

16th May, 2022

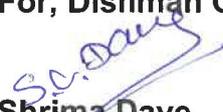
<p>To, Department of Corporate Services BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.</p> <p>Ref.: Scrip Code No. : 540701</p>	<p>To, The Manager, Listing Department, National Stock Exchange of India Ltd. “Exchange Plaza”, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai – 400 051.</p> <p>Ref. : (i) Symbol – DCAL (ii) Series – EQ</p>
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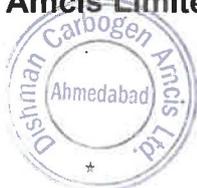
**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL - QUARTER AND YEAR
ENDING 31ST MARCH, 2022**

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended enclosed herewith transcript of earnings conference call arranged by the Company with Investors on 16th May 2022 to discuss the financial results and performance of the Company for quarter and year ended on 31st

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, 2022 Earnings Call

Event Date/Time: May 11, 2022/1600 HRS

CORPORATE PARTICIPANTS

Arpit J. Vyas

Global Managing Director - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar

Director - Dishman Carbogen Amcis Limited

Harshil Dalal

Global CFO - Dishman Carbogen Amcis Limited

Pascal Villemagne

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'22 Earnings Conference Call of Dishman Carbogen Amcis Limited. 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arpit Vyas, Global Managing Director. Thank you and over to you, sir.

Arpit J. Vyas: Thank you, moderator. Good evening, everyone and welcome to results yearly conference call. It has been an exciting year, full of eventful things. We would like to briefly mention some important things before we mention the numbers and move on to the Q&A.

Since past couple of years, our previous CEO – Mark Griffiths had requested his desire to retire, we said okay, fine, then let us plan for it, at which point in time, we were identifying the possible candidates who can fulfill his support at least as a CEO of Carbogen Amcis. And after almost a year and a half worth of evaluation, both of us decided that our VP – Commercial, Pascal Villemagne, was a perfect fit as a candidate and about a year ago we had asked Pascal if he had the desire to take over as a Carbogen Amcis CEO. After a much deliberation, he gladly accepted and we were extremely thankful to him for this and from 1st of April as of this year as his contract has been renewed as representing the CGAM CEO and we have allowed Mark as planned to retire. He will be available to us till the 5th of August, but his retirement has been granted and he is happy with all of us to allow him to spend the time with his family and to do something for himself now. And we all would like to congratulate him for his well-deserved retirement as well as wish him all the best for the future.

Coming to the business side of things from the perspective of EDQM challenges, we are very glad to say that we have completed almost 85% to 88% of the EDQM-related corrective actions and we are on track to extend the invitation to the European authorities as early as October or November this year.

In the meantime, we have been successfully resumed the major products as of this year to start manufacturing for the major customers like Johnson and Mylan which is now Viatrix, at the same time we have been working very hard on improving the operational efficiency and working on operational excellence where we have planned to make many changes in terms of the way we currently manufacture by upgrading the equipment, which allows a lot of operational efficiency to take place which will help us increase the yearly output substantially.

The main agenda behind this would be that the people will be able to perform much better than to perform in a laborious way. So, we are adopting more of an automation route in terms of upgrading our facilities. So, that plan is already on the way and some of it is a part of the EDQM as well and it is going very well.

So, all in all, a lot of exciting things to look forward to. We would like to get into the Q&A as quickly as possible. So, I would like to briefly hand over the call to our new CEO, congratulating him for his appointment as the CGAM CEO and ask him to please introduce himself to all of you, and then Mr. Harshil Dalal will be able to give you the numbers and then we move on to the Q&A. Thank you.

Pascal Villemagne:

Thank you very much, Arpit, for your nice introduction. I wish to join you in wishing all the work that Mark has done over the years, bringing Carbogen Amcis and Dishman Carbogen Amcis to where we are today.

Some few words about myself. As Arpit mentioned, I'm not new to the company because I work for Carbogen Amcis since now 10 years as the Vice President of Sales, Marketing, I worked very closely with Mark Griffiths in all those years. I'm coming from a clinical background. I am a chemist by education and I completed this university business back in the 90s. Since then, I worked with different companies, started at Sanofi-Aventis, then moved to Philips Electronics, then back to the pharma industry, working for front runners US, Japanese and European-based companies and I joined Carbogen Amcis in October 2011.

All those ten years at Carbogen Amcis, I have experienced a lot of different momentum and coming back to the situations right now over the last quarter of the year and final year end we can say that, although the market is still very strong in the aspects in the pharma industry, we still face some challenges with the credit situations in China, for instance, or some challenges in some of the pricing because of the cost of energy and fuels that have been increased. However, although the global situation is not that easy. We succeed to perform quite well by reaching a very high number by the end of financial year as Harshil will tell you later on and we can still count on a very-very strong customer base with very-very strong partnerships we have had with some customers, in Japan, for instance, as you have heard in the past we have very close collaborations where we have built a dedicated facility for ADC products which is in the market in India. Besides that, we are also very strong over the oncology arena, which is the biggest pharma sector with a very important growth and a growth that is going to reach records for the next few years. So, from that business perspective, we do extremely well and we have a very-very strong pipeline by the end of March, more than CHF 100 million of the project into the pipeline, so even much more than when we ended the last year '21.

In that perspective, we also see a lot of opportunities rising up from the Chinese markets. As I just mentioned, we are facing a bit of issues over there, but we have been very lucky, because we have very, very loyal people at Shanghai site and just for your knowledge, most of all people have stayed on the plant for several weeks and days, sitting at the facility to enable productions to carry on and to deliver our customers. So, it's very-very much appreciated from all our customer base and by this behavior we demonstrated that we can be a very global company completely committed to our customers.

That's the end of my introductions and market perspective and I'd like to hand it over to Harshil for the financial numbers.

Harshil Dalal:

Thank you very much, Pascal. A very good evening to everybody. Regarding the financial numbers for the quarter ended March 31, 2022, we posted a net revenue of Rs.569 crores. So, this was a record revenue for us as far as the quarterly performance is concerned. As far as EBITDA is concerned, there were obviously a lot of one-offs that were charged in the P&L as a provision in the current quarter. So, it is better to look at the adjusted EBITDA rather than the reported one. The adjusted EBITDA for the quarter stood at Rs.84 crores representing 15% of the net revenue. The cash profit for the quarter stood at Rs.70 crores.

As far as the yearly performance is concerned, we posted a revenue of Rs.2,140 crores as compared to Rs.1,912 crores for the full financial year '21. The adjusted EBITDA for the full year stood at Rs.394 crores as compared to Rs.274 crores in the previous year. So, there has been a substantial improvement over the previous financial year. The cash profit for the full year stood at Rs.340 crores as compared to Rs.254 crores in the previous financial year.

Talking about the one-off, in the current quarter for which specific provisions were made, we can go item-by-item. So, as far as Carbogen Amcis is concerned, we had booked a provision of CHF2.46 million for certain impurities that were observed in one of the batches for a customer, and this was an impact in rupee terms of roughly about Rs.20 crores which has been provided for in the current quarter. We obviously are currently evaluating the options of raising an insurance claim because this is fully covered by insurance as well as raising a claim against the vendor because the root cause for this particular impurity was a defective supply by one of the vendors.

There was also a one-time provision for pension and leave, that is classified under employee benefit expense and this is to the tune of about Rs.12 crores. So, these are the two major impacts in Carbogen Amcis AG which has actually impacted the EBITDA performance for the quarter.

Apart from this, in Carbogen Amcis AG, bulk of the revenue in this quarter, out of the 45 million of revenue that Carbogen Amcis did, 30 million was attributed to development revenue and most of it was related to pre-clinical phase-I, phase-II where the margins are comparatively lower as compared to the phase-III revenue.

Also, within the projects that were closed during the quarter ended March 31, '22 there was a lot of revenue that got accrued because of the invoicing of the material component in the development project, which obviously come at a much lower margin specifically they come at a margin of about 7% and that had a negative impact on the overall margin at Carbogen Amcis AG.

But, as we have mentioned earlier, it is difficult to see the performance on a quarterly basis as this project keep on moving as we keep on invoicing and as we keep on booking the revenue based upon the percentage of completion, we would see the margins coming back to 20% in the coming quarters.

As far as the one-off in Carbogen Amcis B.V., that is our Dutch business is concerned, there is a one-time provision of Rs.4 crores for the soil reclamation. So, we need certain cleaning for the soil at the particular site because of the chemical usage and it's been done after a span of almost five years, so that is a Rs.4 crores of provision that has been built in.

One of the major impacts that we also saw in Carbogen Amcis B.V. as well as in our UK entity was a significant rise in the power and fuel cost mainly caused by the Russia-Ukraine war. And this steep hike in the prices of gases and fuel combined amounted to roughly about Rs.8 crores.

What we try to do at our end is to pass on the increased cost, whether it's related to power and fuel or otherwise to our customers; however, since this was an unprecedented event which happened in the last quarter and the purchase orders for most of the customers were already booked, it was not possible to pass on this cost in the last quarter. What we believe is that as the contracts with our customers come up for renegotiation as they are right now, we would be able to pass on most of this cost to our customers in the revised contracts and in the revised purchase orders.

Lastly, there was an interpretation from the IFRS perspective for certain IT project costs which were incurred in a French entity as well as in Carbogen Amcis Innovations, amounting to almost Rs.18.4 crores. So, we had implemented the Microsoft Dynamics 365 in France. And according to the new interpretation which has come out from IFRS, all of the implementation costs along with the license cost for this kind of projects have to be expensed out rather than getting capitalized and amortized over a period of time. So, we have taken that one-time hit of Rs.18.4 crores. All of this put together amounts to a total impact of about Rs.62.34 crores as an one-time impact which if added to the reported EBITDA amounts to Rs.84.3 crores as adjusted EBITDA figure. This adjusted EBITDA figure obviously does not have the impact of the lower margins on account of the material invoicing for the development projects that I explained to you, but that is also another factor because of which the margins of Carbogen Amcis AG.

Talking about the segment wise revenue and EBITDA performance, Carbogen Amcis AG had a margin of 14.7% for the fourth quarter of FY'22. This translated into a full year margin of 18.7% as compared to 19.1% in the corresponding year FY'21. If we see on a yearly basis, the margins are more or less comparable but because of the one-offs that I explained the EBITDA margin for the quarter looks to be subdued.

As far as the UK entity is concerned, the EBITDA margin stood at 13.8% for the quarter, this translated into 17.6% for the full year, and this compares to 19% for financial year '21.

On the marketable molecule side, Carbogen Amcis B.V. reported a margin of 29.5% for the quarter, translating into 30% for the full year as compared to 34.5% in the comparable year FY'21. The reason for the decline in the margins at Carbogen Amcis B.V. has to do largely with more sales of cholesterol as compared to Vitamin D Analog in the current financial year, which we believe is again a moving piece. And as the sales of Vitamin D Analog keeps on increasing, we should again see these margins in the range of 32% to 35%.

As far as the revenue breakup is concerned, CRAMS India for the quarter did a revenue of Rs.48 crores as compared to Rs.23 crores in the comparable quarter last year. So, this is again reinforces what we have been saying that the India operations have been improving both from an operational standpoint as well as from revenue standpoint.

For the full year, India CRAMS did a revenue of Rs.160 crores as compared to Rs.53 crores in the comparable quarter FY'21, so that is a significant improvement.

CRAMS Switzerland, France and China put together did a revenue of Rs.375 crores in the fourth quarter of FY'22 as compared to Rs.342 crores in Q4 of FY'21, representing a 9.4% growth. This figures on an annual basis translated into Rs.1,371 crores versus Rs.1,280 crores in FY'21, representing a 7% growth.

CRAMS UK did a revenue of Rs.25 crores as compared to Rs.21.6 crores in Q4 of '21, representing a 16.5% growth. For the full year, CRAMS UK revenue stood at Rs.118.8 crores as compared to Rs.98.6 crores for the full year FY'21, representing a 20% increase.

Carbogen Amcis B.V., our Dutch business reported a revenue of Rs.63 crores in the fourth quarter as compared to Rs.72.7 crores, representing a decline of 13% in the quarter; however, as you would recollect, Carbogen Amcis B.V. did exceptionally well in the first two quarters because of significant amount of sales of cholesterol as well as Vitamin D Analog and hence for the full year the revenue stood at Rs.306 crores as compared to Rs.262 crores representing a 16.8% growth.

As far as the others within marketable molecules is concerned, the revenue stood at Rs.57 crores for the quarter and Rs.185 crores for the full year. So, in all, we did a revenue of Rs.569 crores for the quarter and Rs.2,140 crores for the full year, representing a 12% growth over FY'21 numbers.

Apart from this, we also had reported a couple of exceptional items which are profit before tax. This exceptional items relate to one, research expenses that we had earlier capitalized which have been charged to the P&L as well as certain inventory which was outdated, which we have written off in the P&L. So, these were two major one-offs as far as the exceptional items are concerned in the P&L.

I think with that, I would like to hand over the call to Mr. Sanjay Majmudar, our independent director.

Sanjay S. Majmudar:

Thanks, Harshil and good evening to all participants. So, as Harshil explained, there were quite a bit of one-off provisions which are actually non-cash provisions and that's done on a very conservative basis to ensure that there is no baggage that we subsequently face. I do understand that even on a normalized basis, there is a bit of a minor compression on the EBITDA margins in Q4 even after we considered the adjusted EBITDA which is at around 15%. But I believe that going forward because of the typical issues relating to revenue mix that we saw in the Q4

particularly in Carbogen Amcis and more importantly now with the EDQM more or less behind us in Bavla and therefore India CRAMS also is expected to post a very smart recovery in the fiscal '22-23. I think '22-23 looks like very much a normal year that we should see both in terms of a decent normal growth and a significant improvement in profitability is expected. So, if the top line may grow say just around by 10%-odd, the bottom line or the profitability should improve much more than the top line in the current '22-23 which should signal as a return of complete normalcy.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Praveen Srinivas from Samsung AMC. Please go ahead.

Praveen Srinivas: One wanted to ask was if we look at your employee cost over time, in FY'19, they were at around 35% of your sales and now you've obviously increased while the figures have not moved as much, so how do you sort of think about this employee expenses going forward given the growth that you're expecting for the next two years, how will you sort of think about the employee expense growing on the current base?

Harshil Dalal: So, as far as the employee expenses are concerned, obviously, there has been quite a bit of recruitment over the last 12-months and this is obviously considering the projects that are going to be up and running in the next 12-months or so. So, we would see much of these employee expenses translating into revenue over the next two to three years' time. Having said that, one of the other factors which is a major contributory to the increase in the employee expenses is obviously the FOREX impact because 90% of our employee expenses are from Switzerland, France, UK from all of our overseas entity, and all of these employee expenses while they are paid in the local currency, when the translation happens in India in INR, the FOREX impact on these expenses is inbuilt into the financial numbers that you see. So, overall, we do believe there would be a steady recruitment of people even going forward as we start this new project but many of the FTEs have been recruited over the last 12-months which would yield into revenue figures in the future.

Pascal Villemagne: You summarize very well the situation. We are facing some challenges in some French affiliates for the overall cost of salary increasing because we are starting the process for our people, we finish in time because we need those people to run the qualification and in the meantime we don't have the revenues that are coming in front of that. But it could come going forward for sure. Yes, here and there, some increase is due to very low unemployment that we are facing in Europe. So, you can see some inflation and some others like I said in France that we are shaping in a number of positions in front of a new facility, that is going to be operational in a few months from now. So, yes, it's a challenge, but as you said, in the next few months, we are going to recover and transform those increased cost into revenues in some extent, and with the gap in terms of geography, we are going to transfer this through as much as we can to customers.

Praveen Srinivas: In CRAMS business, in FY'19 and FY'20, you used to do around 15% to 17% EBIT margins. What would be sort of driving that profitability -- is it just an increase in sales or is it like something else that you're thinking of lowering of cost, how should you think about that?

Pascal Villemagne: That's something we are working on. We'd like to come back to what we could call a stand out performance in terms of profitability in our business. As I was saying, we are also facing a number of issues in terms of increase of cost in terms of cost of energy for instance that are really, really affecting our P&L right now and those costs we have been able to retransfer it straight to our customers because the pace we have on project and the pace we are running business between the time you get a commitment with the purchase order and you start the project and you finish the project, it's very difficult to retransfer those with the extra cost straightforward. You have to wait for the next wave of extension. So, there's definitely a lag between the time. We see those high expenses affecting us and the time we can recover those costs. So, we're definitely working on that. There are some instructions to the different entities to renegotiate wherever possible pricing and project cost with customers to move the needle in that path and further down the line we also look at different type of operational efficiencies that we can apply in our plants to basically work on our internal costs to improve our internal profitability. So, playing on those two leverage, we should be able to go back to a normal profitability.

Harshil Dalal: Apart from that, Praveen, if you see over the last two years, EBITDA is negative as we speak right now. So, as we see the ramp up in the operations of the India business both from Naroda as well as from the Bavla site, we would see the margins at a group level also increasing substantially because India is the largest manufacturing set up that we have and in terms of EBITDA margin it has always been the highest contributory in terms of the percentage to revenue. So, as we see the ramp up in the India operations happening in the current financial year and going forward, that would also have a positive impact on the group EBITDA.

Praveen Srinivas: So, just a follow up on that. So, would you say that as utilization say in the Bavla plant goes up and there are more products coming out of there, are the costs of that already sort of baked in currently or would you be doing that with some more incremental costs?

Harshil Dalal: So, right now obviously all the fixed costs are getting incurred of the capacity utilization and that is the reason why the EBITDA is subdued as far as the India operations is concerned. So, what will happen is that going forward, I think it would be just the variable cost which would be kind of the cost component in terms of what would impact the profitability, otherwise the fixed costs are already built into the costing that we are doing right now. So, what we do is that now we have a robust costing system in India as well where we are able to price our products in a much better manner and that would also help us in increasing the overall profitability for the India operations. We are also putting in our slides specifically into the investor presentation mentioning about all of the changes that we have been doing in India in order to bring in process efficiencies as well as implementing a lot of quality software, a lot of engineering improvements. So, under the guidance of our Chief Operating Officer, Mr. Paolo Armanino who has taken over since April 2020, we are making significant changes in Bavla as well as Naroda in order to make sure that just with the existing operating capacity, so like for example, in Bavla we have seven units out of the 11 units that are running right now, so we are trying to optimally utilize all these seven units in such a manner that these seven units can yield greater revenue than what we were making by operating all the 11 units within Bavla site. This is getting achieved by a way of

bringing in all of these efficiencies that I mentioned you about. Arpit, maybe you want to maybe speak in greater detail on the changes that we are doing on the technical side.

Arpit J. Vyas:

Yes, so what we did also was in detail evaluate where we can become extremely efficient in terms of the output as Harshil bhai mentioned in terms of the plant manufacturing better and we saw some major opportunities inside the plants which allowed us to do minor changes by bringing in a few extra equipments which could help us not allow us to take the burden of not operating the four extra plants that we had. So, if you see currently in the seven plants that we have operational, we have started to do everything that was done in the previous years post EDQM for all the customers. So, every building block to be made for any APIs, everything is being managed in a much more efficient way and in a much quicker way as well. The quality aspects are improving substantially in that. So, the idea is to have a less number of plants but to have a greater output and that of course will not happen in a single shot, that will happen slowly and certainly of course bringing in equipment in the plants in a regulatory environment requires customer approvals and the regulatory approvals as well. So, that it will take its own course, but this is in general the idea that we want to create a maximum output from each and every plant going forward, starting with the current ones that we have.

Praveen Srinivas:

Finally, two bookkeeping questions. One, your current CAPEX is around Rs.350 crores to Rs.450 crores, somewhere around that range, right. So, for your future growth do you expect to spend a similar amount going forward or would you be spending lower? Secondly, I think your net debt number is currently around a thousand crores sort of a number currently. Where would you expect that to stretch over the next one to two years?

Harshil Dalal:

On the CAPEX, I think our run rate would remain within that particular range. So, right now as you would be aware the major CAPEX that we are incurring is in France, where we are setting up this Greenfield project for injectables, and that is going to be an expense of about CHF50 million, apart from that we are implementing actually SAP across all of the Carbogen Amcis entities except for France for now where we have implemented the Lead365 and we are also upgrading our quality systems in Carbogen Amcis as well as in India. So, those are the areas where the major CAPEX is getting incurred and we believe that Rs.350 crores to Rs.450 crores would be a fair range as far as the CAPEX for the next few years is concerned. As far as the net debt is concerned, Yes, we are roughly about US\$122 million as of March 31, '22. We believe that at its peak, the net debt could be say around US\$130 million, but we don't expect it to be much greater than that.

Praveen Srinivas:

So, you expect it to increase a bit over the next few years?

Harshil Dalal:

It could be like at the close of a particular period because sometimes what happens is that in order to do a CAPEX, we have to make advance payments to the suppliers, where we will have to draw down the facility from the bank and as we keep on generating the cash accruals throughout the course of the year, the net debt in the next quarter or during the course of the year can again come down. I'm just talking about at peak it might be say US\$130-odd million, but otherwise we don't expect the net debt to increase significantly, and in the next two, three years

the net debt might even come lower than what it is right now. Having said that, since all of our debt is denominated in foreign currency, the cost of that for us is not more than 4%.

- Moderator:** The next question is from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.
- Ranvir Singh:** My question is related to India CRAMS. So, can you give a number of what operating loss we have made in this quarter?
- Harshil Dalal:** This quarter the operating loss would be close to about Rs.6.5 crores.
- Ranvir Singh:** Just I was doing some backward calculations. Operating cost has been in the range of Rs.30 to Rs.35 crores on quarterly basis for last few quarters and if I consider this Rs.6.5 crores operating loss, so that shows that operating cost level has gone up to Rs.55 crores.
- Harshil Dalal:** So, basically in this particular quarter, obviously the costs have increased and that has been across; the logistics costs, the power and fuel costs, etc., But again we are in negotiation with many of our customers to pass on that cost to them. If you take the full year basis, then our operating costs will be in the similar range as what you mentioned, but Yes, on a quarter-over-quarter basis, this might fluctuate.
- Ranvir Singh:** In balance sheet, I am looking that capital work-in progress is Rs.755 crores. So, if the annual run rate has to be Rs.350, Rs.450 crores, so that capital work-in progress is likely to exhaust in next two years?
- Harshil Dalal:** Because most of the capital work-in progress is related to the CAPEX that we are doing in France as well as in Switzerland. So, most of this would get capitalized over the next 12 to 15 months' time.
- Ranvir Singh:** So, maybe by FY'24 that would be added to our gross block, right?
- Harshil Dalal:** Right now it is part of the gross block, but it's part of the CWIP and then it would get reclassified to property, plant and equipment.
- Ranvir Singh:** Just a ballpark number, can you give guidance for where the India CRAMS is likely to be in next one or two years?
- Harshil Dalal:** As far as the India operations is concerned, we expect that in the current financial year, the overall revenue should be closer to Rs.400 crores and we would expect this to grow from 15% to 20% in the year after that.
- Ranvir Singh:** Similarly for Switzerland-based CRAMS, if you could give some indicative growth there for FY'23, FY'24?
- Harshil Dalal:** If you take a three-year view, the CAGR should be close to about 10%.

Ranvir Singh: Despite this capacity expansion we are doing, so are you including this in overseas CRAMS business?

Harshil Dalal: So, the capacity expansion is happening largely in France. In Switzerland, yes, but that's largely on the lab development capacity. Right now, we are almost full in terms of the development

Arpit J. Vyas:

Pascal Villemagne: All those projects in phase-III, their future of coming to the market is not in our hands, it's completely in the hands of our customers and NBA or the market authorization to another country they are hiring. The thing that is under our control is to make sure that we have a solid pipeline of early phase project that could eventually come to late phase and then eventually the late phase program can go to the market. That said, once we start to look at our historical data, on an average, on research pipeline we can say that two to three molecules are generally growing and getting their market authorization. And once the molecule is in the market, it depends how it's going to be received by the community, how big is the difference with the other treatments. This is a really breakthrough in treatment of some of the disease and then this is particularly difficult even for the marketing teams of our clients into predict. So, there is always a dimensions of the kind of bet on the future. The best thing we can say knowing that things are not totally on our control and if we look at historical data and yes in average we can say that two to three molecules are coming to the market every year with different phase and different success or speed to ramp up.

Subrata Sarkar: Secondly, in this current quarter filing, we have told that we have returned Dahej land. Why did we return it back?

Harshil Dalal: The only reason why we returned it back is that we want to first make sure that we are able to operationalize whatever we want to as far as the Bavla and Naroda plants are concerned. So, this was basically taken on a long-term lease for the future expansion, but since we didn't want to go to Dahej SEZ for that particular purpose which was originally planned about five, six years back or maybe even more, we just thought it would be better to surrender it and get the cash from the government.

Subrata Sarkar: In this respect, is our expectation on India or like what is the reason that's a more important question from my side?

Harshil Dalal: We are trying to increase our operational efficiency in the existing units which are already up and running, which we believe can do a revenue much more than what we had done earlier with all the units operational in Bavla and Naroda. So, once we achieve that, after that we can think of any kind of further expansion or acquiring any land for future expansion. Right now we try to optimize our facilities that we have in Bavla, Naroda and that is exactly what our focus area is. So, out of the 11 we have seven units that are up and running, two of the units we don't expect to start in the near future, but those two units can again be used for our future expansion by converting them into GMP compliance specifically.

Sanjay Majmudar: The logic behind Dahej plant was that initially there was an indication in Naroda which is our fine chemical and API facility, there was an indication that it might be called into a green belt zone, in which case, we would not be able to run the plants any more. So, the idea behind Dahej was that to have something which has already an infrastructure ready where we could move instantly if and when this sort of a situation arises. But in the past five, six years, the indication has gone away and things are progressing well in terms of what is going to be allowed in Naroda or not. At the same time, we already have a tremendous land bank; we have 300,000 square

meters of land in Bavla itself and we have another 300,000 square meters of land in Vadodara. The challenge in Vadodara is that there is yet not infrastructure available. So, if Naroda had to be transferred immediately, then Vadodara would have to be a challenge. But since that is not the case now, then the Dahej in itself becomes null and void, it was just to hold on to do a risk mitigation for our current Naroda business.

Subrata Sarkar: Just another follow-up question on late stage pipeline. I suppose a significant percentage of that comes from so-called research driven biotech company. In this scenario, we're now getting PE funding. Is there a challenge to that portfolio in terms of further development from our client side, are we foreseeing something like this?

Arpit J. Vyas: As Pascal mentioned before, we have almost \$100 million worth of orders in hand is yet to start. So, that part is being funded is yet not seen. Of course, what will happen with this war, we don't know. But in any circumstances, if there is a difficult situation which causes physical issues to the human health, pharmaceuticals is the one where the money is going to be core. But in any case maybe I don't know. Pascal, what is your view on this? I don't see anything changing in terms of the funding in pharmaceutical. Pascal, the question was related to the PE funding side in small biotechs, whether we see that being changed or for development work that we are going to be doing, which are our potential clients and the current clients?

Pascal Villemagne: Very definitely, certain resistance will be in the next few weeks despite the war and there are some major critical investors especially in US that they are cherry picking the projects and how they are going to finance some new projects. That said, the last two years have been extraordinary huge in terms of money showing and just in US more than 200 billion has been spent in the pharma industry and a lot of projects have been funded with a lot of money and of course all those projects to carry on. So, we should not see any short term issue on that. It's just have to keep an eye on how people will perceive the global situations with the conflict in Ukraine and VC capital are still very careful to form new projects, with new biotechs especially in US market which gives a chance to the global market.

Subrata Sarkar: Last, a bookkeeping question. We are always in foreign currency, but we have debt. So, now from Indian perspective, one thing is that in a higher inflation situation, interest rate for debt is going up, on the contrary like Indian currency is also like depreciating. So, in this context although we have some debt is there. Isn't it prudent that we pay back or reduce some amount of debt by way of other capital restructuring, just a thought from my side, if you can give some comment on that?

Harshil Dalal: The strategy is very clear. So, right now while the rupee has been depreciating against the dollar and even the other currencies, what we tend to do is that we would increase our forward cover for the future receivables because today if we hedge for a period of one year, we are able to get a forward rate in excess of \$80 to the rupee. So, what we will do is, we'll keep on increasing our forward cover for the future receivable so that the future realizations for the revenue happen at a higher exchange rate than what it is right now, that is number one. Number two, on the debt side, as a strategy, what we have been doing is that taking the loan either in foreign currency

directly linked to the SOFR or we have been taking it in INR at around 6%, 7% and swapping it into foreign currency which helps us to reduce our cost of borrowing on the long term side as well as on the short term side. Even with the interest rates increasing in India as well as overseas, the way it helps us is that overall the forward premium on some of these currencies especially the Swiss Franc, where we have a sizable amount of revenue coming from, we are able to book more forward contracts for that particular currency and that will help us in improving the exchange rate for the future as well. In that way, the currency fluctuation and the higher interest rate scenario due to inflation as you pointed out, really doesn't impact us and having a good amount of liquidity on the balance sheet which is largely invested in high yielding bond as well as in fixed deposits also helps us to get a positive carry on that particular investment.

Sanjay Majmudar: Just to add, in India, hardly, we have any revenue in rupees. So, entire revenue worldwide is in foreign currency. And therefore if the debt is in foreign currency, there is always a equalization factor. Of course, it does impact when you translate all currencies into the mother currency, but in effect, I think we are very much fully hedged and very closely monitoring the situation.

Moderator: The next question is from the line of Ritwik Sheth from Deep Financial. Please go ahead.

Ritwik Sheth: I had a few questions. Firstly on the other expenses, there are a few one-offs in the quarter as we have mentioned. So, at what level should we expect the other expenses to settle at because it is somewhere around about say Rs.75 crores to Rs.85 crores on a quarterly run rate which has moved to Rs.145 crores because of one-off. So, at what level should one expect other expenses to settle at?

Harshil Dalal: What we expect is the other expenses would remain elevated, and again it depends upon the many of the global factors and maybe we can take a run rate of close to about Rs.100 crores as a ballpark figure. Having said that, what our endeavor is to do is to pass on most of the incremental cost to our customers by billing it into the sales price and that is something that we are negotiating with our customers especially when the contracts are coming up for renegotiation, so the future purchase orders can come at a higher selling price. So, overall what we want to do is to protect our operating margins at any point.

Ritwik Sheth: What will be the increase in prices that you have to take for the upcoming orders for complete pass-through of increase in other expenses?

Harshil Dalal: So, that would depend upon product-to-product, customer-to-customer, and obviously we will have to take into consideration some of the long-term relationships that we carry with some of these customers and how critical they are. But I think anywhere between 5% to 6% is something that should be ideally passed on.

Ritwik Sheth: My next question is regarding the CRAMS business excluding India of about Rs.1,500 crores. You mentioned that you can look at a 10% CAGR. So, would it be fair that this entire piece would grow at a 10% CAGR on a three year to five-year view?

- Harshil Dalal:** Yes, I would say so. And one of the other incremental business that would be coming in from the start of the next financial year, the revenues coming from the Greenfield project that we are currently undertaking in France, so the incremental revenue that would be added to the CRAMS ex-India.
- Ritwik Sheth:** What would be the CAPEX for FY'23?
- Harshil Dalal:** For FY'23, we expect a similar kind of CAPEX number as the last year, which was close to about 60 Million.
- Ritwik Sheth:** So, the increase in revenue from the India business, it should be more or less sufficient to fund this internally?
- Harshil Dalal:** Right now, we have the entire CAPEX that we are doing, completely tied up with the banking syndicate. Again, the cost of borrowing is quite low because all of it is going to be in foreign currency. So, there would be say certain periods whether that would remain elevated; however, with the cash accruals that we have been generating throughout the course of the year, we might either pay off the debt, but it really doesn't make sense because of the cost of funding rather than the cash accruals would remain invested into triple A-rated high yielding bonds. So, on a net debt basis, we believe that 130-odd million should be kind of the peak.
- Ritwik Sheth:** We have seen working capital increase significantly in our current year despite this 10% increase in revenue. So, what would be the key reason and where do we expect this to settle in FY'23 and then on a sustainable basis what kind of working capital days should we work with?
- Harshil Dalal:** One of the key factors in calculating the working capital for us is also considering the advances that we receive from our customers which is right now classified under other current liabilities. So, if you see, the other current liabilities have increased by almost Rs.100 crores. So, what we do is that for any development project, as a thumb rule, we will not be starting any development project unless and until we get a 30% advance from our customers. So, all of that is classified under other current liabilities. So, if you net off the other current liabilities from the debtors, inventory and calculate the working capital, I think we are fairly in line with what we had last year. So, we don't expect the working capital to increase substantially from here on.
- Ritwik Sheth:** Is it possible to quantify this number of advances received for FY'21 and '22?
- Harshil Dalal:** For FY'22, it is around Rs.250 crores and for FY'21 it is close to about Rs.150 crores outstanding as on March 31.
- Ritwik Sheth:** Is Increase in working capital about Rs.200 crores for FY'22?
- Harshil Dalal:** Right, so the incremental Rs.100 crores is largely on account of the increase in the revenue by about Rs.240 crores.

- Ritwik Sheth:** You mentioned that we are looking at Rs.400 crores of CRAMS India revenue for FY'23. So, what could be the margin for this Rs.400 crores -- would it be as high as 45% to 50%?
- Harshil Dalal:** Rs.400 crores would be the total revenue for the India operations and of this the CRAMS revenue should be at least Rs.250 to Rs.260 crores. The blended margin should be anywhere between 25% to 30% on Rs.400 crores.
- Moderator:** As there are no further questions, I now hand the conference over to Mr. Arpit Vyas for closing comments. Over to you, sir.
- Arpit J. Vyas:** Thank you, moderator and thank you everyone for joining the call. It was a pleasure answering all the questions. We hope that we have answered to your satisfaction. As I said before, this is going to be a year of turnaround and we are going to see many exciting things and major improvements coming globally. We hope you all are as excited as we are and we will see you next time.
- Moderator:** Ladies and gentlemen, that does conclude Dishman Carbogen Amcis Limited. That concludes this conference. We thank you all for joining us and you may now disconnect your lines.