to 50% kind of growth because the base was lower in the last financial year.

So overall, if you take a combination of all of this, and right now, this CRAMS as also includes the French entity. So France, from what it is doing right now with close to about \$14 million of revenue expected in FY '25, and this should also grow substantially in the future. That will also be one of the contributing factors for the increase in the CRAMS revenue at a consolidated level. So yes, 15% -- 14% to 15% kind of growth in the CRAMS revenue should very much be doable.

Kanav: So like in the India entity -- I think in the last call, you had mentioned that you were expecting revenues between -- India, as in just the entry, say intermediate side that is excluding Naroda, we were expecting revenues between INR400 crores to INR500 crores because of the plant, there was a shortage that customer reaches the product, right? Is it fair to assume that from INR215 crores, we can like FY '25, you have the visibility to clock INR40 crores, INR50 crores size of revenue?

Harshil Dalal: I think as far as the India CRAMS is concerned; we should be closer to about INR350 crores for the full financial year of '25. And so, yes, I mean, we can easily move to INR500 crores, but that would take about 2 years' time. FY '26 is when we can expect we will be closer to INR400 crores as far as the India CRAMS is concerned, and then it could go to INR450 crores to INR500 crores in the year after.

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Moderator: The next question is from the line of Satish Bhatt from Anvil Shares and Stock Brokings Private Limited.

Satish Bhatt: So I just want to know -- I have 2, 3 questions. One is what triggered USFDA auditing for your Bavla plant? And this was for the entire unit or some specific unit? Question number one. And question number two is regarding the one-offs, which comes as a regular with it. Sometimes, it looks like -- it's like a normal expenditure. So it's very difficult for people to understand when this becomes normal or part of our business. We had a new plant opening up in France, but I think in the last call, you had already told that things are working well.

And suddenly you have a breakdown of new plant machinery which failed. So there is some really bad thing happening at the manufacturing end or at the management end. So a new plant can't we expect -- there can be a batch failure, but there cannot be a machine failure. So there is something which has seriously gone wrong.

So I just wanted to know what has really gone wrong in terms of the plant at a French level, where suddenly, we have started incurring -- top line is a different thing, but our fixed costs are so high. I think we will not even break even at 14 million which Harshil you are talking for next year, the cost structure, which is there. I think your cost structure is something like INR40 crores per quarter, fixed cost. So that's the INR160 crores, that is not the revenue you're targeting next year.

So I just wanted to know that. And I think the problem which is difficult to understand is your reported number maybe INR50 crores but the adjusted number comes to INR100 crores. So there is difference of as 100%. It is very difficult for the market to digest the numbers. I hope you can throw some light on that.

Pascal Villemagne: Regarding the French entity, if I may, so from an external point of view, it could be seen as a big issue. And -- but from an internal point of view, you have to see that as a start-up of a new facility in a quite complex environment because that we are speaking about sterile filling line with a very complex mechanism for the automated. So yes, from time to time, you have to fine tune and what you were expecting from the line are not performing as you wanted and that's all those trying to work that has been taken a lot of time to resolve.

It was not entirely expected. Although we were using German provider for those lines, well known with a high reputation. But still, this is the start-up of greenfield facility. So it's not something that comes out of the blue just like this and you just press the button and everything works. It is much more complex than this. And we are the first to suffer of this situation because yes, we are ordering and that we cannot execute it.

So yes, from a market perspective, it's difficult to understand, but I can tell you that from an operation perspective, it's even more difficult to bear and foresee. The good news is that now those problems are resolved, and we are looking forward to execute our orders, and we are going to match the targets that we're having now.

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- Harshil Dalal:** Paolo, can you hear me?
- Paolo Armanino:** Yes, yes, yes. For what concern, the USFDA, USFDA was a general audit. The last inspect of it was in 2018, this was a general audit. So the auditor, as I mentioned before, came. It was not an announced -- it was an announced audit. It was regarding all the Italian sites and the auditor going to show all the products in running condition and we clearly mentioned that it is a general audit. So all the site is now approved.
- Satish Bhatt:** Even a unit 9, the HyperFACET is approved?
- Paolo Armanino:** Unit 9 is approved because part of the size. The only unit which is excluded is the formulation plant. Because normally formulation plants, they are going to a different type of approval. The rest is approved. Maybe I did not mention anything in my opening speech. But regarding our formulation plant. So you all know that we are having a fantastic soft gel plant, which is a brand new plant, but we started the operation and we are developing many different products.
- We are developing many different formulations, and we are looking to CRAMS business. And we started already, we are supplying some commercial batches also to U.K. So this I didn't mention, but this is another part of our business that we are going to strengthen as much as possible in the coming years. So I did not mention this, but I think it is a very good move for the double size to add this formulation plant.
- Harshil Dalal:** And -- just to answer your question on the one-off. Yes, I mean, over the last year, we -- or especially last year and this year, we did have certain one-offs largely because of these issues, especially this year in France. And that actually is a one-off because we don't expect this cost to be incurred in the future.
- As far as the breakeven point is concerned, yes, to your point 14 million, we will not be breaking even. The breakeven point will be close to about 18 million to 19 million. And that is what we are targeting to achieve over the next year. So especially in the year after, the revenue should be much higher than what we are expecting in the current financial year.
- Moderator:** The next question is from the line of Satya an individual investor.
- Satya:** Yes. I just have 1 or 2 questions. One is recent clearances of our sites, Bavla site and all. So this effect substantially from when -- which quarter onwards, we can -- I mean we know it's already seen some Q4 onwards. Substantially which quarter onwards we can see? And can you throw us some guidance on the revenue, EBITDA and PAT levels going forward for the coming quarters, FY '25? .
- Harshil Dalal:** Sorry, just to understand, you're asking about the audit clearance that we recently received?
- Satya:** Yes, yes, yes. So with that having been we have got the clearance already, that we know. Like are we already in talks with any potential partners? Or are we seeing any revenue immediately is what I'm asking.

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Harshil Dalal: Sure. Yes. So basically with this clearance having been received, so basically it benefits the group from various aspects. One for the existing customers, especially for the Bavla site, they were unable to sell their products in certain geographies within Europe, certain areas within Europe, which now they are able to do so. And because of that, we are expecting an increase in the orders and we are already seeing that. We're seeing an increase in the orders from the existing customers where the commercial supply are being supplied out or will be supplied out of Bavla. So that is number one.

Number two, we have already seen new customers coming to the Bavla side. And all of them have been extremely impressed with the kind of changes, the kind of practices that have been put into Bavla. And we do expect that there should be new orders coming in from those customers. And thirdly, at a group level, we are also trying to collaborate internally quite closely.

So what it means is that we will see certain projects starting from the Swiss entity, to the Indian entities which will help us, one, at a group level from a revenue perspective, but more so from a margin perspective. Because in India, because of the cost base -- of the lower cost base, we are able to manufacture at a more cheaper cost than manufacturing in Switzerland. So from all of these 3 perspectives, the regulatory clearances do help us in getting up the business from India and then translate to the group improvement as well.

Satya: Yes. I just wanted to -- I mean, as a forward guidance, can you quantify this probably how much EBITDA and PAT levels we can expect for the coming quarters in FY '25?

Harshil Dalal: So FY '25 on a consolidated basis, at a minimum, we should be seeing a 10% kind of growth in the revenue, 10% to 12%. And at an EBITDA level, as I mentioned earlier, close to about 18% to 20% is our target.

Satya: Okay. PAT level, sir?

Harshil Dalal: On a cash flow basis, we should be -- with most of the capex program being done, we do expect that we should generate free cash flow from financial year '25, and the cash profit should be close to about INR500 crores as far as our cash flow from operations is concerned, INR400 crores, INR500 crores.

Satya: Yes, yes. And where are we -- I mean, what is our company see the debt levels going through - - going forward for FY '25, '26?

Harshil Dalal: Yes. So as far as the net debt is concerned, we don't expect a significant increase from here on. On the contrary, as the free cash flow keeps on getting generated, the net debt over the next 2, 3 years should keep on reducing. So that is what we expect. And as I also mentioned earlier, we are working on data from in order to see how we can also reduce the interest cost for the group as a whole.

Satya: We don't see much increase, that's what you mean to say going forward?

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Harshil Dalal: Yes, because right now, we don't have any major capex program. Most of the capex you see over the last 3 years, the debt has increased largely because of the capex that we have done in France, plus the co-investment projects in Switzerland, plus addition of certain lab and the capex that we have to do in Bavla and Naroda, not just to address the regulatory observations, but also taking into account that this Bavla and Naroda are going to be one of the major factors for the growth of the group as a whole.

So now that all of those things have been completed and most of the assets have been operationalized, we don't expect any major capex to be incurred. I mean most of it is already incurred and that is the reason you see a substantial drop in the capital work in progress as well in financial year '24.

Satya: Okay. Sir, one question on the French site, whatever malfunctions were there reported, so usually they won't come under any kind of insurance coverage kind of things?

Harshil Dalal: So that is exactly what we have pursued. So we are already filing a claim against the supplier as well as we are filing a claim to the insurance company. But right now, we don't have anything concrete. So that is the reason we aren't able to book anything into the P&L. But yes, I mean, if the claim comes based from the supplier or from the insurance companies, that would be -- there will be an incremental income, which would be booked.

Satya: How much -- can you quantify that, sir, is that if it comes?

Harshil Dalal: Pascal, would you know that figure exactly?

Satya: Approximately is okay, to...

Pascal Villemagne: No, it's difficult to say right now. Putting a number as type forward, we drive through to South East and central Ackerman. So I won't go into that direction, but we are we are already using to get the compensation for what we have suffered from this unexpected delay in the startups. But it's very difficult to put a number because there is many, many parameters that come into account on top of that.

Moderator: The next question is from the line of Ankur Agarawal from RC Wealth Solution Private Limited.

Ankur Agarawal: So why is the employee benefit expenses pretty much higher compared to sales, just like 46% or 47% of the total sales with the other Pharma companies which you have in this?

Harshil Dalal: So, Ankur, if you do our business, we are a CDMO company, and most of the development work for the new molecules is done out of our Swiss entity. So, as far as the development work is concerned for the new chemical entities, the major cost that you have to incur is the manpower cost. So, today we have about 500 scientists working for us.

And all of that cost is the employee cost that we see in the consolidated P&L. If you take the Swiss P&L, the employee cost as a percentage of the revenue would be even higher at close to

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about 52%. And -- but obviously, that work is important in order to make sure that we are able to develop the molecules for our customers with some of them going into the commercial phase as -- if those are successfully developed through all of the phases of development.

So that is a direct linkage of the employee cost to the revenue that we derive from the development of new molecules. I don't know which companies you are comparing with, but if you are comparing with any of the Indian Pharma companies, it would be a wrong comparison as most of the Indian Pharma companies are into development of generic molecules as well as they would have entities that are a very small portion of the business, while for us, the entire business model is linked to the development of new molecules, the early sales work as well as Phase III is done out of the Swiss entity.

Ankur Agarawal: Sure, the margin should be more than 40% is why we have the very low margin if we are doing such work?

Harshil Dalal: The margin, if you see, you have to basically break it up into 3 parts. One is the margins on the early stage development. Second is the margin on Phase III and third is the margin on the commercial manufacturing. So we basically earn our highest margin, generally speaking, in Phase III. As far as the early sales development work is concerned, the margins are quite low because we see the probability of success of the molecule is quite low in the early phase of the development. It increases substantially as the molecule increases in Phase III. The quantities required are much higher as well as a lot of validation work happens.

As far as the promotional manufacturing is concerned, there would be there be a slight depreciation in the selling price that we will be offering to our customers because then the quantity increases quite a bit. The customers also expect a discount on the price. So that is how the margin should be looked at.

As far as the larger scale commercial manufacturing is concerned, that's where our India play comes into the picture where we are able to generate a much higher margin than we will be committing from our other locations because it will then be manufactured at a much higher scale, the cost of manufacturing is quite low, and that helps from a group EBITDA perspective, to. So that is how the overall margin needs to be looked at.

Ankur Agarawal: But sir, if the cost of material is so low to them, we have to think about how to increase our margin because it will not work in the future if the employee cost is so much high.

Harshil Dalal: Well, the work that we do out of the Swiss entity is extremely important for the survival of the whole organization because that was basically is to develop the new molecules. And if those molecules are not developed out of the -- Because one of the concerns for the customer is also protection of the intellectual property rights of the molecule. And that is the reason we didn't want to keep the molecule in the countries with a in a country where the law infrastructure and the IP protection laws are extremely strong.

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And that was the basic purpose of acquiring this Swiss entity in 2006. So having the Swiss arm really helps us from a group perspective where today we work on at any point in time on about 500 odd molecules across different phases of development, which would not have been possible if we did not have this presence in Switzerland.

So the right way to look at -- you can see the gross margins and right way to look at the gross margin is to take into account, not just the raw material costs, but are also the employee cost, the scientist cost because the revenue includes the development revenue as well as the commercial revenue.

Management: Just to add to that, apart from the survival of the organization, it is also important to note that it is not just that. It is also survival of the people because most of our molecules -- well, all of the molecules are of life-saving categories. So the work is important in that aspect as well.

Moderator: Then we take next question from the line of Ankit Minocha from MRLR Capital.

Ankit Minocha: So on the France business, you've -- what is the EBITDA loss and we can kind of expect for FY'25 versus the INR46 crore number for FY'24?

Harshil Dalal: So FY'25, it would be close to about 4 million to 5 million. So that would be close to about INR35-odd crores to INR40-odd crores, which in the last financial -- or financial year '24 stood at about INR100 crores.

Ankit Minocha: Sorry, this is the -- so the number that you declared in absolute incremental EBITDA loss of INR46 crores, and the total EBITDA loss is INR100, and you're saying this should go down to INR40 crores, is that correct?

Harshil Dalal: Yes. So the INR100 crores, includes the INR46 crores of incremental EBITDA loss. This would not have been there if we had basically done the revenue that was expected. There was no such issues as far as the delay in operations and funds are concerned. So if you look at absolute numbers, we did the INR100 crores of loss in France in FY'24, which in FY'25, we expect that it should be somewhere around INR35 crores to INR40 crores.

Ankit Minocha: And just a question on the reserve. So the reserve number seems to be really large. Is there something that it can be utilized for considering the current situation?

Harshil Dalal: So you're talking about the equity reserve?

Ankit Minocha: The reserve on the balance sheet, yes.

Harshil Dalal: So that is largely the securities premium, which is part of the equity. So that is -- I mean the revenue we are free to use. But as far as the cash is concerned, the cash generation for the year was close to about INR400 crores from operations.

Ankit Minocha: Okay.

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- Harshil Dalal:** What you see as reserve that is basically the securities premium.
- Moderator:** The next question is from the line of Rupen Shah, an individual investor.
- Rupen Shah:** When is our ADC project starting?
- Pascal Villemagne:** Yes. The project has started. We are in the way of analysing the validation batch at that point, which is the end of the Phase III for that particular product. The good news is that our customer is in big ambitions on the market and is finding for even more application for that. So that leave us even more enthusiastic for the future. So the progress is on time and the project is already ongoing.
- Rupen Shah:** So when can we expect around to start off this project? Is it FY'25? Or is it FY'26? And what kind of revenue can we generate from that project or on a yearly basis?
- Pascal Villemagne:** It's better than that because the different applications are offered between, 26 to 31.
- Rupen Shah:** So when can we start the revenue of this? Because revenue from that project, we have invested a lot in the project, right?
- Pascal Villemagne:** We are already doing revenues out of that project because we are running, as I mentioned, the validation campaign related to the Phase III of the current application. And based on that, there will be further applications using that material. Ramp-up of the volumes from '26 to '31 and beyond with a maturity around '30, '31 with certainly a peak demand by the need of the sales.
- Rupen Shah:** Okay. So your revenues will start from '26, that's what we can understand, right?
- Pascal Villemagne:** Yes. But this project is on time. It's just the pace of this, it's a numerical and entity coming in the market with an existing application and there is several applications that the customer to apply in different markets. And all those new applications would come one after the other, and we increase the volume demands over all those years. So it's a fairly linear growth of the volumes we are providing to that particular customer and its partners from 26 with a tick and cruise volume from '30, '31.
- Rupen Shah:** Okay. And how further west on the momentum from the next quarter onwards? This has been a horrible journey of last five years with this one, Carbogen. I hope sincerely that management does well and from next quarter onwards, we still have something to share about.
- Moderator:** The next question is from the line of Karan Agarwal from Old Bridge Asset Management.
- Karan Agarwal:** Just a couple of queries. One, what are the total advances from customers as on 31st March 2024?
- Harshil Dalal:** That is just a second, I'll just. So the total is -- so the total comes to about INR634 crores.
- Karan Agarwal:** INR634 crores, is it?

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- Harshil Dalal:** Yes.
- Karan Agarwal:** And second, on the French business, right, about INR46 crores was a one-off for FY'24. So realistically, about INR55 crores of loss in FY'24. And you are looking at that INR54 crore number coming down to about INR35 crores to INR40 crores in FY'25. Have I got that correct?
- Harshil Dalal:** That's correct.
- Karan Agarwal:** Okay. So -- and you are looking at this breaking even somewhere in FY'26 or maybe even beyond?
- Harshil Dalal:** No, it should be in FY'26.
- Moderator:** The next question is from the line of Kanav from Garg Advisors.
- Kanav:** A couple of suggestions. The first suggestion would be on given that we have all the SAP systems nearly installed in a company. So why do we always put results which are at the end of the statutory requirement or regulatory requirements? Just trying to understand because, yes, I understand the company's focus is on the business. But you also have -- you know how the market perceives the company, right? And as of now, if you see the questions also which are getting now, it just means that the market is not trusting the company. I think one of the key steps would be we start publishing the results a bit early, that would help.
- Harshil Dalal:** I agree this your suggestions, but this was a historically bad year and a number of years before. We try to declare the result somewhere between the 10th to the 20th of May. This time it just went a bit longer by another 10, 15 days. So one of the things was we were hopeful that we just get for this COVID-19 thing that was being discussed, we were hopeful that we just get the waiver, so that we don't have to be discuss that in - or actually make it as a major point in the financial statement. But because of the negotiations, because we want better terms, that is okay. So that was one of the reasons we tried to delay it. That was number one.
- And number two was just that you were just -- some of the directors were preoccupied with certain things. And that is the reason I've also got -- contributed in terms of getting delayed. But otherwise, we are coming to the SAP systems that we have in India, and now what we are looking at implementing SAP globally, there is no reason why we have to deliver results beyond the 10th or 15th of May.
- Kanav:** And the second suggestion was on the CD and in the conference, you must have seen everyone is talking about the translation losses, right, that we incurred. Just trying to understand if we maybe we book our revenues in dollars, right? That's what the deal that we do the customer. And a major cost which is for the research facility in Swiss francs right? I mean if we hedge the numbers, I think that management has told that we are hedging the numbers. I don't understand why there should be a translation loss on these numbers. I understand for FX it would happen. Harshil sir explained in the last call very clearly, but for employee costs, we are seeing that is because of the translation there of losses, that doesn't make sense. Because our revenues are also

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in dollars, which we hedge. Then again, our cost base is also in CHF, if we hedge it, then there shouldn't be realistically any loss.

Harshil Dalal:

Yes. So as a policy, we would not be hedging like 100% of the U.S. dollar. There would be only a portion of the U.S. dollars to the Swiss franc that would be hedged. And this what we are talking about is actually not impacting us from a cash perspective. So in the scenario where the revenues are in U.S. dollars and the costs are in Swiss francs, and we are just translating all of this into INR.

So basically, the U.S. dollar gets converted at the rate of 83% and it has remained between 82% to 83% over the last 12 months. The major movement that we have seen in the Swiss franc to the INR where the depreciation is to the tune almost 12%-13%. Yes. From a sales perspective, we would hedge a portion of the U.S. dollar to Swiss franc, but not the entire portion because from a cash perspective, it really doesn't impact this conclusion.

Kanav:

Okay. And then lastly, given that the May month is also over today, it's just 1 month left. Just want to understand a bit of what is happening on the Q1, how do you see Q1 happen? Because I think Q4 was -- it seemed like a horror, right, when the numbers were released. Last conference call, we were saying that in the Swiss facility might break even in FY '25 or there might be minor losses in EBITDA, but now we are saying that we'll incur some INR40 crores, INR45 crores EBITDA loss in FY '25.

Just want to get some sense how should we look for, let's say, Q1, Q2, how should be the ramp-up? Because I just want to have a trust in the business. I have been tracking this business such a long time. I want to get that trust because I thought in the last call that everything is over because we got all the approvals, everything was done, our sites were getting operationalized and then again something happened.

Harshil Dalal:

Yes. So I think apart from the French facility where now all the technical issues are over. And it was really unfortunate this was something that we were really not expecting would come up in the fourth quarter. We are as surprised as what you are because this was something which we could not predict and it was completely unexpected for the French facility.

But again, we are starting a new plant. There are certain issues to be expected, and that is exactly what struck us in Q4. But the good thing is that those issues have been resolved, and there is a huge potential for that particular business, the drug products business. There's a huge demand for that kind of services that are being offered from the French facility and that facility becomes extremely critical for us as a forward integration of our entire business because now right from the development of API to be supplying the finished formulation, we have the entire offering for the customer, where parent roles is the delivery form.

So that should really put us in a different league from any of our peers who we do not have the end-to-end solutions. So we are extremely comfortable about the entire business as well as for the French facility specifically. And we are putting in whatever efforts are required in order to

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make sure that we are able to generate profit, EBITDA -- we become EBITDA positive as quickly as possible from the French facility.

And as I have mentioned earlier, there are already orders in hand, there are new orders that are expected, \$90 million of RFP, which have gone out. So we don't see any kind of issues in filling up that plant. It's just a matter of time. And that is what we are looking forward to filling it up as quickly as possible.

As far as our other businesses are concerned, if you see the major bottlenecks in India is now gone. So there is no reason why we cannot reach the same level as we used to do prior to the EDQM observation. And that ramp-up should happen quite fast as well as we get new orders from the existing customers as well as from the new customers.

As far as Netherlands is concerned, I mean we can easily increase the revenue, but then it is about the profitability. So we have identified the products which we want to sell. We have been working on the raw material costs, how to bring it down, and we have already seen the positive impact -- or we could see the positive impact of it in the coming quarters.

So overall, nothing changes from what we had said in the last call, except for this issue that came up in France. So as now that normalizes, we do expect that financial year '25 should be a much, much better year than what we had in financial year '24. If we have to break it up quarter-wise, it is not ideal for our kind of business, but Q1, Q2 should be good quarters than what we have seen in Q4 FY '25 but we will see the second half of the year posting on much, much higher growth than what we've seen in the first half. So that is a broad guidance of how we see the full year.

Kanav: And including the India business -- I mean the Bangla side, because that means the Bangladesh will also get ramped up, we are seeing in H2?

Harshil Dalal: That's correct.

Moderator: We take the next question from the line of Ankur Agarwal from RC Wealth Solution Private Limited.

Ankur Agarwal: So when we see the company in profit at PAT level?

Harshil Dalal: So at a PAT level, so one of the things we can see on the balance sheet, we have been writing off this goodwill. So that is creating an impact of almost about INR45 crores per annum. But apart from that, I think as far as the profit after tax is concerned, that should come positive from FY '26.

Ankur Agarwal: FY '26.

Harshil Dalal: Yes.

Moderator: We take the next question from the line of Ankit Minocha from MRLR Capital.

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Ankit Minocha: So the 18% EBITDA margin guidance that you've given for next year, does that account for the losses that you imagine in the French facility for the year? Or will that again be a one-off?

Harshil Dalal: No, that would include that as well.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Arpit Vyas: Thank you, everyone, for your questions. It was a pleasure to answer them. And as we said before, thank you for your trust and support throughout this difficult journey that we have faced. One analogy, which is at -- in our case is that of going through chemotherapy to get rid of the cancer. After we get rid of the cancer, the chemo will leave -- we'll have some weakness initially. But then you will be able to run faster in the wind. So thank you for being patient once again. And thank you for all the trust. And we will see you soon and wish you a good evening and great weekend.

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