dishman

13th June, 2020

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

SUB: TRANSCRIPT OF CONFERENCE CALL - QUARTER AND YEAR ENDED ON 31st MARCH 2020 EARNING CALLS

Dear Sir,

With reference to captioned subject, please find enclosed herewith transcript of conference call arranged by the Company with Analyst & Investors, on Thursday, 4th June, 2020 to discuss the financial result and performance of the Company for the quarter and year ended on 31st March, 2020.

Kindly take the same on your record.

Thanking You,

Yours faithfully,
For, Dishman Carbogen Amcis Limited

Shrima Dave
Company Secretary

Encl.: As above

Dishman Carbogen Amcis Limited

Earnings Conference Call Transcript

Event: Dishman Carbogen Amcis Limited – Fourth Quarter and Year Ending March 31, 2020 Earnings Call

Event Date/Time: June 04, 2020/1600 HRS

CORPORATE PARTICIPANTS

Arpit J. Vyas
Global Managing Director - Dishman Carbogen Amcis Limited

Sanjay S. Majmudar
Director - Dishman Carbogen Amcis Limited

Harshil Dalal
Global CFO - Dishman Carbogen Amcis Limited

Mark Griffiths
Director – Global Marketing and Strategy - Dishman Carbogen Amcis Limited

Moderator: Ladies and gentlemen, good day and welcome to the Dishman Carbogen Amcis Limited Q4 FY20 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal the operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arpit Vyas. Thank you and over to you sir.

Arpit Vyas: Thank you, moderator. Dear all, welcome to the yearly concall of Dishman Carbogen Amcis Limited. It has been a while since all the global pandemics have been going on since COVID and we sincerely hope that no family members or yourselves have been affected negatively by this tremendous pandemic and we wish you all the health and support and strength in case you do have faced such failures and with that I would like to bring to notice some important facts of the companies and then post that the numbers and the business strategies could be guided to you by Mark, our Director – Global Marketing and Strategy and Harshil, our global CFO.

In the recent events, you might have heard that we have faced certain observations from the EDQM. These observations are largely attributable to certain people of the company who the management entrusted in and that has allowed us to create a massive reorganization in the company for the betterment to create a singularity of all our global assets and wealth in terms of people to come together and face this issue head on for which reason we have been able to create a global task force where we have taken a competent quality officer from each and every location that we are present in and come together as a team to help fight this cause and to make sure that we come out to be better and stronger not just but to even raise the bar of quality for the entire country as it is looked at in terms of pharmaceutical segment. This is what we believe in and we will make sure that it happens.

The change in the organization has allowed us to pick the right people who are actually caring for the company and to escalate them to the level where they are going to help us in the next phase of our journey to become the best possible pharmaceutical company of the country which is our vision and this is we are confident of achieving and for that reason we would request your trust and support in us as you always have in difficult times as well as in good times. These are difficult times and we hope that you would extend your support once again and rest assured your trust in us will not be going in vain.

The numbers of the last year have been very good. This year, we don't know exactly what the exact guidance is going to be but we of course because of the recent COVID-19 impact and the EDQM observations, we expect a little bit of dip happening in India business but at the same time what we have been able to do is to focus on the customers who were affected and did all the risk assessment and we are glad to inform that our major customers, the risk assessment that we have done are not impacted and have qualified us to be okay, even with the EDQM observations, so the major part of the business which is the CRAMS segment is unaffected as expected. What will be affected is the marketable molecule segment which is our own IP of the CEPs which is constituting to not more than above $15 million worth of business which we are hoping to grow had we not had the observations but as of now that we will have to wait but it, as I said earlier, allowed us to come together as a team globally which we always intended to do.

We are very confident of the business going forward, we are very confident of the pipeline going forward, our focus and strength is into innovation which is of course going to take time and we expect your true support in that matter. If you have any questions, we will be more than happy to answer without a doubt. With that I would like Mark to add a few comments.

Mark Griffiths: First of all I echo Arpit's sentiments and we sincerely hope you and your families have not been affected by this COVID pandemic and we wish you all the best health. So as Arpit explained, we have faced three challenges in this period of times since we last spoke to you in January, the first one of course is the COVID-19 pandemic which has affected pretty much every company and every country in the world in some way, shape a form. We were fortunate during the late part of February to take a call in Europe where we could see that potentially there were some issues coming out of China with COVID and we put some plans in place which enabled us to keep operations running across our European assets, during the worst time. So we have been to maintain outputs at a pretty high level by being able to send people home who are able to work from home, setting them up in home offices, so our IT teams have been able to do that very efficiently and that has provided space in our building that we can maintain some levels of social distancing. As a result of that in Europe we had only had one case of COVID-19 and that person was actually a project manager who lived and worked from home in Italy and he actually lived right in the epicenter of the Italian breakout. He is now completely safe and cured of the virus.

So from a European perspective, we have managed, it's not been easy. But we have been able to maintain a reasonable level of output and we anticipate our Switzerland, France and Holland start to emerge from the COVID crisis and start to relax restrictions, though we should be able to get back to our normal levels of service. The Indian levels, we had the same principles of isolation, the Indian lockdown especially in Gujarat has been very tough and has heavily restricted the movement of people from their homes to their places of work and have meant that we required special permits and documentation. We have been able to do that but that has impacted our output. Coupled with that is we have had the events of EDQM order which as Arpit said impacted both our marketable molecule segment which also included our number of our low volume generics in market. We have over the last 6 weeks, got our global task force working across the board, we have completed all risk assessments for all customers and today, we have no product recalls. The key customers, we have obviously prioritized heavily to ensure that supplying material to the market on continuous basis and we have been successful in doing that. The long-term impact will be difficult to assess from a market perspective but internally coupled with reorganization of the business in India which Arpit mentioned will enable us to get back on a steady footing and be able to grow again, but that will take a little bit of time. With that I am obviously quite happy to give you updates on various things including ADCs, technology and what goes on other things that we spoke about. Our productions in China will not affected at all thankfully. This happened over Chinese new year, the COVID outbreak in China. Fortunately, we were doing some refurbishments and modifications in the facilities and most people did not go home for Chinese new year, therefore they stayed in the Shanghai area isolated in our facilities and we have had not one case of COVID-19 in our organization in Shanghai, as a results of people not going back home over Chinese new year. With that I would like to hand over to Harshil Dalal, our Global CFO who can take you through the summary of the numbers. Over to you, Harshil. Thank you very much.

Harshil Dalal: Thank you very much, Mark. Very good afternoon, evening to everybody. Like Arpit and Mark, I would like to say that I hope that all of your families, everybody is doing well in the COVID-19 situation and nobody is impacted. With that getting straight to the numbers, I am sure you would have had a chance to go through it but for the benefit of everybody, I will just go through the numbers really quickly and mention the key highlights.

Our total revenue including the operating incomes for the quarter was 512 crores as compared to 650 crores in the comparable quarter last year. As all of you would remember last year Q4 was an exceptional quarter for us where a significant amount of sales for the full financial year happened in the last quarter. Most of the commercial supplies went out in the last quarter and hence the quarterly sales was extremely high. This year, what we have witnessed was that the sales was more or less evenly spread across all the four quarters, though we were expecting certain additional commercial sales to go out in the last quarter but that has deferred into the first quarter and Q2 because of the customer requirements as well as because of the COVID-19. So that was on the revenue. As far as our EBITDA for the quarter is concerned, it was at 26%, so we did EBITDA of about 132 crores as compared to 169 crores in the comparable quarter which again equates to about 26%. The profit before tax was about 60 crores as compared to 105 crores in the comparable quarter last year.

One other important thing that I wanted to mention was the other operating income for the quarter, so last year if you recall we had total foreign exchange realized gain sitting in the other operating income for the year at 112 crores of which 38 crores was booked in the last quarter of the financial year 2019. As compared to that this year the total realized foreign exchange gain for the full financial year was 43 crores as part of the other operating income and for the quarter it was about 8 crores. So there is a definite impact of the foreign exchange realized gains on the EBITDA as well as on the profit before tax. The tax for the quarter was and again given it is exceptional, it was negative 12 crores. The reason for that is that we had write back of certain amount of provision of taxes that was done in the earlier years, number one. Number two, we were writing off the deferred tax asset in the Shanghai operation till December 2019. The good thing is that all of the deferred tax asset has been written off and hence starting Q1 of the current calendar year or Q4 of financial year 2020, there would be no additional deferred tax assets that would be written off in Shanghai.

We also under the new tax regime which is applicable from the 1st of January 2020 in Switzerland, the effective tax rate goes down from 20% to now about 18% and in a staggered way that is expected to go down to about 13.5% as per the new CTRIII tax guidelines which have been enacted from 1st of January 2020. So we should see our effective tax rates remaining around 25% as compared to about 31-32% that we have seen up till now. In India, we are yet to take a call on whether to go for the new tax regime or remain under the earlier one. Obviously, if we go under the new tax regime, the effective tax rate in India as well would be about 25%. Thus, our reported profit after tax for the full financial year or for the quarter ended March 31, 2020 was 72 crores as compared to 75.7 crores in the comparable quarter last year.

As far as the full year figures are concerned, our revenue from sales was about 1973 crores as compared to 1919 crores in the comparable year last year. The total revenue including the operating income this year of FY20 was 2044 crores as compared to 2058 crores. The EBITDA this year was 522 crores as compared to 552 crores, so if you take out the impact of the realized foreign exchange gain that is to the tune of about 70 crores, the net differential then the EBITDA actually grew this year as compared to the last financial year on a like to like basis. The depreciation for the year was much higher, it was 282 crores as compared to 240 crores in the last financial year. This is along with the finance cost increase is on account of the implementation of IndAS116 from 1st of April 2019 wherein under the new accounting standards for lease we need to recognize lease assets and lease liabilities and the rental expenditure gets classified as depreciation and finance cost based upon the net present value.

The finance cost of 62 crores for the year includes a foreign exchange loss of about 9.18 crores. This loss in the last financial year was about 7.79 crores classified as part of finance cost, so this largely represents the mark-to-market impact on account of the foreign exchange rate movement to the extent of the rupee cost of borrowing on our total borrowing. The profit before tax for the year was 222 crores as compared to 308 crores for the financial year 2019. The tax expense for the year, the effective tax rate was 19% as compared to 32% in the last financial year. This was largely on account of all the reasons that I mentioned because of which our profit after tax for the full financial year was 180 crores as compared to 210 crores in financial year 19. These were the financial highlights for the year and the quarter.

Certain other thing that I wanted to mention was with regards to the debt figure. Our net debt as of 31st March 2019 was about USD 120 million. Because almost all of our borrowings is in foreign currency, it would be better to look at it in foreign currency terms, so in US dollar terms it was US $120 million as of March 31, 2019. As compared to that as of March 31, 2020, the net debt figure is 100 million. So there is a reduction in the net debt figure by about 20 million in the full financial year. As far as our buyback is concerned which was announced in January, we have completed about 50% of the total buyback as of now. As far as our balance sheet is concerned, certain key highlights, if you look at it the trade receivables have increased as compared to the last financial year. The major reason for the increase in the receivables is because of the unbilled debtors. As you know we have huge amount of service revenue that we book at Carbogen Amcis AG on percentage of completion method, because of which there are unbilled debtors on the balance sheet, which had increased this year due to increase in service revenue during the last month of the quarter.

Our overall investments, cash and cash equivalents they keep on growing every year, so we have been generating good amount of free cash flow every year. The capital expenditure that was actually incurred in the last financial year was close to about USD 42 million, so this capital expenditure was largely on account of the maintenance CAPEX across all of our plants as well as growth CAPEX that we did in Switzerland for the new building and the soft-gel capsule plant in India. So these were more or less the financial highlights for the year and the quarter ended March 31, 2020. With that, I will hand over the call to Mr. Sanjay Majmudar, our Independent Director.

Sanjay Majmudar: Good afternoon, everyone and again of course, first of all wishing you all of you a good health and prayers that everything is going to be good. Most of the points are covered by 2-3 very quick mention. Arpit, Mark, they all mentioned about EDQM but as Mark clarified that for most of our long-term customers, the risk audits are over and there is no big impact that is likely to be felt. Secondly, at Bavla plant, I think Dishman has aggressively started manufacturing special range of hand sanitizers and disinfectants which has been a forte of Dishman and that plant is now operating 24 x 7 with a very high quality disinfectant going in the market which is also helping to some extent containment of this spread everywhere in the world including in India.

Thirdly, an obvious question that if first quarter has been a little bit impacted at Bavla, I think globally most of our plants have continued to operate uninterrupted except, of course subject to the adjustments and modifications as explained by Mark that social distancing, work from home, etc., so overall we believe while it is a bit early for us to give you any guidance, we believe that for this year at least if you discount a little bit of underperformance in Bavla, I think still we should not see an overall degrowth which could be may be more than or around at about 10% in FY21 at India level as compared to FY20 but as I said, this is just an indication, it is a bit early for us to make any assessment but overall I will say that in terms of the number of late phase III drug that are in pipeline, the huge opportunity that we see now as an integrated enterprise, multiple plant, single strategy, single marketing focus and a very unique business model which we have, I think from a medium to long term perspective, internally we continue to remain extremely bullish about the core strengths and opportunities that Dishman is having and is likely to sustain its growth going forward. I think with this, moderator you can throw the house open for Q&A.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Ashwini Agarwal from Ashmore India. Please go ahead.

Ashwini Agarwal: Couple of quick questions, just Sanjay bhai’s last comment regarding the 10% degrowth as a guidance, are you just thinking about this number because initial comments from Arpit indicated that the EDQM observations would affect the marketing molecule, part of the business from Bavla which is quite small in the overall context, so minus 10% for the aggregate company on a consolidated basis would also indicate some other slow growth in revenues or decline in revenues in some other parts of the business, is there something else that we need to think about outside of marketing molecules at Bavla?

Arpit Vyas: If you think about, 10% is prima facie part of the marketable molecule business at about 15 odd million and the other degrowth is just on the terms if there is at all on the terms of the COVID situation which did not allow us to ship any material to any of the customers because there was a global lockdown, so that would just go in terms of calculating it within the fiscal year that would be seen as a degrowth because of the limited timeframe, otherwise businesswise there would be no degrowth per se. This degrowth is expected at India business level and not on consolidated business level. If you look at a two-year scenario, there would not be a degrowth but because of this COVID when 3 months, there was total and complete lockdown, these 3 months we can never get back.

Ashwini Agarwal: You are referring to March, April and May correct because June and even most of the manufacturing plants especially in the pharma space, at least in India started operating pretty much from the middle of April, so which 3 months are you referring to and which geographies are you referring to?

Harshil Dalal: Most of our revenue comes from CRAMS segment and the marketable molecules segment includes generic APIs, disinfectants, Quats and Vitamin D business. The India operations got impacted during the last two months and may get impacted possibly for June as well due to the COVID-19 lockdown. However, we have seen the overseas operations not getting impacted materially due to the COVID-19 and with the right measures, we have been able to maintain good output levels.

Arpit Vyas: And Ashwini, I was very clear this is not a guidance, but this is what we initially internally feel and I made a qualificatory statement that going forward as June and July progresses, we might be able to see what best we can do to make it up but this is what we internally feel as of now.

Harshil Dalal: With the maximum number that we would like to give you in terms of being prepared because it is just too early Ashwini.

Ashwini Agarwal: Second question is, on the two new approvals or two new products that have gone commercial during the quarter or have received regulatory approval, what are these products, is it possible for you to talk about the potential in the current financial year or on a medium term basis? How should we think about them?

Mark Griffiths: One of them actually is quite interesting because is for pneumonia, one of the collateral impacts of COVID-19 is about relevant form of pneumonia which in certain subsets of patients is always impossible to treat successfully. This drug is actually showing some efficacy in that subset of patients, so that customer is rather keen to get additional commercial supplies this year. The challenge we have as you know is that we are very busy in Switzerland at the moment, so we are in discussions with the customer but how are we going to meet the short-term requirement. This was own plan when we had our commercial planning agents with them and it bring some supplies forward but could have a positive impact. The other product is an oncology drug and will follow the normal paths so they have stock of material for launch which we manufactured and we see what happens in the market, but there are both very fresh approvals in the last couple of months.

Ashwini Agarwal: My last question is to Harshil. Harshil, on the balance sheet I see almost 200 crores increase in your intangible, what is this on account of goodwill specifically?

Harshil Dalal: Yes, this is mainly on account of the restatement of the goodwill at the closing exchange rate, so as you know that the US dollar INR moved significantly to about 75.60 odd as of 31st March 2020, so all of the goodwill gets restated at the closing exchange rate. There is no additional goodwill. It is just the restatement.

Ashwini Agarwal: And the increase of, it is a very small number about 10 odd crores in other intangible assets, what is that on account of?

Harshil Dalal: So that is again the same thing because the 89 crores increase of about 97 crores, so that 7-8 crores is mainly on account of the restatement again.

Moderator: Thank you. The next question is from the line of Anil Shah from Birla Mutual Fund. Please go ahead.

Anil Shah: Just two questions actually, one Mark, this is you and Harshil both, when I look at EBITDA and reduced EBITDA for the foreign exchange gains which are realized**,** FY18 is about 426 crores, FY19 is about 438 crores, FY20 is 479 but if I adjust for the fact that we had a change in the lease accounting and hence the lease cost which normally come above EBITDA this time have been pushed into depreciation and hence depreciation are higher, I am assuming then EBITDA was flat, more or less there, last 3 years, our EBITDA is between 425 to 450 crores, could you please explain what is happening? It is 3 years, every call we keep saying that we are in really good shape and this great opportunity great potential but last 3 years, numbers are in front of you, would we happy to lure you out?

Harshil Dalal: So Anil, it would not be right to just remove the Forex component from the other operating income because there would also be a negative Forex impact on the overall cost structure as well, so as you know most of our cost are in foreign currency, the largest one being in Switzerland as well as the Netherlands and also….

Anil Shah: Harshil, sorry to interrupt but you yourself just excluded it just to make us clear that last year fourth quarter was too high, 112, so I was doing the same thing saying you remove the FX out and just see, it has been flattish, that is what we do for every other company in terms of**….**

Arpit Vyas: Anil bhai, welcome back again after many years. What we are trying to say is that if you remove the Forex component from the last quarter gain, then you have to remove the subsequent impact on the cost as well and then calculate the EBITDA because otherwise you are keeping the EBITDA at a high cost and removing the Forex gain which is showing the flattishness.

Harshil Dalal: I agree to your point that the 70 crores which is the differential in the other operating income which is purely on account of the Forex gain that definitely had an impact on the EBITDA this year. What the other impact which is there on the EBITDA is also on the cost front, so all of the cost they are also getting restated at the new foreign exchange rate, so I am not saying the entire 70 crores impact is there in the EBITDA but the impact does not represent only the 70 crores, it is minus the cost impact as well which is built into the cost as well.

Sanjay Majmudar: Just for comparison Anil bhai, if you look at just a Swiss balance sheet or the Swiss cost, the cost of people is about 62 million, now the problem is that if you reinstate that in rupees in one year you would be reinstating that at 68 and in the subsequent year you have to reinstate that at 78, just the Swiss Franc.

Anil Shah: The other thing is, could you please specify wherein our gross debt and net debt were exactly in what currency and which particular entity it is lined each of these things because when I am looking at the consolidated cash flow that you send across today, I just don't see, pardon me for my ignorance, but I just can't see $20 million of repayment that you were talking about that 120 has been reduced to 100, so could you please give me numbers specifically on gross debt at each entity level and in what currency and the cash levels in each entity so that we come to a number which is what you are saying because as I said consolidated cash flow I just can't see the $20 million being repaid back?

Harshil Dalal: Anil, right now, I don't have it on hand, we can definitely take it offline but just to give you an idea, our total gross debt as of 31st March 2020 in rupee terms was 1056 crores while the cash and cash equivalents including the liquid investments that we have were close to about 300 crores. The same figure as of 31st March 2019, the gross debt was about 1041 odd crores while the cash and cash equivalents were about 210 crores. So these are kind of the broad figures but I can get you the foreign currency borrowings in each of the territories. Most of our borrowing is in US dollars as well as Swiss Franc and then we have certain amount of borrowings in Euros as well.

Anil Shah: but I would like to have specific number for each?

Harshil Dalal: Sure, no problem, absolutely fine.

Anil Shah: The third is again is on the cash flow also, it has been two consecutive years now, we are seeing an increase in inventory, so that is close to about 120 crores if I add both the years back and if I am adding both the years, increase in inventory is almost 64 and 58, so it is about 120 crores. You already mentioned an increase in trade receivables this year to the tune of about 125 crores. The question really is, what happened to the working capital, where are we in terms of working capital in terms of number of days etc., and going forward, could you just tell us how this will play out?

Harshil Dalal: Most of the increase in the inventory this year is on account of as I mentioned, there were certain shipments which could not go out by the end of March, so that is definitely having an impact on the increase in the inventory that you are seeing and this would be to the tune of close to about 5 million, which should go out in Q1 or in Q2, so that is on the inventory. On the trade receivables, I mentioned early it is largely on account of the service revenue accounted for as per the percentage of completion method. If you see on the liability side as well, the creditors have increased, the trade payables have increased from 195 crores to 284 crores. So on an overall working capital cycle, if you see our total current assets those are about 1800 crores while our current liability is about 1568 crores. One of the important things to understand in our working capital are the advances that we get from our customers because for many of these or I would say for all of the development projects we get lot of these advances from the customers and that is what is sitting in our current liabilities as well, so that is already cash that we have received from the customers. So if you see our other current liabilities, so they have increased form 167 crores to 216 crores. So overall for the full financial year on a gross basis, the working capital has remained more or less the same as what it was in the last financial year, so there has been not, I would say an incremental investment in the working capital in the current financial year.

Anil Shah: But you have not seen a massive growth in the topline, so working capital from that perspective would have gone up, right?

Harshil Dalal: Yes, exactly, so there is no increase in the topline and hence there is no increase in the overall working capital as well.

Anil Shah: Mark, question to you Mark, since you are the global CEO, just this in a sense we have seen a gross block if I am correct, in the region of about 3,500 crores plus or minus and I don't know how exactly you are going to look at from a growth perspective, but our topline in the last 5 years probably has moved from about 1700 crores to 2000 crores and we continued to do CAPEX on a yearly basis, part of it in maintenance of cost, part of it in terms of some growth CAPEX as you mentioned, new building in this time around and some CAPEX in India. This turnover to sales ratio just doesn't see and when do we really start seeing this commercialization of the large bouquet of products that we will be having for last many years, really playing out in terms of manufacturing and the topline growth really starting to come?

Arpit Vyas: Just to clear the first question on the gross block actually, the gross block calculation is totally and purely on the account of the reinstatement according to the foreign currency which has moved most of our investments especially pertaining to India and of course abroad which were happening at an exchange rate of the rupee at possibly at Rs. 50 odd per dollar which has taken place and in the new accounting standards have reinstated themselves, at the current level the gross block is increasing because of the accounting standards per say. It is not increasing on the actual investments that were made. I think that needs to be clarified for sure. Am I right, Harshil bhai?

Harshil Dalal: Yes, that is absolutely right. So last year we had already done that calculation so that impact is almost close to about 550 odd crores which was there in the gross block. This year, again there has been an exchange rate movement by almost close to 8% as compared to the last financial year, so that would be an additional impact which is sitting in the gross block.

Arpit Vyas: Now, Mark you can go ahead.

Anil Shah: If you can tell me in terms of when do we really see the accelerated revenue?

Mark Griffiths: It is very difficult to understand, it is very tough to hear.

Anil Shah: Yes, it is because we have to convert everything in rupees and that is the problem where it is an accounting increase other than the actuality?

Mark Griffiths: And you have the question about how long it takes this validated processes just start to grow?

Anil Shah: Yes.

Mark Griffiths: So on a general process, we are talking about validation, when we have about 12 months before things start to pick up and they start to see penetration in their markets, to customers. They remind us as we have said consistently that these are not our products. We are not in control of the regulatory filings, we are not in control of the marketing of the final products, so what we do is in manufacture of the API, we qualify and validate the process, we provide documentation to the customer and they do their filings. So January, we see about 12 to 18 months lag before commercial volumes start to come through. Most customers utilize validated compounds as stock to do their launch volumes and normally, the FDA is happy with as long as the validations are straight forward and they don't have too many deviations. So this is what customers tend to do and they build stock so like test the market without committing to large volume supplies; however, in that period of time, we negotiated supply goodness with customers. Now, they remind there are lots of the products that we are doing in Switzerland, we are not chasing 50, 60, 100, 300 tonne products because we don't have the capability to manufacture them. What we are chasing is high value low volume products. So on average, the price per kilo is by degree is 10x what you would expect to a very large volume product, very simple large volume products, so we are not chasing what we go blockbusters. I am to be perfectly honest with you I don't think there will be any more blockbusters. This is all about niche medicine these days so that is where play in the high tech, low volume, high value basis and if you look at the coverage analysis, Swiss boundary you see yet again that this has been another record year, we have never done this much revenue and this much profit before. So what is happening is that our mix of development and this is the other factor that we have to keep maintain. So where we are adding capacity, we have added capacity in development over the last 2 or 3 years, you should know mostly in high potency development. That development capacity is now being filled, so what we are now looking at is manufacturing small scale niche manufacturing capacity across the board, so every time we add capacity in one area has a positive effect in the requirement to capacity in another area. So we are looking at ideal mix that these are commercial revenues or around the pounds $60 million a year and that ratio was around about 35 to 40% commercial to development revenue and then the rest is validation is about the right sort of mix. We know that if I mix works, then we get a fair proportion of things to be validated because a lot of them die, so we are applying this in nafagrel mix. If we go for commercial products and we just go for commercial products and will have two years the wonderful numbers, but then we would not be doing any development work which means our pipeline is empty. Our pipeline today as we speak today is $98 million, we are sitting on $98 million of pipeline, so we are pretty busy and what is happening is because we have additional capacity in development we filled it. Now, we need to provide capacity to take quarters being filled and take it to the mixed scale. So that is the fine line we work and we have worked for 25 years in the history of Carbogen Amcis.

Anil Shah: Mark, as far as the development part is concerned, as we have learned and we completely understand and we know this business well, we have been investors in this company for a long period of time now and the question was more to do with the fact that even looking at some of these products finally going commercial and the manufacturing of that moving the Indian manufacturing or the China manufacturing which was already ready, the plants were ready and operational?

Mark Griffiths: Yes, that is too happening, so we are working on products, many of our intermediates starting with CRAMS products which are being transferred over to India and China and even the final APIs, we have done part of 15 drug transfers from Switzerland?

Harshil Dalal: Yes, minimum.

Mark Griffiths: So it is something like 15 drug transfers in the last 10 years since I have been back at Carbogen Amcis and Dishman, so we have done about 15.

Harshil Dalal: We have done a couple for China as well now, but as the market…..

Mark Griffiths: We will get in China because we want to prioritize China as well as an asset we need to get better utilization. So where we need the volume which we don't have in Switzerland, then India and China come in supply.

Arpit Vyas: But just a waiting game as of now and COVID certainly doesn't help as Mark said as well that it is not our IP, it is not our product, so we are not in control of the market, it is dependent on our customers of when they want stock. The validations have happened and as a thumb rule after validation that which is a stock building as Mark said, we have to wait for a year, for instance if you talk about the Janssen product, bedaquiline which we completed the validation and they have done the stock building which is reflecting in the last year of the revenue, they do not want any material for one year.

Mark Griffiths: And we shouldn't forget the second most profitable product at Bavla is actually a GMP intermediate for Switzerland which we transferred a few years ago and that product is still growing and we are still seeing a huge amount of revenue margin coming from standalone India and there were number of those going forward, so that philosophy is still impeded in our strategy going forward. We will always be looking for the opportunity to move things to our Asian assets to take advantage of this scale of the operations.

Moderator: Thank you very much. The next question is from the line of Pranav Tendulkar from Rare Enterprises. Please go ahead.

Pranav Tendulkar: So I think everybody understands that there has been the revenue run rate in April, May and June would have been lower and that would impact to your annual run rate, but if you see Q4 in next year when in we are supposed to have no disturbance from COVID, so I am talking about March 21, where in that case what could be your quarterly revenue run rate? That is my first question and second question is, what is your own analysis of where are actual bottlenecks in terms of growth and how you are assessing them because if you clearly assess the bottlenecks and you invest resources in them, I still notice then why this company can't grow at a much faster rate seeing whatever trends that I am observing in other pharma and API and CRAMS businesses, so just these two questions to start?

Arpit Vyas: So to answer the second question, first we have established the tremendous bottleneck in Switzerland where we have done almost close to 18 validations but now we have 0 capacity to make more than 9 of them commercial, right Mark?

Mark Griffiths: Yes.

Arpit Vyas: So then even if we expect out of the 100 that we have which is 30% of success we are looking at another 6 odd validated molecules going to launch for which we don't have single manufacturing vessel available for which reason we have planned a strategic API building manufacturing investment to be done here in Switzerland, so that is already in the books and already in the plan, so that is one major bottleneck. The other bottleneck that we have helped is by giving the large asset of China under the Swiss arm of Carbogen Amcis has allowed many of the nonGMP work that Swiss was doing to be transferred into China to make the Chinese assets profitable, so one thing that we are missing to see is that a loss is also a cost which a left loss is basically a gain in revenue where in China we would have seen the loss being reduced year-on-year which is also largely on the account of gaining of the revenue, but because it is a loss it is not seen but that has helped Carbogen Amcis to achieve the 150 million just in Switzerland which as Mark said is the historical year. It has never happened since this existence and it will never even imagine to happen that it is possible but because of all of these bottleneck that have been identified this has taken place and it has happened. At the same time, the bleedings have reduced in terms of China and other assets which were bleeding, so this identifying of the bottleneck and everything is a constant practice that our business acquires to perform and it is happening. It is just that we are conservative, we don't want to make the same mistake as we did in the past that we make investments just on the basis of anticipation but we make investments on a 50:50 mix of anticipation and certainty. Before it was 100% anticipation which made us burn our fingers, now we have found an ideal mix of 50% anticipation and 50% certainty for which reason we are confident to make a large investment to help prevalent debottleneck its current scenario because otherwise it is not just that we lose the 6 products which that we start to lose the brand name where people will start to think that Carbogen Amcis is full, it has a timeline of one year and it will not be able to manufacture any commercial products, so there is no point of even giving them the development work.

Mark Griffiths: It is absolutely right, the issue is very simple. We need in Switzerland to do more commercial products, then without expanding then we have to stop doing development work to provide capacity from commercial manufacturing. If we stop development work in 18 months to 2 years, the pipeline will be empty. So it is just a game of kissing frogs, we need enough frogs in the funnel, so when we start kissing frogs we find one or two princess which are the commercials and it is a cycle and it is a known cycle. This is not a surprise. We know that the market has appetite for what we do and development is where we create the technology and the capability, the innovation and commercial manufacturing is where we get to and you can see that the system is working very nicely, I mean for the last 5 years, we had reconciled and EBITDA is getting better, we are getting more fish as we get busier. So we reach the point now where we just can't squeeze anything else in and if you want to continue to grow, we have to expand in certain areas. So we understand where those bottlenecks are and we know when they are coming generally speaking, so none of this is a surprise to us.

Pranav Tendulkar: So sir, this new manufacturing capacity that you just alluded, when it is coming on stream?

Mark Griffiths: We are anticipating about 24 to 30 months. In the meantime, just to preempt to your next question, how we are going to do with the show full in the next 24 to 30 months, we have a number of enabling projects which are underway, ready to enable us to bridge the gap between the investments, so these are smaller dollar ticket investments, not outside the range of normal CAPEX and I am sure Harshil could control to that but those enable us to bridge the gap between now and the next 24 to 30 months.

Pranav Tendulkar: And about my first question, that is quarterly?

Harshil Dalal: So Pranav regarding your first question, what we have been saying on the calls is that it is very difficult to give like a quarterly estimate of what we would be achieving in a particular quarter. It would be more prudent to see our business on a 2-year basis or at least 1-year basis because of the nature of our business, so what we believe is that or what we can say right now is that the second half of the year looks to be much stronger than the first half of the year, largely because of the reasons that we have sighted for the Bavla facility and because of the COVID-19 situation, so that is kind of the broad guidance on the overall year.

Pranav Tendulkar: Sir, just last question, you don't see any CGMP approved facility which can be acquired meanwhile that is not the possibility?

Mark Griffiths: We have looked and the problem is at the moment, most assets that are available are large scale like large pharma assets and they are not really tailored to what we do. So in acquiring that asset, the asset is one thing you have to acquire the people as well. When you acquire the people, you acquire all the pension liabilities of a large pharma company, so we look to those and we are still actively looking until we buy the first piece of major capital equipment we will not stop looking for potential assets to buy, but be aware that when you buy an asset, it is not going to be we acquire it on Friday, Monday we are in production. There is still a lag time of course, so what it does do is it does save you time, undeniably saves you time it is the right asset.

Pranav Tendulkar: But it may save your third of the time, but it gives you a 100% of the hassle?

Mark Griffiths: We are looking, and we continue to look. We have actually ordered to the couple of plants and one of them we looked at, actually looked very interesting and our shutdown with the company that was facilitating the sale and we crossed and we put premium on that estimate and when I shared what their expectations were, it was actually cheaper for us to build and build it our way as to exactly what we want.

Moderator: Thank you. The next question is from the line of Deepan Shankar from Trustline. Please go ahead.

Deepan Shankar: If the FDA approval, ZEJULA Niraparib is now is the only overall small therapy for first line maintenance treatment, so what is the kind of opportunity size which has improved for ZEJULA and have you also got any update on possibility of increased orders from Glaxo?

Arpit Vyas: No, we have not gotten any update from Glaxo, what we believe is that they have built on enough stock that could help them continue for the longest period. We have done our analysis from looking at the past revenues of the company which was in existence was Tesaro and to the revenue uptake of GSK in terms of the oncology product line where the amount of material that we have shipped calculating that with the dosage, we don't believe that they have even used even the 10% of the stock that has been purchased, so to be honest with you we do not see anything coming in at least for next two years in terms of Niraparib, just based on the stock building that they have done, but since it is a large market size, we may be surprised to see additional orders coming but that is something we are looking….

Deepan Shankar: So there has been no change in terms of sourcing contract relationship with Glaxo, right so are they sourcing from any other parties?

Arpit Vyas: As of now the document have been built we believe they don't, am I right Mark?

Mark Griffiths: Yes, you are right, we had a meeting set up with them at DCAT in February, early March but of course that show was cancelled due to COVID-19 and so we are still due to have a face to face discussion with them and that may happen in CPHI which is in September if that shows on, but at the moment our view is that the material that we shipped plus the knowledge of what the other vendors shipped plus those range, we think we are sitting on quite a bit of material. For which we questions for them, by the way, we are still supporting them with regulatory answers but they are getting asked by various agencies. So it is obviously still quite a bit of activity in the global market where they are looking at filing in different countries. That is obvious from the questions they were asking and the information they are requesting from us.

Deepan Shankar: And lastly any update from tax authorities over here, though we have not got any, can we assume that the issue has been resolved now?

Harshil Dalal: So obviously we haven't received any kind of official communication from the IT department. That is the same level of knowledge that you have, that we have. What we can say is that we have cooperated with them, we have answered all their queries, all the necessary documents, information has already been supplied to them. So what we believe, as of now, is that there is nothing material which could have any kind of major impact on the company that should come out of this but we obviously haven't heard anything officially from them.

Moderator: Thank you. The next question is from the line of Elesh Gopani from Gopani Securities. Please go ahead.

Elesh Gopani: I have the question regarding the buyback of the shares. We had originally planned the buyback of Rs. 72 crores and we have just done half the buybacks, so why we have stopped the buybacks? We have the time up to 24th July and the price is in the range that we have thought of buying?

Arpit Vyas: In the COVID circumstances, we have to prepare for the future. We have to safeguard the company for the future.

Elesh Gopani: But that was originally planned and we are not going to buy, we are going to buy only 20-30 crores now, again, so I don't think the 20-30 crores will affect much?

Harshil Dalal: So Elesh bhai, so we announced the buyback in January when obviously we didn't have the knowledge of the COVID. The buyback announced was for 72 crores and as you would have seen every month, every other week, we had been buying up till the time that the COVID-19 actually started showing times of kind of a slowdown in India and elsewhere. So that was a reason we just thought that it would be better to be more cautious right now because we don't know till what time and to what extent the impact could have been. As it seems as of now that the impact should keep on dying down but we were just being extra cautious. That was the reason why the entire buyback was not completed earlier if that was the question but we have already completed about 50% of the buyback.

Elesh Gopani: That is according to the requirements, but our book value is 300 and these are the times we have the last opportunities. We will not get another opportunity for buyback at this price. These are our lowest price since many years. So to increase the shareholder value, we can always have another 20-30 crores loan and buyback this. This price is the lowest price in last 3 years. We will not have a better opportunity for doing that buyback?

Harshil Dalal: Elesh bhai, obviously the regulation does not permit to take a loan for the buyback, so we would definitely plan strategy for the remaining part of the buyback …

Elesh Gopani: No, we are taking the loan for the business, not for a buyback. You are just informing that we have stopped the buyback because we want to preserve ourselves for COVID. this 20-30 crores is big amount for the company?

Arpit Vyas: We have to preserve ourselves in terms of not knowing the global impact of COVID where the western world is yet to see the recession. So the company who is in 100% exports and who is dependent on the western world, they had to take precautions to make sure that the impact of the COVID is considered before going for the buy back in full steam for the remaining portion.

Elesh Gopani: Harshil bhai, 20-30 crores will not be affecting the company in anyway. It will affect the equity capital only? Anyway that is my reason and it is for the shareholder's value and it is for the benefit of the company that is why I am asking this question. Anyway thanks for the opportunity.

Harshil Dalal: Elesh bhai, that was the intent with which we announced the buyback of the 72 crores and that is what we intended to do but obviously nobody expected the COVID-19. We are not talking about the COVID-19 impact just on us but as Arpit has mentioned this is talking about the global economy where we had already seen lot of these companies having layoffs and slowdown and there could be a scenario of a recession as well. So that was the reason we just said that let us stay extra cautious maybe for 30-40 days, let us see how the situation pans out and then we can again restart the buyback.

Elesh Gopani: So we have time up to 24th July.

Arpit Vyas: Yes, things could get better, we never know but what needs to be also understood is that since all our currencies are in foreign currency, you can also imagine that our buyback cost has also been, they made a loss to us by almost 10% which is the currency appreciation from the time that we have gathered the money for buyback because we have not allowed to keep the receivables in dollars for instance…

Arpit Vyas: Anyways let us see the situation for the next few days and then we have time till 24th July or so.

Moderator: Thank you. The next question is from the line of Dipen Mehta from Elixir. Please go ahead.

Dipen Mehta: Sir, my question is more of a macro nature that because of this particular pandemic in your interaction with client do you think that overall R&D spend globally will increase in healthcare and indirectly that will benefit you in terms of higher projects in the medium term, this is more a long term trend, but is that possibility at all?

Mark Griffiths: I think there is a couple of things that are playing here and so we start to emerge out of this but I think there were two competing things. You are right, the healthcare right now, pharmaceuticals specifically has a high level of interest in the general public and if it has a high level of interest in the general public and venture capital money obviously will see further opportunities. So as you know if you have been talking to us over a period of time, you know that one of the key metrics we look at is the amount of venture capital money going into the pharmaceuticals. That is a key metrics for us to see whether or not the market is slowing. Today, we don't see that the market is slowing. However, on the other side of this, what we also see is politically we are starting to see a move towards more nationalism and by that I mean countries looking at taking calls on stimulating their own internal markets again, so that they are to a degree self-sufficient on pharmaceutical. That is a longer play and of course every four years politicians change and then we see some things but we are seeing that as a competing strategy potentially emerging as well. So rising nationalism, especially in the United States and in Countries like Holland and to a degree in France and Italy we are seeing that politics. Whether or not that is achievable, I don't know because a lot of those businesses have been gone from the West for many years and reestablishing those in the short term is going to take an awful lot of investment and an awful lot of time. So those are the two things that we see emerging out of COVID frankly. One of them is good news, the other one is not necessarily bad news either because Europe you can treat as one continent essentially and Switzerland is ideally placed from a tax perspective, so we don't see that. So there is a potential risk for our US business, however, it would take an awful long time to rebuild the infrastructure to do the sort of work that we do beyond the companies that already exist there. So if that were to happen, it would be at least 5 to 8 years before there would be any significant impact on our business and by then we would have had the strategy in place to do with that.

Arpit Vyas: And people would realize that rising nationalism is actually debt to capitalism which again is not going to be very much appreciated.

Dipen Mehta: But in the interaction with the clients do not get a sense that they will invest more into newer molecules and pick up R&D to the next.3 years

Mark Griffiths: Yes, well, this is the point with the venture capital money. This is the point about VC money especially in the US. So VC money is we call it venture capitalism. That is what we call it. And what happens is, these guys are in 3-5 years maximum and we see that there is no slowing of VC money going into small to medium biopharma, there is no slowing down. So that implication is very clear. There is money going in. If money is going in, then new molecules are being developed. So we don't see a slowdown. We don't see a slowdown in enquiries. So we are still getting the same number of average enquiries that we have for the last 2-3 years. Our biggest challenge today is our ability to address those enquiries because of capacity but that is always going to be a moving piece for this company as soon as we create capacity one area, we move the bottleneck somewhere else and in 18 months or 2 years that bottleneck is the real bottleneck and we have to invest unless the way it has always been in this company, I have known the company 20 years unless the way it works and it is all driven by VC money and we don't see the slowdown today. I was having a discussion with my head of sales in marketing only two days ago and we don't see a slowing down. What will happen month, I Just don't know but right now, we don't see a slowdown.

So essentially what may happen is and this is a pure assumption is that if the COVID scare is going to help in increase the premiums for the insurance companies, then we might even see an increase in inquiries.

Dipen Mehta: Yes, but even if we file to increase we don't have any capacity, so what I am understanding from your concall so far is that we have reached a particular stagnation level when it comes to turnover, unless we have massive increase in capacity there is no way we can grow the turnover.

Mark Griffiths: No, if you remember we have got a plan already underway for another facility in Switzerland we brought the land and the planning is all underway. We have a number of bridging projects which enable us to bridge the time between now and the new plants of creating head room for more capacity.

Arpit Vyas: We would have started the foundation on the first of April, per se, but COVID scenario has just delayed the activities a little bit because of the social distancing, where here in Swiss, we have the law of not having more than 10 people to get in a group and I don't think 10 people can build a lot in a short period of time.

Mark Griffiths: It is 10 people with a 2 meter distance.

Dipen Mehta: My question is, as management you do plan in 3 years, 5 years type of a scenario whereas investors, we don't see any capacity coming up for at least a year or so?

Sanjay Majmudar: I am sorry, I am interrupting. There is a bit of a disconnect here. We are also forgetting that there is a massive amount of technology transfer between Switzerland and India and China and India and China are always there to support in terms of high volume and relatively lower value products which are always going to fill up capacities and I think in India we have a decent capacity available, same is the case in China which will ensure that if the normal growth continues. Am I right, Mark?

Mark Griffiths: Correct.

Arpit Vyas: Just to do this tech transfer, also it is required that there is a customer approval which in some case when I spoke about the largest product of Switzerland, which is a second largest intermediate of India, it actually took us 4 years to do the tech transfer just not because of that internal talent, it is just because of the regulatory filing that the customer has done just to give a timeline scenario of tech transfers.

Dipen Mehta: The second question is relating to the product which gets impacted because of the regulatory actions, so what are the volume of turnover from that particular product that I can't pronounce from Bavla where the permission has been withdrawn by the European regulator? What is the precise turnover?

Arpit Vyas: In totality, the entire, with all the CEPs, which had been revoked, the total quantum of business would be around 15-18 million Harshil bhai, what was the exact number?

Harshil Dalal: So just for this CEPs that would be not more than above I would say 5 million, everything put together.

Dipen Mehta: So the effect of this particular event is just $5 million, am I right?

Arpit Vyas: As a direct event but what has happened is that EDQM, until we resolve the issue of EDQM, there will not be any filings allowed on the CRAMs side of the investment. It is all connected, it is not a direct impact on the revenue but on the CRAM side as well there will be a shortage in filing which we will get out of the EDQM issue in about next 7-8 months with the CAPAs and everything, but with our existing customers since they are on the CRAM side and have already done the filing they have got them the approval from the authorities of EDQM that yes, their product is unaffected by the findings of EDQM and which is going to allow the normal course of business to be ongoing. It is just that it might have an impact on the future business which before, what our internal try is that before it has that impact we would like to rectify the solution and COVID in that perspective has given us an opportunity to do that quicker.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal from Ashmore India. Please go ahead.

Ashwini Agarwal: This is a followup question to you on discussion that has happened till now, one of the odd things about the revenues if you zoom out and you look at it, there is of course the balance sheet you say has glutted or has increased significantly because of FX movement but then you would also see a similar impact of the FX on revenues which is not happening. Mark earlier said that Switzerland has filed a record here, but if I look at the revenues as you break it out division wise as CRAMs from Switzerland and France, I mean that revenue line in rupee terms is flat and for the fourth quarter was down. So somewhere something is not falling into place. What were the Swiss Franc revenues for this subsidiary for the last 3 years, could you provide that number Harshil if you have that handy?

Arpit Vyas: Ashwini, on the pure EBITDA basis, if you take out the other operating income, there is a EBITDA uptake of almost 8% Y-o-Y.

Ashwini Agarwal: For the fourth quarter or for the full year?

Arpit Vyas: For the full year.

Ashwini Agarwal: But then if you look at your slide which gives the revenue breakdown and we know that the Swiss Franc has depreciated in rupee terms wise the revenue flat. If you look at your slide number 9, which CRAMs, Switzerland and France, it gives you 1081 crores versus 1096 crores which is a growth of 4%, fourth quarter was a decline of 11% despite depreciating rupee versus the Swiss Franc, that doesn't make sense?

Arpit Vyas: Because the depreciation of the rupee happened majorly in the last quarter, not the initial quarters.

Ashwini Agarwal: Correct, but even there it should be at least 10% growth, if you have 10% growth in Swiss Franc terms and the rupee Swiss Franc didn't move, then you should see a 10% growth in revenue from CRAMS in Switzerland and France?

Harshil Dalal: So Ashwini, if you are just talking about the last quarter and compared with the last quarter of the last year, then definitely there is degrowth. That is for sure and that is largely because as I explained in Q4 last year was more like an exception where bunch of the sales happened in that particular quarter, so that is for sure. If you take the full year financial, there is a growth of about 4%, so it is just talking about the Swiss entity and the French entity, there is a growth of about 4% in rupee terms and obviously not all of these revenue is restated at the closing exchange rate, I mean it would be at an average exchange rate and same would be the case for the last financial year as well. So I don't have it handy but we can do a comparison taking into account what was the average exchange rate at which the revenue was booked in rupee term in Switzerland for financial year 20 and then financial year 19, so that will give you a complete perspective on this. Having said that the FX impact is not just on this revenue line number but also in the operating income, so right now we are just excluding the operating income, we are just talking about the pure revenue number over here because what also happens is that since we have many of these hedges in different currencies, certain revenues are realized against these hedges, so if I am realizing the revenue at an exchange rate which is more than what the prevailing exchange rate is, then that profit would sit into my other operating income.

Ashwini Agarwal: Harshil, I understand which is why it make sense to keep the FX as a part of revenue, right, so then we have to look at EBITDA including the impact of FX because you hedged the revenue and therefore the revenue gets booked at a certain rate and then the difference between the hedge rate and your revenue booking rate shows up as an FX gain and FX loss, so I guess that. With limited point and this goes back to some of the questions that were asked earlier, I think it was Anil who was asking this question, you were saying that my balance sheet has grown by whatever 10-11% over the last, 12% is your growth in the aggregate size of the balance sheet and your argument is that bulk of it is due to FX movement, right? Bulk of your revenues are also outside India, even what you manufacture from Bavla goes out of India largely?

Harshil Dalal: As well as the bulk of the cost, Ashwini.

Ashwini Agarwal: And the bulk of the cost, I agree but the point is if you just forget the cost rate, just look at revenues and then look at the balance sheet. If your balance sheet goes up in size because of FX movement, you should see a corresponding movement on the revenue side as well. Now there could be a timing difference in that where you say that the FX depreciation happened in the fourth quarter revenues or for the full year, therefore there is a mismatch, but the mismatch seems to be quite large and something is not sitting well, I don't know what it is. This is what is creating a concern?

Arpit Vyas: What we do Ashwini is that let us sit together and then analyse again of everything because what we have presented is at actual, it is just that the kind of movement that has happened which is inflating the gross block of things which has happened since past, not even the past year, it has been happening just past 6-7 years, the actual gross block of investment in India would not exceed more than 700 odd crores which is standing at a much higher number just on a standalone basis, just on the basis of FX movement.

Arpit Vyas: This is actual versus the accounting entry which is a new accounting standard making us incorporated.

Sanjay Majmudar: Arpit, one second, Ashwini there is one small technical issue that you may keep in mind, see the revenue gets booked at average rate if you translate into rupee, the closing entries go at the closing rate. Now, what has happened this year that if you look at the average rate of CHF or Euro or dollar, it is about 70-71 but the closing rate is 75. So that bloating effect on the balance sheet as of closing appears to be a little more sharp, however, having said that the correct way to look at would be perhaps if you also compare the respective local currencies year to year and then see how things are moving. That is point number one and even within the local currency is the business mix. So for example, if I talk of Carbogen Amcis, there is a difference in the profitability and the EBITDA just by a mix which is developmental revenue versus commercial. So there are certain nuances that is why Arpit says if you can take it offline and may be spend an hour not necessarily over a face to face meeting, but may be.

Arpit Vyas: Ashwini, if you want to normalize it, may be the major contributors as you mentioned, you should look at it in the local currency and then make it converted into the closing rate of today rupee for all the currencies in the respective currencies against the rupee which should give you the growth but these for us it comes out from the system as and when it is booked because we run on SAP, it is booked at an average which is the metric of the system that has been incorporated which might give you a disparity because abrupt movement in the currency, but if you want a normalized figure, I think you look at the slide number 12 and in that put the actual closing rate of the respective currencies and then you would be able to see a much larger revenue uptake in terms of rupees.

Harshil Dalal: Ashwini, what you can do offline is just take the foreign currency block which is sitting in each of these entities, so you just keep the block in the foreign currency and then compare the foreign currency revenue against that particular block. So that will give you the correct fixed asset turnover ratio**.**

Ashwini Agarwal: Yes, that is what I would like to do and I will take that offline.

Arpit Vyas: Exactly. The average rate of the pound which has been taken for calculation is 90 where right now it is going 95 for instance. US average rate has been taken as 70.81, CHF which is 79, almost is 71.9 or 72.

Ashwini Agarwal: That is what Arpit I said closing rate versus average rate is a very big disturbing factor actually?

Arpit Vyas: Huge, almost 10%.

Ashwini Agarwal: And this is very odd because this is probably true for fiscal 20, usually the difference between average and closing rate probably is not so wide?

Harshil Dalal: Exactly, it is just that normal accounting which is done…

Sanjay Majmudar: The slide was very soon and very sudden in just March actually if you see.

Ashwini Agarwal: Sir, one last question, you mentioned to the previous caller that your CAPA will take about and remediation will take at 9 months, I add another question to that typically when European authorities make observations, the US FDA follows up and US FDA will also issue pictures that is at least what we have seen happening of late with various other companies that European authorities and the US FDA tend to work together very closely, so are you briefing for that as well?

Mark Griffiths: What we were saying is, we have already completed all the risk assessments, we passed the risk assessment to the customers, the customers have spoken to all other regulatory agencies, so where we sit right now with all of the key products and the key customers, we have no long term concerns, so there is not going to be any impact from the USFDA.

Moderator: Thank you very much. That was the last question. I would now like to hand the conference back to the management team for closing comments.

Arpit Vyas: Thank you all for your questions. They were very well appreciated. We have taken all into consideration and we will make sure that in the next call online or offline we will be able to resolve all the issues that you have mentioned. At the same time, from the management and the company's perspective, we are extremely bullish of this business, we are extremely trustworthy in the company and of what it does and we will make sure that it is going to be coming to accordance to the standard that we all have in our heads. It will take time and for that reason, for believing in us and allowing us the time to do and achieve that we are glad and thankful for such investors and your support that you are always being providing and from our side, we will ensure that we will do nothing to break the trust that you have developed in us. Rest assured from that perspective. With that I would like Mark and Harshil to say a few words and close the meeting.

Mark Griffiths: I really have nothing further to add beyond the fact that we appreciate this call. We are committed to move this business forward and we have a chart record that we have been able to do that, so these unfortunate incidents will be resolved thereon the way of being resolved right now and we have absolute layers of focus on getting these things fixed and taking the business forward. So thank you again for your support and please try and stay safe as you can. Thank you.

Harshil Dalal: Thank you very much everybody.

Sanjay Majmudar: Thank you everyone.

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