Dishman Carbogen Amcis

Dishman Carbogen Amcis Ltd
Dishman Corporate House
Iscon-Bopal Road, Ambli,
Ahmedabad - 380058
Gujarat, India
CIN: L74900GJ2007PLC051338

+91 27 1742 0102
dishman@dishmangroup.com
www.imdcal.com

17th August, 2023

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

**SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL - QUARTER ENDING 30TH JUNE, 2023**

Dear Sir,

Pursuant to Regulation 30 and 51 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, pls. find enclosed herewith transcript of earnings conference call arranged by the Company with Investors on Thursday, 10th August, 2023 to discuss the financial result and performance of the Company for the first quarter ended on 30th June, 2023.

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

Kindly take the same on your record.

Thanking You,

Yours faithfully,
**For, Dishman Carbogen Amcis Limited**

SHRIMA GAURANGBHAI DAVE
Digitally signed by SHRIMA GAURANGBHAI DAVE
Date: 2023.08.17 20:16:11 +05'30'

**Shrima Dave**
**Company Secretary**

Encl.: As above

**Dishman Carbogen Amcis Limited**

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited – First Quarter Ending June 30, 2023 Earnings Call

Event Date/Time:  August 10, 2023/1600 HRS

## CORPORATE PARTICIPANTS

**Harshil Dalal**

Global CFO - Dishman Carbogen Amcis Limited

**Pascal Villemagne**

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

**Mr. Paolo Armanino**

Chief Operating Officer - Dishman Carbogen Amcis Limited

**Moderator**

Ladies and gentlemen, good day, and welcome to the Dishman Carbogen Amcis Limited Earning Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing * then 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pascal Villemagne. Thank you and over to you, sir.

**Pascal Villemagne**

Thank you for the introduction, and good evening, dear shareholders and thank you for participating to our investor call. I'm Pascal Villemagne, CEO of Carbogen Amcis' Entities. I'd like to come back on the first quarter results, which demonstrate for Carbogen Amcis a very good results, probably of what we have done last year, if we compare quarter-to-quarter. This is the results of a number of consecutive actions that we have taken over the last year. And we have not achieved the outcome on quarter on the top line. We see however, that we can do better in terms of profitability, and this is the reason why we are implementing several actions to leverage on this. Obviously, we are still struggling with a number of external factors depending on the country's especially in Europe, cost of energy and raw materials are still affecting our performance.

And this is something although we have taken a lot of different initiatives difficult to predict and then follow up on those increase. Because from time-to-time, it's difficult to pass on those extra costs to final customers because of contract or high competitions coming from a different type of products on different type of markets. However, we stay very optimistic for the next quarters that are coming and we should reach our targets which are obviously an increase of the revenues for the top line, and as well as an improvement of the profitability. In terms of future, we also have a good news because we are registering a large number of new projects coming in with a very healthy pipeline of development projects for the plant activity.

So, it's a good sign that we ordinance a large part of our purchase order for the next month in front of us, so it really gives us a lot of confidence in terms of achieving those numbers. Last point I'd like to empathize is that we mentioned already in a previous call that we are engaging Carbogen Amcis in the core digital transformation. This project is going well with implementation of our new ERP, SAP and we are on track to release this new ERP during the third quarter of 2024. It goes along with a number of transformations that we are going to implement at Carbogen Amcis to even improve our level of profitability in Indian branch. Thank you everybody. And I pass on Mr. Harshil Dalal our CFO.

**Harshil Dalal**

Thank you very much Pascal. Very good evening to everybody. I'm sure all of you would have had a chance to go over the financial results for the first quarter of the current financial year, which in fact was a very good quarter for us. We reported a record sale of INR 723 crores, as compared to INR 540 crores in the comparable quarter of last year. This represents close to 34% of growth in the revenue top line. Having said that our estimates for the full year remains in line with what we had mentioned earlier, which would be anywhere between INR 2,700 crores to INR 2,750 crores. As far as the COGS are concerned, the cost of goods sold are concerned, those remain at about 22%, which is more or less in line with our annual estimate of close to about 20%.

We had, as Pascal mentioned, it was a very good quarter for Carbogen Amcis, Switzerland where the commercial revenue increased significantly and so did the Phase 3 revenue. The commercial revenue increased from $11.5 million in Q1 of last year to $30.5 million in Q1 of the current financial year. So, that's a significant jump, which is driving the growth in the revenues. As far as our employee expenses are concerned, which is one of the biggest expense items on our P&L, that increased by INR 40 crores in INR terms. However, there is a forex impact on account of translation of the Swiss Franc into INR that is to the tune of about INR 20 crores, and the remaining portion is largely related to the increase in the merit cost because of the inflation especially in Europe.

The other expenses of INR 143 crores includes the foreign exchange notional loss of about INR 12 crores, and that translates into an EBITDA of about INR 127 crores. This is after excluding the Software as a Service IT cost. So, all of this translates into an EBITDA margin of about 17.5% as compared to 16.5% in the comparable quarter of last year. As far as the finance cost is concerned, since most of our borrowing is in foreign currency, is denominated in foreign currency, because of the sustained increase in the LIBOR, SOFR rates, whether it's US dollar borrowing or Swiss Franc borrowing, that has had a negative impact on the finance cost. So, the finance cost which in the comparable quarter was about INR 19 crores that increase to INR 28 crores in Q1 of this year.

All of this translated into a profit before tax of about INR 29.5 crores and profit after tax of INR 17 crores as compared to negative INR 3 crores in Q1 of last year, and INR 4 crores in Q1 of last year respectively. As far as the segment wise results are concerned, as I mentioned Carbogen Amcis as a group have performed fantastically. But more so, on the CRAM side of the business where the revenue increased by about 54% as compared to Q1 of last year. So, from INR 363 crores it increased to INR 561 crores. As far as our Dutch business is concerned, which manufactures the cholesterol and Vitamin D analogues, we also saw a significant increase in revenue over there, which was about 46.7%. So, the revenue increased from INR 63 crores to INR 93 crores driven by growth in both the cholesterol, as well as the analogues business.

As far as India is concerned, as far as the NCE, APIs and intermediaries are concerned, most of the orders to be serviced are back-ended in the current financial year, so which are to be serviced between Q3 and Q4 of the financial year. And that is the reason we see our lowest sales figure in Q1 of this year. But we expect the most of it to be recouped. And we should be on our target to achieve a revenue in excess of INR 300 crores on the API side for the full financial year. As far as the quats and generics is concerned, for India, the revenue stood at about INR 30 crores and this was also lower as compared to what we are expecting for the full year on a run rate basis. So, we do expect a pickup in that particular business in the remaining nine months of the financial year.

So, I would say it's more about the timing rather than anything else as far as the India business is concerned. And obviously I'll hand over the call later to Paolo who can also explain about the recent regulatory audit and what we are expecting in the next month. So, overall, it was a very good quarter for us both on the revenue front as well as on the margin front. The EBITDA for Carbogen Amcis, which is the CRAMS business stood at about 21.7% for the quarter as compared to 19.4% in the comparable quarter. The cholesterol and Vitamin D analogues business did an EBITDA margin of 18.4% as compared to 19.3%. So, what we see in this particular business segment is that there is an increase in the margin as compared to Q4 of the last financial year.

However, the prices of the wool grease which is the key raw material do remain elevated, though we have seen a bit of a cooling off in the energy prices. As far as the India business is concerned, the margins were subdued largely because the revenues were quite low in the first quarter. However, as I mentioned, the revenue should pick up in the remaining three quarters of the financial year, which will result into significantly higher margins for the India Business. Having said that, I would like to hand over the call to Mr. Paolo Armanino, our Chief Operating Officer for the India Business. Paolo?

**Paolo Armanino**

Hello. Can you hear me?

**Harshil Dalal**

Yeah. We can hear you now Paolo.

**Paolo Armanino**

Good evening, everyone. So, maybe as we mentioned I can give an update about the regulatory agency. So, we had placed an inspection over last week with the two inspectors from PMDA Japan, plus two translators. It consisted four-days audit at our Bavla site, which is the same site where we

are going to have the EDQM in second-half of September. The inspection was related to one product, but most in general, there was an inspection of their overall site. So, all the strategies were inspected by the two auditors. The inspection results was definitely positive and we have seen a very, very good outcome from the audit inspector and only very few observation were found. The nature of the observation is not very severe, they look minor actually as a nature.

And in the coming weeks, we will be receiving the report by the PMDA authority from Japan. And we will reply to their observation, which largely has been already done by the team at Bavla site during the last day because the observation, as I mentioned were not particularly severe. So, the PMDA auditors will complete and now we are going to focus mainly on the coming weeks to the chem audit which is, as I mentioned going to be held in second half of September. So, these are the kind of preliminary audit by an external agency, foreign authority.

**Harshil Dalal**

Thank you, Paolo. With that, I think, moderator we can open the floor for Q&A.

**Q&A**

**Moderator**

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may please press * and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may please press * and 1 again. Participants are requested to use the handset while asking the question. Ladies and gentlemen, we will wait for a moment while the question to assemble. Ladies and gentleman, if you have any questions, please press * and 1 on your telephone keypad. First question comes from Karan Agarwal from Old Bridge Capital. Please go ahead.

**Karan Agarwal**

Hi, Harshil and team. Good morning and good evening to all of you. A couple of questions from me. The first one is the commercial NCE revenue that you spoke about. Would that be a function of the French facility ramp up or it's all coming out from Switzerland? And that numbers that you gave out were only Switzerland and not France?

**Harshil Dalal**

Hi, Karan, thank you for your question. But yeah, I'm in all of the CRAMS revenue for Carbogen Amcis is pertaining to the Swiss entity, UK entity, Shanghai, all these three entities put together.

The French operations have yet to commence in terms of generating revenue. Or Pascal, maybe you might want to add more to it.

**Pascal Villemagne**

Yes, absolutely. We are finalizing all the qualifications and we run our first what we so called technical batch, and we should start the operational work by the end of this month. And then starting the first development work with our customers over September, so which is a good news. But we are not yet up commercial production in that new facility for attending, we only have the development project serving clinicals trials for our customers.

**Karan Agarwal**

Okay, a couple of other questions. One, do you expect as your 15 late Phase 3 molecules to commercialize in this year? And the second, Harshil, do you know what's the gross and net debt and books as on 30th June 2023?

**Harshil Dalal**

Sure. So, yeah, so, maybe, Pascal is going to answer the first question on the 15 molecules in the Phase 3.

**Pascal Villemagne**

Now, for the time being on the 15 molecules that are still in Phase 3, two of them are priced, but the customer is not getting any kind of further information from US authorities. So, in principle, we should not see this fiscal year something but most probably for the next fiscal year. One of the Japanese customer that we already mentioned, part of the product is already commercial. And another application for the product that they're manufacturing is they should enter into a commercial stage by 2025. And we are manufacturing the variation campaign of that particular product. So, we still have a lot of activity into the development which would probably be transferred during the new fiscal year. But for this year there is no overall commercial than the one that that we're coming up with last year.

**Harshil Dalal**

Yes. So, Karan, as far as the gross and net debt is concerned, so our net debt stood at about CHF 160 million, and the gross debt was at about CHF 210 million.

**Karan Agarwal**

Okay, and just last one question Harshil. I mean, are you seeing, I mean, any weakness in terms of your pipeline or your interaction with end customers because of biotech funding, especially in the US, not garnering the momentum that we saw throughout 2021 until first half of 2022?

**Pascal Villemagne**

You're absolutely right. We see an erosion in some of market demand, because few years back we were seeing a lot of new biotechs created in raising, forms, it looks like in the beginning of the year it became harder and harder to find new companies and to launch new projects. However, as I mentioned, we're still at a very good shape by the end of the first quarter, we ended up by having CHF 126 million of the and you compare quarter-after-quarter, we raised this pipeline by 10%. So, we still have a fairly healthy situation, notably linked to the fact that we are very active on oncological markets, and that specific market is still very dynamic. A bit less than it used to be and we have to be realistic, but we still demonstrate a lot of reasons comparing to all the pharmaceutical markets.

**Moderator**

The next question come from Vishal Manchanda from Systematix. Please go ahead.

**Vishal Manchanda**

Thanks for the opportunity. I missed your opening comments. I wanted to understand whether Bavla facility has been inspected or it is yet to get inspected?

**Harshil Dalal**

Hi, Vishal. So, the Bavla site from the EDQM it still needs to be inspected. So, that is what will happen in the next month.

**Vishal Manchanda**

Okay. And sir, that's what it's going to happen next month?

**Harshil Dalal**

Yes, we got inspected by the Japanese PMDA. So, that was last week. And that was for the Bavla site for a specific product.

**Vishal Manchanda**

Okay. And was that inspection successful?

**Harshil Dalal**

Yes, it was a successful inspection. And as Paolo mentioned, they have pointed out some minor observations, but apart from that it was quite successful.

**Vishal Manchanda**

Okay. And was the audit related to an NCE product or a generic product?

**Harshil Dalal**

So, it was related to a product that we already supplied to one of our customers who wanted to launch it in the Japanese market.

**Vishal Manchanda**

Okay. So, you're not currently supplying it from Bavla, is that right? And you’re supplying it from Japanese market?

**Harshil Dalal**

No. We are already supplying it from Bavla, but not to the Japanese market. So, now that the customer wants it to be launched in Japan that triggered this particular inspection.

**Vishal Manchanda**

Okay. Any color on the size of the opportunity of this product?

**Harshil Dalal**

I don't know, Paolo, if the customer has mentioned what could be the potential opportunity?

**Paolo Armanino**

No. They did not mentioned how it is divided between country actually. So, I cannot tell you about this.

**Vishal Manchanda**

Large volume API or a kind of hypotensive, high potent APIs.

**Paolo Armanino**

Large volume APIs, just is about it new to trends API.

**Vishal Manchanda**

Okay. And regarding the French facility, are all the costs related to the French facility into the numbers?

**Harshil Dalal**

Yes, all the costs, except for the costs that were related to setting up of the project, which were like pre operational costs, those would be capitalized. But apart from that, all of the other costs, they go into the P&L.

**Vishal Manchanda**

So, the new employee that you would have recruited for the facility, all those costs are being expensed or are they're getting capitalized?

**Harshil Dalal**

Expensed out. No, so they are getting expensed out unless and until, we identify that this employee worked on setting up of the plant, in that case it would be capitalized.

**Vishal Manchanda**

Okay. And I missed the guidance around when the French facilities would start contributing to the revenue.

**Harshil Dalal**

That would be from September onwards. So, most likely from Q3, on the commercial side.

**Vishal Manchanda**

Okay. And kind of peak revenues could be around $30 million, $40 million. Is that the right number?

**Paolo Armanino**

Yes, it is.

**Vishal Manchanda**

Peak revenue from the French facility.

**Pascal Villemagne**

Yes, that's what we have other targets. Really difficult to say exactly by when shall we reach this peak. Because as you may understand, we are building out the project pipeline with our customer. What we can say is that currently we are having their number of customer audits and all the audits are extremely good. And we have a very nice feedback from all the customers that really enjoy the state-of-the-art facility. So, I need to translate into the fact that despite we haven't started yet, we have enhanced already about $6 million of purchase order for that particular unit.

And we keep on receiving a number of demand and we are quoting those demand and we should increase our project pipeline fairly quickly. So, this facility is going to contribute to revenues this year and it was planned in our budget, for sure. And the peak activities should come for the next two to three years, depending on how successful we will be to complete the sale. The two-filling line that we have in that manufacturing unit.

**Vishal Manchanda**

Okay. And just one more on the ADC linker project that you're doing for the Japanese client. When is that commercializing?

**Pascal Villemagne**

A part of that is already commercial, but it's not-- That part of the product that is commercialized is done by the customer itself. As we mentioned already in previous calls, the facility that we have

built and dedicated to that project, we come and contribute to the new applications for that particular ADC, and that is planned to be marketed by 2025 by the customer.

**Vishal Manchanda**

Okay. And just one final one. What would be the CapEx requirement for this financial year, FY24?

**Harshil Dalal**

On a consolidated basis we're looking at about $25 million to $30 million.

**Vishal Manchanda**

Okay. Thank you very much.

**Harshil Dalal**

Thank you, Vishal.

**Moderator**

Thank you, sir. Ladies and gentleman. If you have any questions, please press * and 1 on your telephone keypad. The next question comes from Keshav Kumar from Raksan Investor. Please go ahead.

**Keshav Kumar**

As we were doing it Bavla before the EDQM audit, how have we serviced those volumes since the audit?

**Harshil Dalal**

I'm sorry, Keshav. Can you please repeat your question? I think the initial part got cut off.

**Keshav Kumar**

Yes. So, the commercial CRAMS we were doing at Bavla before the EDQM audit. How have we serviced those volumes since the audit?

**Harshil Dalal**

So, Paolo, do you want to answer that? Paolo? Okay. So basically, Keshav, what happened after the EDQM observations is that, first of all, we perform detailed risk assessment for all of the molecules that was supplied to the customer. And once that stage was cleared, after that many of our customers got remote audit, or physical audits done for the Bavla site. They submitted those reports to the EMA, the European Health Authority, brought the clearance and after that we were able to restart the manufacturing of those molecules for those customers. In the CRAMS business, what we are mandated by our customers is to keep at least five to six months of inventory for them, in order to make sure that there is no bottleneck in the supplies of the APIs, number one.

And number two, the customer also maintains good amount of inventory in order to make sure that the end product is not impacted. So, the combination of these two factors and then obviously with the audits being done by the customers. After that, we were able to restart the manufacturing and then the supplies are being made to the customers. So, I mean as we speak today, we are manufacturing for most of our customers for whom we were manufacturing prior to the EDQM observations, and we expect the volumes to increase quite a bit after the EDQM inspection is completed.

**Keshav Kumar**

Sir, has there been any alteration or revised quantities? Because our revenues have gone down drastically over the years since then.

**Harshil Dalal**

Well, yes, I mean, in the initial years after EDQM observations, the revenue dropped significantly. So, if you see the India's standalone revenue, financial year 2021, it dropped from, we were doing like about INR 500-plus-crores out of India, that dropped to about INR 200 crores in FY21, which then ramped up to INR 300 crores in 2022, and then INR 400 crores last year. So, as the customers kept on getting more and more-- I mean, more and more customers started getting approvals we were able to supply more quantities to these customers. But still, there are certain geographies where these customers-- within Europe that these customers are not able to sell or use our APIs for the final product, where in which case, the EDQM clearance becomes quite important for us.

**Keshav Kumar**

So, does that mean that, meanwhile that customer might be shifting towards secondary source? Because they cannot afford.

**Harshil Dalal**

Yes, the thing is that in many of the customers, we are the sole suppliers of the API. So, what we understand is that, they will be shipping from whatever stock that they have, and they would have a good amount of stock of the API's that were supplied earlier. So, that is how we see it. And obviously, in between, there were the COVID years where as such, the supplies were lower than what they were prior to COVID. So, that also actually helped us in making sure that the customers had uninterrupted supply.

**Keshav Kumar**

Sure. So basically, if the EDQM audit goes through successfully, then we can expect to be back on the same base in FY25, at least, what we were doing pre-COVID year?

**Harshil Dalal**

Absolutely. And it should be even higher than that. With the kind of orders that we are expecting from our existing customers, plus, it opens up the door to get more orders from the new customers as well. So, we do expect a significant ramp up in the revenues after the EDQM clearance, in the financial year after EDQM clearance.

**Keshav Kumar**

Great, sir. And sir, secondly, we had mentioned that Amcis' China margins were 25% for nine months FY23. So, what was the full-year number for both revenues and margins?

**Harshil Dalal**

You mean for China?

**Keshav Kumar**

Yes.

**Harshil Dalal**

So, China, so in the fourth quarter the margins were quite high, it was close to about 35% in the first quarter of this financial year. Even last year, the margins were about 30% for the full financial year.

**Keshav Kumar**

Okay, sir basically, so if I go back to FY19, we did about 15% of PBT, after that the following year was a deferred tax write-off which was non-cash. But nevertheless, the point being we saw a one-off here with very good PBT showing what Shanghai can deliver, but never the sustainability. So, what has led to the margins this time around? And why should these be sustained and not mean revert back to the lower levels going forward?

**Harshil Dalal**

So, what has happened is that, there has been quite a bit of transformation in our Shanghai side, in terms of the orders, which are now being manufactured out of that particular site. So, if you see, say four or five years back, maybe we had two projects that were being done out of China versus today we would have at least seven to eight projects which are being done out of the Shanghai site. The Shanghai site kind of acts as an extended branch of the of the Swiss arm. So, we have seen many of the orders going to the Shanghai side. And there have been a lot of improvements that have been done in that particular site, in terms of making it as close to a GMP site as possible. So, the plan is that maybe in the near future we might even go for a Chinese FDA, so that we are able to sell in the Chinese market as well. But Pascal, do you want to add anything to that on the on the China side?

**Pascal Villemagne**

No, I think you've summarized well the situation. One thing I can say is that in our business, all the development work we do, we deliver to clinical trials of the customers, if the clinical trials face an issue and the customer stop the clinical trials, from one day to the other, you are having an issue because you lose the project because of these clinical trials. So that also explains sometimes the contract performance from the from one quarter to another. We are extremely depending from the success of the of the clinical trials, from our customer. And yes, from time-to-time, we face some issues, because we have to find a new project to replace the one we just lost. This is a reason why I'm consistent with the sales teams to border the customer portfolio. And the more customer, the more projects we have, the relationship would be to one off a project loss. This is the key to get to a more regular performance on one of those facilities.

**Keshav Kumar**

Thank you, sir. I will come back in the queue for more questions.

**Harshil Dalal**

Thank you, Keshav.

**Moderator**

Thank you. The next question comes from Sathish from Share Investments. Please go ahead.

**Sathish**

Hi, congratulations on a good set of numbers. So, I have a few questions for Pascal, and few for Harshil. Harshil, can you just tell how much money has been debited on the France plant in the current quarter, on the revenue side, on the P&L, cost side which has been debited in the P&L? And what type of ramp up we can expect post-EDQM from the existing customers itself, where I think it's something like low hanging fruits where clearance of EDQM can definitely give a good pipeline burst in terms of revenue. If you can throw light on that. And for Pascal, what type of development pipeline you're seeing in terms of your order book for development side? Because we heard from few CDMO players who are quite gung-ho on the way development side work is coming to them.

Basically, they are seeing unprecedented inquiries for them. I just wanted to know what is your way and what is your business sense on those lines. And regarding the integration of Carbogen Swiss and the India Unit 9, because I think last two years you're hardly having any sales from Unit 9, the hypo facility. So, what is the management view on making this site commercial?

**Pascal Villemagne**

Thank you, Sathish for all your questions. We will go one by one. So, the first question regarding the cost which have been debited to the P&L for the French facility, so, that is €2.7 million. So, that's the cost which is debited in the first quarter of this financial year.

**Sathish**

Okay.

**Pascal Villemagne**

Sorry, if you can just repeat your second question. So, it was regarding the ramp up in the business from the existing.

**Harshil Dalal**

I think existing the customers and maybe Paolo you can also pitch in, but we do expect that the business from the existing customers itself should increase quite significantly after the EDQM clearance. Because many of them are waiting for the clearance to be obtained after which they want huge amount of quantities of the API's plus the intermediates from us. Paolo, do you want to add to that?

**Paolo Armanino**

Yes, exactly. See, exactly what you are saying. From a customer and also make like last weeks and months I'm speaking directly with the customer multiple times. They are just awaiting for the green lights on EDQM. And they having already PO available and selling price available. And so, we discussed already what are going to happen after EDQM. So, there are also many markets which currently we cannot supply material, and immediately after the approval they will be able to supply to this market. So, major parts of customers are just waiting for the approval by the EDQM to restart the business. And many of these customers are already discussing with us in advance phase of contract PO and so on and so on.

**Sathish**

Okay. And to Pascal, regarding the development pipeline, if you can throw some light on that.

**Pascal Villemagne**

Yes, absolutely. So, regarding the development pipeline, basically the base of our customers is turning around, mainly oncology because we have I2 capabilities in Switzerland and then very long expertise around that. We also have a number of ophthalmologic products and also a number of orphan drugs applications that we are chasing. The capability in Switzerland are not huge compared to some CMOs where they have a lot of plants, a lot of reactors to field. So, we have more medium size compared to where to our CMOs. However, we have those I2 suites and with that expertise we are able, as I mentioned, because that's part of the market still dynamic, we are able to still and continue to grow our pipeline of development despite of the trends that have been described on the courseware, here and there are a few CMOs are struggling a bit to fill their large equipment capacities when start to drive a bit from a biotech perspective.

**Sathish**

And regarding a Hypo Unit 9. We have one of the best hypo facility, but it's lying idle for last two years. So, what type of-- what is your management view making the plant or commercially once again viable?

**Pascal Villemagne**

So, regarding that facility in India, of course, it's also part of the Bavla sites. And as Harshil mentioned, there is an expectation from customer to see audit clearance from the EDQM. So, yes, the facility has an attractive setup, but we have to be patient to clear the debt from an audit perspective. And from that point in time, we can reinitiate and rediscuss a number of discussions that we all know for a while with some of the customers.

**Sathish**

Okay. Thank you.

**Harshil Dalal**

Thank you, Sathish.

**Moderator**

Thank you, sir. The next question comes from Ketan from Robo Capital. Please go ahead.

**Ketan**

Hello, sir. I wanted to know, if you have any debt repayment plan. Do you plan to sell any non-core assets and repay the debt? Or how will be the debt level in next two to three years?

**Harshil Dalal**

Hello, Ketan, thank you for your question. So, as far as the debt is concerned, yes, I mean, we have the regular repayments, which we'll be doing every year. But if you see most of the debt has been taken in the last two years, two, two-and-a-half years, and that is for the capital expenditure that we were doing for setting up the new French facility, as well as the ADC expansion in Switzerland and what's ongoing right now is the digital transformation that we are undertaking across the Carbogen Amcis Group. And the fourth one is obviously the CapEx that we're doing at the India side, taking into account not just the regulatory audits, but also keeping into view the next 10, 15 years, where we do not anticipate to face any such regulatory issues as we did in March of 2020.

So, what we expect is that, we both start realizing the returns from this investment over the next two to three years, which would help us in generating good amount of cash flow and which can

definitely be utilized to either pay off the debt or keep it as an investment, whatever but the net debt in three year's time should reduce from where we are right now is what we are targeting internally. Having said that, if you see our business, it is quite capital intensive. So, depending upon how the business progresses, in order to get new molecules, in order to-- I mean, we will have to see how the molecules commercialized the ones under late Phase 3 development. We are trying to utilize the sites in Manchester, Shanghai, and eventually India for manufacturing the Intermediate if not the final API for these molecules, especially for the larger volume ones.

And we would not want to have any unnecessary CapEx, but try to fully utilize the capacities and the capabilities that we have across the organization. So, yes, to answer a question we do expect that the net debt should come down in the next three years with the cash, with a free cash that would be generated. But obviously there are no plans to sell any non-core assets because we don't see any non-core assets as we speak right now.

**Ketan**
Okay. And this fixed assets which you are purchasing from last say two to three years. This must be in relation to all the expansions you have just mentioned, right?

**Harshil Dalal**

That's correct.

**Ketan**

Okay. And then what will be your CapEx plan and maintenance CapEx going ahead?

**Harshil Dalal**

So, I would say on a run rate basis about CHF 25 million can be taken as the run rate of the CapEx to be done over the next three years, it's CHF 25 million per year, CHF 25 million to CHF 30 million. So, this would include the maintenance CapEx as well.

**Ketan**

Sir, CHF 25 million?

**Harshil Dalal**

Swiss Francs.

**Ketan**

Francs, yes, right. Okay. So, all of this will be maintenance, okay. And if you can tell me estimates. Yes, please go ahead. Sorry.

**Harshil Dalal**

No. So, most of it will be maintenance as well as some of it will be like replacement CapEx. Some of it could be, like, for example, we entered into this co-investment agreement with the Japanese customer. So, it's depending upon the volumes that might be required for some of these new molecules, we might enter into this kind of an agreement which would require some kind of CapEx as well. But all of the CapEx that we will be doing, that will be backed by either a firm contract or a firm purchase order. So, there will be no CapEx, that will be just in the anticipation of some business coming in.

**Ketan**

Okay. And can you provide some estimates for FY25 revenue?

**Harshil Dalal**

So, in terms of revenue. So, as we guided, even last time, we do expect that over the next three to five years, we should expect the revenues to increase by at least 12% to 15%. The operating margin should increase at a higher pace, as India keeps on ramping up the revenue especially out of the Bavla site. So, as you would have seen, prior to the EDQM, India was doing margins of 40-percent-plus. And once we are able to get over this hurdle of regulatory audit, we do expect that more business should come to India. And that should help us in improving the overall Group EBITDA. So, the EBITDA should keep on increasing by about 15% to 20% YoY.

**Ketan**

Okay, thank you. That's it from my side.

**Harshil Dalal**

Thank you very much, Ketan.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. The next question comes from Rupen Shah, an Individual Investor. Please go ahead.

**Rupen Shah**

Yes, hi, thanks for the opportunity. Harshil, if I remember correctly. Last one-and-a-half, two years back, we had announced co-partnership with European and US partner. So, what is the status on that?

**Harshil Dalal**

So, what we had announced was, what I just recently mentioned, which was the co-investment agreement that we had entered into, what we have entered into with which is Japanese customer, for whom we would be manufacturing the ADC molecule.

**Rupen Shah**

No. That is there. Japanese is there. But we had announced with our European partner and an American partner also. One-and-half year to two-year back that press releases are there.

**Harshil Dalal**

So, there are co-investment agreements with some of our other customers as well, including some of the biotech companies in the US and Europe. So, for that also, we are currently manufacturing the molecule and supplying it out of the Swiss entity.

**Rupen Shah**

Okay. So, investment in that must be much less than what we have done for ADC project, right?

**Harshil Dalal**

Yes, that's correct. That’s correct.

**Rupen Shah**

Okay. What is the status of VA we applied for a patent for our Vitamin D analogue or something like that? What is the status on that?

**Harshil Dalal**

Yes, so that has been applied. We are still waiting for the results of it. So that is yet not been approved. So, we are waiting for that.

**Rupen Shah**

Okay. Thanks for the opportunity.

**Harshil Dalal**

Yes. Thank you very much, Rupen.

**Moderator**

Thank you, sir. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. As there are no further questions, I would now like to hand the conference over to Mr. Pascal Villemagne, for the closing comments. Over to you, sir.

**Pascal Villemagne**

Thank you very much. Well, thank you so much for your attention today. And we'll be back in a quarter to describe our revenues and results. I thank everybody who participated today. And thank you Harshil and thank you all for your participation.

**Harshil Dalal**

Thank you very much, everybody. Have a lovely evening.

**Moderator**

Thank you, sir. On behalf of Dishman Carbogen Amcis Limited that concludes this conference. Thank you for joining us. You may all disconnect your lines now, and have a pleasant evening everyone.