

25<sup>th</sup> May, 2016

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.

To,  
Department of Corporate Services  
Bombay Stock Exchange Ltd.  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

Ref. : (i) Symbol – DISHMAN  
(ii) Series – EQ

Ref. : Scrip Code No. : 532526

**SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND YEAR ENDED 31<sup>ST</sup> MARCH, 2016**

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Friday, 20<sup>th</sup> May, 2016 to discuss the financial result and performance of the Company for the quarter and year ended 31<sup>st</sup> March, 2016.

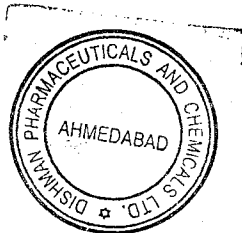
Kindly take the same on your record.

Thanking You,

Yours faithfully,  
For Dishman Pharmaceuticals and Chemicals Ltd.

*S. G. Dave*  
Shrima Dave  
Compliance Officer

Encl : As Above



**Dishman Pharmaceuticals and Chemicals Limited**

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## Earnings Conference Call Transcript

Event: Dishman Pharmaceuticals and Chemicals Limited - Fourth Quarter and Year Ending March 31, 2016 Earnings Call

Event Date/Time: May 20, 2016 at 1600 hrs.

**CORPORATE PARTICIPANTS**

**Janmejy R. Vyas**  
Chairman & Managing Director – Dishman Group

**Arpit Vyas**  
Managing Director & CFO – Dishman Group

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

**CALL PARTICIPANTS**

**Runjhun Jain**  
Senior Research Analyst - Nirmal Bang, Mumbai

**Chetan**  
Mumbai

**Ranjit Kapadia**  
Mumbai

**Deepan Shankar**  
Chennai

**Ranveer Singh**  
Mumbai

**Saravanan Vishwanathan**  
Chennai

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**PRESENTATION**

**Urvashi - Moderator**

Good afternoon, ladies and gentlemen. I am Urvashi, the moderator for this conference. Welcome to the Conference Call of Dishman Pharmaceuticals and Chemicals Limited. Mr. J. R. Vyas and Mr. Arpit Vyas will be your call leader today. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question and answer interactive session will be conducted for all the participants' in this conference. I now hand over the call to Mr. J. R. Vyas and Mr Arpit Vyas. Thank you and over to you, Sir!

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**Janmejy R. Vyas – Managing Director - Dishman Group**

Good evening everybody. Thank you for joining the concall. Arpit will be giving more details, but I just want to say that our efforts of reducing the cost and improving the profit has happened significantly and we have just started a few months back, so this year onwards we will be going into the direction. I have taken over the entire R&D process in my hand, so I am sitting at the plant. Anybody who wants to come and see the plant is most welcome. You will see one of the best plants in the country. That is all I wanted to say. I will pass on to Arpit now.

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

Thank you. Good afternoon everyone. Thank you all for joining. I hope you are all happy with the number that you have received. They are indeed wonderful. It has actually showcased the hard work of Mr. Vyas and the team in Bavla and Naroda are doing. It clearly indicates of what we have been telling you for such a long time. So it proves whatever we have been telling you of the strategies and the targets we have been achieving. This is the first year where some of the targets have been achieved and the things have been showcased and as Mr. Vyas mentioned that it will be a constant effort will be put to make sure that we never fallout of our targets. If we do fall out our targets then we will also make sure that we rectify it and the future years will be catered to in that manner. I hope all of you are happy.

I will just give you a short speech so that we can move on with the number discussion and then further with your questions. You would have seen that we have given an interim dividend before March and the reason for that I will explain. It is very simple where we saw the health of the company and the affordability of the company was there to do

this where we analysed the new tax laws of the dividends which were going to be incorporated and we took this opportunity to give some tax benefits to the investors of the company whoever would fall under the tax bracket including the promoters of course. So the health of the company was very strong and hence we were able to do this. So it gives out a very positive signal. I would also further like to tell you that if the health of the company was not capable of doing this and we would have not done it.

I hope you are all happy to save some taxes. That would have otherwise gone to the government. Unfortunately from this year on we will not be able to do that. That is how the world works. We cannot do anything about it. Just a few things we have also issued the bonus shares where we saw the need of doing this and reducing the cost of the share and increasing the liquidity in the market where some of the investors were seeing the share price a little costly which according to us was not at all, but just to have a physiological benefit we took this step so that further affordability of the shares would be seen and I hope you guys will appreciate this effort by the company and it has been very taken.

You would have all seen the number performance and the numbers and everything will be shared by our finance head and our independent director, Mr. Harshil Dalal and Mr. Sanjay Majmudar. I would just like to talk about the business a little bit. You would have seen that the CRAM segment for the entire group has seen an uplift, which is what we were aiming for where our products become which are important for us not in terms of serving the end user who is suffering from cancer and to save their lives and to extend their lives in case of cancer is fulfilled and hence you would see that there is a jump in the CRAMS segment from the numbers. With the increasing CRAM revenue the property will also increase and hence higher EBITDA that you see across the group.

The Vitamin D business of Dishman Netherlands continues to be profitable. The Vitamin D market is being catered to in a very systematic manner where we do not let go off the quality and hence we do not let go off the profitability either and that strategy will keep going on and we will follow that till the existence of our Dishman Netherlands facility. The China facility also saw a growth and I am happy to inform you that in a way turned out to be profitable and we have over achieved our own targets. There, our target was to at least become no profit no loss. So it has become profitable to a small extent but in any case, money has stopped flowing in from the parent as well as its subsidiaries and it has pulled itself back up and the entire efforts from us are going to bring in to profitability and carry on that year-on-year.

Our journey of continuing to work on the CRAM segment and to cater to the need of the market and to cater to the need of the individual as begun and it is going on in full force and we see a lot of opportunities in the market to serve the people in a way where we keep growing as a business and keep our investors as well happy. I hope you appreciate our efforts and we keep growing together. I thank you all for your support for all these while. I only hope that you keep supporting us and believe in the company and believe in the people who are managing the company and stay invested for the longest bit of time. With that I would like to hand over the call to Mr. Harshil Dalal and Mr. Sanjay Majmudar.

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

Thank you Arpit Bhai. Hello everyone. Hope you are having a very good evening. I would just like to give the highlights of the financial results of the last quarter ending March 31, 2016 and for the full financial year. So as you would have already seen the results the profitability of the company has increased dramatically in line with what we had been stating over the previous two to three quarters. So for the quarter ending March 31, 2016 on a consolidated basis we did a topline of 422 Crores with an EBITDA margin of 28% and profit after tax of close to 50 Crores which is about 12% of our revenue. For the full financial year we did a topline of close to 1600 Crores with an EBITDA including other income of 27% and profit after tax of 171 Crores which represents 11% on the topline.

As far as the profitability is concerned, it has jumped significantly as compared to last year where we did a PAT of 8% for the full financial year which has gone up to 11%. Also on an operating performance perspective without other income and one-offs we had done close to 21% EBITDA last year as compared to 26% this year which is a significant jump, but the main parameters behind this jump has been our subsidiary operations as well as the parent operation. So Carbogen AMCIS margins have moved up from 17% to 19% for the full year. Netherlands has done an EBITDA margin of close to 30% as compared to last year which was close to 20%. CRAMS UK which last year was close to 32%, it has come down a bit. That was largely on account of most of the projects being handled out of India and China. China last year which had done an EBITDA loss of close to 28 Crores this year on a topline of close to 50 Crores, it has done an EBITDA margin of 45%, so there has been a big turnaround for China.

The bottomline is that all our subsidiaries including the parent have done exceedingly well and that story would continue even going forward. We will see significant improvement in the profitability going forward as well.

With this I will hand over the call to Sanjay Majmudar.

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

Just one or two very small additions to what Harshil and Arpit Bhai has said. One is on the FX. In that foreign currency or foreign exchange loss in the year FY2016 is about 8.76 Crores which is part of the finance cost as against FX gain of about 11.29 Crores on an annual basis in FY2015. So this is the results that you see are after absorbing the FX loss of

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

about 8.76 Crores. In terms of outlook, in terms of the direction, Arpit has already given you the broad parameters. So I think without wasting much of your time, we will move on to the question and answer session. Over to you moderator for the Q&A session please.

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### Urvashi - Moderator

We will now begin the question-and-answer interactive session for all the participants' who are connected to audio conference service from Airtel. Participants' who wish to ask questions may please press "\*" "1" on their touchtone enabled telephone keypad. Participants' who wish to ask questions may please press "\*" "1" now. The first question comes from Ms. Runjhun Jain from Mumbai. Ms. Jain, you may please ask the question now.

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### Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai

Thank you for the opportunity. Congratulations to the management for good set of numbers. Sir, a few questions; first is we have seen an increase in the goodwill in consolidation during this year, so what it is for?

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

That is large on account of the acquisition of the additional shares in Schutz Dishman. So, we had a joint venture partnership Schutz and Co. in the company with Dishman. As you would have learnt in March 2016 we acquired the 50% stake from Schutz & Co, which has resulted in that goodwill plus in this board meeting what we have decided is that Schutz & Co., the company Schutz Dishman has been incurring losses. The promoters will be buying out their stake of Dishman.

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### Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai

Now Dishman holds 100% of it?

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

Currently it owns 72%. So the holding will again go back to 22%.

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### Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai

Sorry I did not get you. You are saying that you are now offloading 50% of the stake in this?

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

Right, so originally Dishman had acquired the 50% which Schutz & Co used to own in Schutz Dishman, so the holding as of March 31 has become 72%; however, looking to the health of Schutz Dishman as it stands currently since it is incurring losses which was close to about 4 to 4.5 Crores for the last financial year the board had recommended if the promoters could buy their stake and the promoters have decided to buy their stake for the same amount at which Dishman had acquired. So now the holding of Dishman India will go back to 22%.

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### Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai

Sir, this amount would now come down going forward?

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

Yes, obviously that amount will come down.

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### Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai

Second is on the consolidated basis, we have seen a healthy improvement in the gross margins. So you see that this is sustainable or you see that this would further come down or how do you see your outlook for future?

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

That was what I had said in my speech, Madam that this is a constant effort that is going to be paid and the efforts of Mr. Vyas and team have paid off and it is going to showcase that year-on-year.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

I appreciate Sir, but Sir, in the past we have seen that there are lot of volatility in the gross margins. So there was no clear trend or one way or something like this. So this is one of the highest gross margins we have seen in the history of the company whereas the last year it was 66% as compared to 79%.

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

Madam, when we talk about the past, you also have to talk about the future, right. We have got a team since a long time. We have achieved it and these efforts are going to be put in.

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**Janmejy R. Vyas – Managing Director - Dishman Group**

I would bank with Arpit. I would like to add one very important activity which is increasing the margins. We have started the unit of disinfected formulations and we have the contract of three largest disinfectant manufacturers worldwide that is Johnson & Johnson, Ecolab and Squibb Myers and we have done in the last few months a huge portion for Johnson & Johnson and we have invoiced that just as a contract manufacturing charges to the extent of 20 Crores or more. So this will be becoming larger because there are many other companies who are negotiating with us and these all are giving us business of active disinfectant and our contract charges which both together increases the margin.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Sir this is the Hypo facility which you are talking about?

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**Janmejy R. Vyas – Managing Director - Dishman Group**

Not Hypo. This is the contract manufacturing of formulations. So we have a disinfectant formulations facility and that is doing the manufacturing for these customers.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Sir, what is the current run rate of revenues or the order book for this?

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

It is only beginning right now, Madam.

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**Janmejy R. Vyas – Managing Director - Dishman Group**

Order book is infinite because whatever we can produce, we have a situation where we may have to put one more unit so we will discuss as time comes, but right now it is fully booked.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Second thing is we have seen inventory days has gone up in this year, so what is it and why this has increased so much?

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**Janmejy R. Vyas – Managing Director - Dishman Group**

What is it?

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

Madam, basically what happens is for the large R&D projects that we have on hand, we have to keep on building that inventory so that we can keep on servicing those R&D projects. That is number one. Number two, at Netherlands, we are undertaking a massive maintenance exercise because of which the supply of goods for the first quarter this year the inventory needed to be built up in the last quarter of the last financial year, so because of these two reasons the inventory days were higher; however, as and when it would get realised that would definitely come down.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Sir, can you just repeat the second point of Netherlands again? What you said?

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

In Netherlands, we are undertaking a massive maintenance exercise over there as part of revamping the soil testing as well as there are certain other things in terms of the tanks to be revamped. So for the first quarter this year we had to keep on servicing our customers. So if there is any kind of impact on the production, because of that we had built up the inventory in the last quarter of the last financial year, which would be utilised to ensure that the sales to the customer does not get impacted.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Sir, till when this maintenance likely to continue?

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

It will be just for the first quarter.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

First quarter, so you will resume your production from second quarter?

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

So the production would not shut down completely, there might be certain impact on the production because of which we have built up this inventory.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

So, you see that by the end of the first half, this would normalize?

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

Absolutely.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

What is the run rate? Where you see the inventory days to be at sustainable levels?

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

The inventory days should remain around 90 to 100 days.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Another thing is you have said that the CRAMS UK margins have gone down, any reason for this?

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

Madam, CRAMS UK is basically a non-GMP work of the Carbogen AMCIS where we have to take strategic call of keeping more profit into Carbogen AMCIS than to give it to UK and at the same time some of the orders have reduced in UK subsidiary.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

How much the order has impacted us Sir and what was the order amount?

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

The orders are there Madam.

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

Just to add, it will not be too much impact. It is just a small facility where on consolidation it would have knocked off the number any ways because most of the work is being done by Carbogen AMCIS. The idea of the CRAMS UK facility has always been to debottleneck Carbogen AMCIS from doing the non-GMP work because the Carbogen Swiss is an entire GMP facility and we gave them the CRAM UK facility so that they do not do non-GMP work in the GMP facility. So now in that scenario where Carbogen AMCIS UK was making a lot of profit, we have asked Switzerland that you take back the profits you do not pay this much to the UK facility and just maintain it the way it should be maintained and make profitable.

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

Just to clarify madam. This is erstwhile Syncrotech if you remember we have put it under Carbogen AMCIS. This is a non-GMP facility. For the entire year it did about 7 million GBP with a 22% EBITDA margin and about 16% net margin. What Harshil reported was this particular quarter Q4 where it had a little bit of a small loss only for the quarter because of the relocation or shifting of some of the projects. Nothing significant.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Fair enough Sir. Sir in China sales can you give me the last year's sales number also? You have said that we have done almost loss of 28. So what was the sales number?

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

The sales number for last year was 4.5 Crores versus 49 Crores for this year.

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**Runjhun Jain - Senior Research Analyst - Nirmal Bang, Mumbai**

Now you see that this kind of run rate because we have done almost 23 Crores of sales of topline for China in this quarter. So you see this run rate is sustainable?

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

Yes definitely we will have to try madam. China is an upcoming facility. Our sales force have been given an incentive for sale to China facility, but we have a budget of almost around 5 billion minimum this year. We will try and surpass it, but rest assured we will try and make it profitable if not no profit no loss for sure.



**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Quarterly run rate for sales should be maintainable?

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

No, last quarter was quite heavy. It is important for every one to understand when you put a question is that our business is different. Please do not look at it as a quarter-on-quarter basis because some quarters are going to be strong and some quarters are going to be weak?

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Even for yearly Sir, if I say 50 Crores?

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

Yearly, we will be able to maintain around the same level of sales.

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

Why I am talking about yearly which is the target. In our business something or the other can always go wrong, but the assurance is that we will rectify it and we will make sure that we are committed of what we are doing and make it profitable.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

You said that on 50 Crores we have done total 45% of EBITDA margins?

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

Yes that is correct.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

So we have done an EBITDA of around 22 Crores?

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

Yes EBITDA would be around 22 Crores. That is correct.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Last question from my side is I have seen that there is a healthy margin in CRAM segment and congratulations for the team for that. But I just want to understand why the sales growth has been muted. It has just grown the CRAM segment is 2% year-on-year so can you throw more light on it and for the outlook?

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

I think, quarter-on-quarter actually we have been saying the same thing where the topline is going to be flattish. We are focusing on the bottomline and with the previous products that we were making to cover the fixed cost have been replaced by new profitable products and hence you see a bottomline growth rather than a topline growth and I think for any company a bottomline growth is what is more important because that is money in the pocket. Topline should not matter that much.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

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Sir, in future also you see that this would be the same muted, but with a healthy profit line?

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

Yes, this is our strategy. As and when we get more products the topline will also increase, but this relates to your previous question whether the profitability is going to be there and sustainable and these are our efforts which are clearly being shown.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Sir one thing about the Dishman SEZ is there any update about it? You would like to update us about it?

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

We are happy with whatever is happening right now. It is a prime location and as and when we get a customer we will see if we want to sell it or we actually want to keep it for rest of our life.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

But in terms of the debt it is still high. So what is the idea of repaying or reducing it or something?

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

We actually have repaid almost upwards of 20 billion, which is not being shown for two reasons. One is the forex impact and the second is at the Carbogen AMCIS level we needed an immediate investment for a project where the reliability will happen this year.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Sir, you would probably start paying out something more from this year?

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

I think Harshil will explain the FX impact and the net reduction in debt has actually happened vis-à-vis what is the year end position for the benefit of everyone.

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

As you know like most of our borrowings are in foreign currency and the right way to look at our debt numbers would be in dollar terms as against the rupee terms. So even after drawing down the working capital facility which Arpit Bhai mentioned at Carbogen AMCIS or some of our projects which are extremely profitable in the last quarter even after that there has been a reduction in the debt by almost 11 million which translates to close to 67 Crores and this I am talking about the net debt. The net debt position as of March 31, 2015 which was about 143 billion has come down to 132 million. Overall there is a net debt reduction of about 11 million this year.

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**Runjhun Jain – Senior Research Analyst - Nirmal Bang, Mumbai**

Thank you very much.

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**Urvashi - Moderator**

Thank you very much Madam. The next question comes from Mr. Chetan from Mumbai. Mr. Chetan your line is open, you may please ask your question now.

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## Dishman Pharmaceuticals and Chemicals Limited Conference Call

**Chetan – Mumbai**

Thanks for the opportunity. Sir, my question is on the outlook for the FY 2017 in terms of you have just touched upon but the focus was more on the margin and not on the topline, but in the previous concall you have said the FY 2017 you have 10% to 12% revenue growth. Do you still maintain that or there is some revision in it?

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

We have been maintaining that year-on-year always, Chetan.

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**Chetan – Mumbai**

So, FY 2017 10% to 12% you are saying and the current FY2016 margins of 25% that you achieved that is likely to continue?

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

We believe so, I think yes. That is what our efforts are always going to be.

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**Chetan – Mumbai**

Sir, in terms of debt you just touched upon 132 million of net debt. What is your gross right now?

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

The gross debt would be close to 140 million.

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**Chetan – Mumbai**

What is the current cost of borrowing?

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

The average cost of borrowing which last year was about 9.6%, now it has come down to about 8.5% and it will further go down as we convert our rupee borrowings in to foreign currency loans and payment happening.

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**Chetan - Mumbai**

My question was on that only. What kind of scheduled repayment you will have for FY 2017 and can we expect, our margins are improving, the business (indiscernible) because of that, so can we see some kind of prepayment of debt for FY 2017.

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

Our obligation for FY 2017 is 100 Crores, that is the debt due within that period and with the free cash flow that we are generating quarter on quarter, we might look at prepaying some of the debt as well.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

We will look at the business first Mr. Chetan and if the free cash is not required for the business outlook then we will utilize it to prepay the debt.

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**Chetan - Mumbai**

Sir, relating to the question of Dishman SEZ, which was asked earlier is there any ultimate use for the land in the near future for Dishman?

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

Land suggests that we have expandable opportunity in the future. Right now, you would have seen the unrealistic land prices in India where if I go for low cost land, then I will have a problem, I will have to pay more for electricity to come to that land, if I go for high cost land, then the ROI will be questioned, so I think the land investment is also going to be good at whatever levels that we have done it.

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**Urvashi – Moderator**

Thank you Sir. The next question comes from Mr. Ranjit Kapadia from Mumbai. Mr. Kapadia, your line is open. You may please ask your question now.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

Thank you. Congratulations for good set of numbers. I have few questions. My first question is what is the Carbogen Amcis order book?

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

The order book I think is about 17 million CHF.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

It was 100 million CHF, so how the order book has shrunk to that extent, about 30%?

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

100 million order book does not mean that we stop making. We also have to cater to the order book.

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

This is just the development orders. In addition to this, there would be commercial orders as well.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

If you can throw some light on number of new clients added during FY 2016 and number of clients which have been dropped out in FY 2016 overall, how many customers you added during the year and how many have dropped out from your list, major customers?

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

That, we will have to see and get back to you.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

My third question relates to this ADC antibody drug conjugate, we have good opportunity for this anti cancer products two to three quarters back, so any development on this front?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

The development is ongoing. We are getting more and more clients to service the ADC side of it. You would appreciate that the development of any new molecule and completely new delivery system takes time. All we hope because it is completely customer dependent and then how successful the molecule is depending on the clinical trials that they are doing. We can only hope that one would become a success like we do with other kind of projects.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

How many molecules are already commercialized and how many are in the pipelines currently, ADC?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

ADC none of them are commercialized.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

How many are in pipeline?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

I think we are working on two to three and we are working on some proposals to be submitted which is further you can say three to four.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

My other question relates to Sirturo, Johnson & Johnson, we have a long term contract with that.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

I request you because we have been informed by the said company not to mention these things in the public domain, so we request you to not name the product as well as the company and you can continue with the question that you wanted to ask.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking - Mumbai**

The anti TB product which you have already servicing, if you can throw some light of the potential in the next two years or so?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

The potential is something that would be calculated by Johnson & Johnson because it is going to be catering in to the end user. What we know from the news and the public forum is that Johnson & Johnson have started single trial earlier this month in India in which they see a potential. South Africa, China, it is completely dependent on that strategy and as and when they start with increase in consumption and the results are seen. We can see a major uptake, but as of now it is in the analysis phase and constant revenue of year on year what we see right now can be expected. While there is an uptake and appreciated by the people we will see a jump in the revenue as well.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

Does the company have an order on hand for this?

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

Yes, it is at a normal level. Yes, it is at a same level year on year where they provide single order and then as and when demand increases they provide multiple orders which happened last year as well as this year, so at the end of the day it is completely in the hands of the company, how they are marketing that product.

**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

Any other company which is supplying the same material to J&J to your knowledge?

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

To our knowledge, no.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking - Mumbai**

So you are the sole supplier from India and the other is them.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking - Mumbai**

Are they in India or abroad.

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

It is them, themselves.

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**Ranjeet Kapadia – Senior Vice President – Centrum Broking – Mumbai**

Okay, thank you very much and wish you all the very best.

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**Urvashi – Moderator**

Thank you Sir. The next question comes from Mr. Deepan Shankar from Chennai. Mr. Shankar, your line is open, you may please speak now.

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

Thanks a lot for the opportunity and congratulations for the set of numbers. Sir, just wanted to understand China and India utilization on plant front.

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

Utilization in terms of the overall capacity utilization percent?

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

Yes.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

About 50 to 60% in China for catering to whatever orders that they cater to and 50 to 60% will continue for this year for catering to the current orders and as and when new orders come, that is our target and that is what is going to help us achieve at least a break even in the year and for India we are about 60-65% where you can imagine that for low value products the volumes are always going to be high but the margin is low, so when we replace those such items the volumes would come down and the capacity would reduce in terms of percentage but you can see the profitability of that change, but it is good news for us so that we can cater to the multiple products that are already due to be launched in 18 to 24 to 26 months.

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

India, we were planning about launching another three units, inside that unit itself, when that would be possible?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Sorry, can you elaborate on that because we don't remember mentioning any dates.

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

There are no major capex plans as Arpit bhai said the management focus is provide value added products, high profitable products where obviously the volumes would not very high, again in our case let me elaborate, the capacity utilization is not a standard parameter actually because for each different product depending upon the number of reactions, the cycle time, everything can vary very very materially given the value wise it is very difficult but I don't think there is any major capex, there is no three units, I do not remember having made any such thing.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

You might be talking about the hypo unit where there are only two cells which are fitted in and four more cells are remaining to be fitted in that will be done, so some of them, the activity has already started happening where we can cater to the requirements of the customers and it is not a projection that we are seeing when we are making this investment, it is a firm commitment that we are seeing and handle things.

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

Currently, the hypo facility is nearly full, so we are going there with the expansion of the new cells.

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

Sir last quarter we were talking about China unit trying for GNP certification for API drugs, any update on that?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

I think in this quarter we should be able to achieve it.

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

No Arpit, it is going to take at least two years.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Not Shanghai ji, I am not telling him about Shanghai, these are export GMP license.

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Export GMP, yes, we have already but Shanghai they told me it is going to take two years.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Shanghai, it is communist government and the government is always bureaucratic, so it takes time, but for export purposes we have made it GMP ready, just a few minor upgrades have to be made and we will be filing for export GMP to sell products out of China from China and that should be done in this quarter.

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

What kind of potential this could add up?

**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

It will give us the option of selling products outside of China, so it gives us risk mitigation which is the number one thing where our customers are convinced of having multiple locations within the same organization for Switzerland, India and China, so the potential is quite good.

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**Deepan Shankar – Senior Analyst – Trust Line – Chennai**

Okay Sir, thanks a lot and all the best.

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**Urvashi – Moderator**

Thank you Sir. The next question comes from Mr. Ranveer Singh from Mumbai. Mr. Singh, your line is open and you may please speak now.

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**Ranveer Singh – AVP – Systematics – Mumbai**

Sir question relates to restructuring we have done with Schutz, so was not able to understand within a quick time we increased our stake, then again off loaded it knowing that the company is making losses.

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

Schutz Dishman is a very old company. It is a very old JV. Dishman is currently having about before this whole exercise of acquisition and then divestment happened it is actually this JV was set up about 10 years ago and it is focused for a dedicated product range chlorhexidine gluconate and its salts. Schutz and Co is a large multinational trader and marketing company for this particular range of product and Dishman was the JV. This JV Dishman had a 20% stake, the 30% stake was with promoter of Dishman and about 51% was held by Schutz and Co. Unfortunately, for the last two, three years this JV has not been doing too well. There is no debt. It is a very small operation about 25-30 odd Crores topline maximum, but it was an old relationship Schutz and Co wanted to exit, so eventually we settled that, okay, Schutz and Co shares will be taken over by Dishman because if you look at the ODI and other rules it is always better to do this transaction through a company, so we paid about 300,000 Euros and acquired shares of Schutz and Co but that was an intermediary or a bridge step and beyond that so in this board we decided that.

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Maybe I would like to, if we recollect the board meeting I would like to address one of the points where the board had asked since looking at the numbers, they asked the promoter to help out the company in the aspect and not book the loss of Schutz in the books of Dishman and the promoters were asked to help out in this manner where the promoter readily agreed and hence this transaction happened.

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

So, now it is that the divestment out of again Dishman, promoter is taking over, so that it does not remain a subsidiary of Dishman.

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**Ranveer Singh – AVP – Systematics – Mumbai**

What was the amount involved in this change in hand?

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

Same cost of 300,000 Euros.

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**Ranveer Singh – AVP – Systematics - Mumbai**

How goodwill will be treated then, will the related goodwill be transferred?

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

Yes, it would be completely transferred, we will be accounting for the new company whatever we name it, we will be accounting for it with a 22% stake, so there will be no debts sitting on the books of Dishman.

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**Ranveer Singh – AVP – Systematics – Mumbai**

Just talking about the growth for FY 2017, we are expecting 10 to 12% kind of growth, so this kind of growth despite that we are not doing any major capex, I understand that some high value CRAMS would be replaced, that means certain CRAM projects would be retired, so net to net unless we do some capex, the growth sustainability of growth at topline level seems a little difficult, I want to understand how we are going to maintain this growth for the next three four years perspective?

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

Basically, this is an important question and I would like to take it little broader. Dishman is an entirely USFDA approved facility, so all the reactors are booked for a particular product so we have filed a trade master file where we have clarified that this unit and this particular reactor will be utilized for this company's product, so that way we have booked the capacity to 60% as Arpit says and there is capacity available and at the same time, the customer are increasing the demand and we have this approved facilities where we will be increasing the production, so that is how it is always for a FDA unit, it is always in that manner.

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**Ranveer Singh – AVP – Systematics - Mumbai**

Relating to vitamin D business, how is the pricing scenario now, whether we see any downward or upward?

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

We have stopped vitamin D3. Vitamin D3 prices have gone down dramatically from China and what we have done is very synergic. What we have done is we have gone to another product which is called 25hydroxy and that is converted in to calcifediol and it has now proven all over the world that vitamin D3 is much less available and it is calcifediol which gets converted in to D3 and that is more important and more sensible and so we have entered in to that. We are preferring the precursor here and Dishman Netherlands makes the final analog calcifediol.

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**Ranveer Singh – AVP – Systematics – Mumbai**

So, will this help us maintain or increase our margin?

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**J.R. Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

It will increase the margin quite substantially.

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**Ranveer Singh – AVP – Systematics – Mumbai**

Sir relating to tax rate what would be the effective tax rate we are expecting for FY 2017?

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

For FY 2017 we are expecting a tax rate of about 25% on a consolidated basis.

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**Ranveer Singh – AVP – Systematics – Mumbai**

On hypo facility what would be the number of project currently under process, in last call you mentioned some four projects we are working on?

**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

The four projects are still on line and they are continuing. More projects as said in the last call as well that both the places are full and all these projects are going to be some other time under validation and for clinical trials and for launch, there are few more products in R&D which are about four to five further but from R&D to as a plant level will take a little bit more time like it has done for these four projects to come to the plant level.

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**Ranveer Singh – AVP – Systematics – Mumbai**

In gross debt whole of the debt has been converted or what proportion has been converted, how much of the rupee loan has been converted?

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

Out of the total rupee debt, there was outstanding last year which was I think close to about 450 odd Crores, about 200 Crores have already been converted.

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**Ranveer Singh – AVP – Systematics – Mumbai**

And we intend to convert it all in to dollars?

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

Yes, it would be converted taking in to account in what currency we have our receivables, we will convert it in to that currency so that we do not run the risk of foreign exchange fluctuations.

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**Ranveer Singh – AVP – Systematics – Mumbai**

That is what I was coming on, but cost of finance is 9%, that has come down to 8.5%, due to this partial conversion, despite we are taking a risk of dollars also, so even if we convert it totally in to a dollar what would be the effective rate?

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

The rate might even further go down, it obviously will have to take in to account how much, since we are 100% export oriented, so taking in to account the exports that we have we will convert it in to foreign currency and that would negate the foreign exchange fluctuations but this may even further go down as we convert the rest of our debt in to foreign currency debt.

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**Urvashi – Moderator**

Thank you Sir. The next question comes from Mr. Saravanan Vishwanathan from Chennai. Mr. Vishwanathan, your line is open, you may please ask your question now.

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**Saravanan Vishwanathan - Vice President - Unified Capitals – Chennai**

Thanks for taking my question Sir, congrats on a good set of numbers, in terms of USFDA inspections, has there been anything in this quarter and do you expect in the coming quarters?

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**Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited**

If the USFDA had inspected you could have seen it in the news, the way USFDA is behaving right now, so yes, it is has not happened.

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**Saravanan Vishwanathan - Vice President - Unified Capitals – Chennai**

## Dishman Pharmaceuticals and Chemicals Limited Conference Call

I understand in the last call you had mentioned that two sites got inspected the Switzerland Carbogen Amcis site during the last financial year, so hypo facility when is it due for the next inspection?

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### Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited

How it works is that when the product is supplied as a customer that is when the FDA is going to be triggered. In one of the products we are going to seek validation in the first half and then that is going to be filed with by the customer and that is what is going to trigger the USFDA audit that is what happens with the product audit. The plant audit, the entire facility audit happens every three to four years which I think we are due in this year.

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### Urvashi – Moderator

At this moment, there are no further questions from the participants. I now hand over the floor back to Mr. J.R. Vyas and Mr. Arpit Vyas for the final remarks.

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### Arpit Vyas – Managing Director – Dishman Pharmaceuticals and Chemicals Limited

Thank you all for joining this call. I hope the call was eventful to you all. I know that this call and this speech was a little different from what we used to do, but this is what we would like to do in the future as well to make it as personalized as possible and I hope you all have appreciated that. Thank you all very much and have a great evening and a good weekend ahead. Thank you.

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### Urvashi – Moderator

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