



Suven Pharmaceuticals Limited Q4 & FY'21 Earnings Conference Call June 9, 2021

- Moderator:** Ladies and gentlemen, good day and welcome to the Q4 & FY'21 Earnings Conference Call of Suven Pharmaceuticals Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you sir.
- Rishab Barar:** Good day, everyone and thank you for joining us on this call to discuss the Q4 & FY'21 Earnings for Suven Pharmaceuticals. We have with us Mr. Venkat Jasti, the Chairman and Managing Director; Mr. Venkatraman Sunder – Vice President, Corporate Affairs and Mr. Subba Rao – the CFO, Suven Pharmaceuticals.
- Before we begin, I would like to mention that some statements made in today's discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to the company's performance have been mailed to you earlier. I now request Mr. Jasti to Share his Perspectives on the Performance and Outlook. Over to you, sir.
- Venkat Jasti:** Thank you. Good morning to everyone. I hope everybody is staying safe during this unprecedented pandemic. As you can see this call is for the Q4 & Fiscal '21 results, if you see quarter-on-quarter basis, it is less both in terms of the top line and also PAT and it is mainly due to the fact that product change mix is one of the reasons. And when you see year-on-year, then we have about 20% growth in top line which is in line with what we have been saying. But when it comes to the PAT, it will be a 14% whereas we were expecting around 20%. This is mainly due to the various reasons, I mean, one is more or less the pandemic related activity where the cost increases in human capital, the logistics and some of the raw materials and increase in the utilities and all that stuff. I think that led to the projections not being met. And to be honest, it's very challenging to do this and we are happy to mention in our 33-years history we have first time crossed the Rs.1,000 crore mark of the sales. To maintain that but the challenge in this unprecedented pandemic, the second wave has much more effect on our operations, as I was telling you, because 15-20% of the people are getting affected directly or indirectly that even if family members are affected they cannot come, so that will become the substitution. And again, the logistics has gone up sky high and the availability of the containers and of course, the oxygen requirement also led to the shortages of raw materials and some of the raw materials prices have gone up by 4x to 5x also temporarily because certain things both in terms of availability and also in terms of the pricing. Because of these things, some delays are happening as of now. But Europe and USA coming to normal, the business is looking steady and we have a good traction going forward. Hopefully, we will do better. Only fear is whether the third wave will come, and it will derail our operations in India, not necessarily for everyone. So, we are keeping our fingers crossed, otherwise we are in good shape with these problems that are present also. I think I will stop at this time and I will answer the questions which might give you better clarity.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shirish Jain from EPS Capital. Please go ahead.

- Shirish Jain:** In the cash flow statement of current year FY'21, the previous year figures are very different from what was given in the annual report FY'20. So, any specific reason for the readjustments?
- Sunder Venkatraman:** We will move on to the next question but then we will clarify this as we go on please.
- Moderator:** The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.
- Cyndrella Carvalho:** If you could help us understand in terms of the full year review in terms of gross margin how should we look at it? And specialty manufacturing costs, should they normalize going ahead, as I understand that there should be a pass-on clause available?
- Venkat Jasti:** The profit margins are based on the product mix and if you go by quarter-on-quarter, it's very difficult, but year-on-year it will be more or less in line generally with what the expectations were. The manufacturing cost increases, if it's more than 10% only, we can be able to pass on that but not under 10%. So, here there's no passing on to the customer, it's very difficult to pass on especially under the manufacturing costs and all that stuff. But in general, the cost as I was telling you in my earlier things that this year costs are because of various reasons not the normal circumstances because of COVID, various indirect cost has gone up. When this will be out? We don't know. So, we cannot really give you an estimate, but in general as I was telling you our range is 35% to 40% EBITDA margin and we will stick to that.
- Cyndrella Carvalho:** Cost will normalize as we go ahead or at this point in time we don't have much of clarity on it?
- Sunder Venkatraman:** Only for this quarter, the raw material cost has gone up by almost 20%. That's what Mr. Jasti explained in product mix plus certain cost elements that has gone up due to various other reasons. And there was also an increase in the manufacturing expenses only for this quarter, that has gone up. Otherwise, on a year-on-year basis if you look at it actually there was an increase, that is because of the increase due to this quarter. Overall less than 30% in relation to overall manufacturing cost of materials and when it comes to manufacturing it is about 13% of our total revenue, last year it was about 12.19%, this year about 13.04%, 90 percentage points it has increased basically because of the fourth quarter impact. Will it get normalized over a period of time? We will not be able to quickly jump to conclusion that next quarter will be similar to previous quarter or some kind of thing. Let us wait for one or two quarters and then if price gets stabilized then we will know what is normal. Hope this is clear.
- Cyndrella Carvalho:** Yes sir, this is very helpful. If we look at our overall for the full year the core CRAMS base has increased from a pharma CRAMS perspective. So, how should we look at this going ahead? And if you could highlight some drivers here? And do we see any new commercialization coming over next 12 to 24 months' time?
- Venkat Jasti:** Core CRAMS we expect that business to grow at least around 10% to 15% range based on the feedback I have from the customers but at the same time this pandemic should not affect us in terms of the logistics or the shortage of raw materials and even now in the second wave we have about 15 to 20 days delays and I hope that we will be able to compensate before the end of the year. But if something happens again in the second quarter or third quarter, we cannot tell, but based on the customer feedback the pharma crams will grow at 15% minimum.

- Moderator:** The next question is from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.
- Ranvir Singh:** Sir, on guidance front you said core CRAMS would grow by 15%, 20% in FY'22, right?
- Venkat Jasti:** 10% to 15% I said.
- Ranvir Singh:** In other segments, any guidance like specialty chemicals you said would remain flattish. So, we go by this?
- Venkat Jasti:** I think the Specialty Chemicals will be more or less 5% this way or that way because that's a very steady state. And in terms of the formulations, about 10% to 20%.
- Ranvir Singh:** How much CAPEX have we done in FY'21 and plan for FY'22 out of the Rs. 600 crore you have overall CAPEX plan?
- Venkat Jasti:** Ssince we have thought of spending the money, the COVID has gone into it, even the amount of Rs. 320 crore which we are supposed to spend on the old budget, we only spent about Rs.302 crore and still Rs.18 crore to be spent again and a lot of stoppages, where people are not coming and we are not also forcing them to come because our production is the main part, not the expansion parts of it or whatever it is. So, as far as the new Rs.600 crore CAPEX is concerned we have not even started yet and that will be started in the second quarter, we'll be budgeting it.
- Ranvir Singh:** In Rising Pharma, what has been the contribution in this quarter?
- Sunder Venkatraman:** Rs.18.66 crore is the contribution from Rising Pharma for this quarter and for this year it's about Rs.53.73 crore.
- Ranvir Singh:** Any element of profit which remains to be booked which may come in subsequent quarter out of sale from Rising Pharma in this quarter?
- Sunder Venkatraman:** Rising Pharma, this is up to 31st March whatever is reported, 25% of this taken on an accrual basis, there is nothing called unreported here.
- Ranvir Singh:** On the manufacturing expenses, Rs.10 crore delta from Q3 to Q4 that I was not able to understand because the sales has been flat. So, where was that additional Rs.10 crore spent?
- Sunder Venkatraman:** That is based on the product mix.
- Ranvir Singh:** So, as a percentage other than CRAMS business their percentage has been higher, that's what you're saying?
- Sunder Venkatraman:** Yes, combination thereof.
- Moderator:** The next question is from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.
- Jeevan Patwa:** I have only one question on the ANDA side. Is there anything that we need to book from the sale on the ANDA side? Typically in our business model it's on the cost basis and when we get the profit, then we basically book in our books.

- Sunder Venkatraman:** As far as the ANDA is concerned, this quarter was about Rs.12 crore compared to previous quarter, yes, it is lower, because it cannot be measured on a quarter-on-quarter basis, last quarter it was Rs.23 crore, this quarter it was Rs.12 crore. There is nothing of an unbooked kind of thing kind of thing actually. Some of them whatever we have dispatched, cost plus whatever is there, that we expect, profit realization will happen, but it could be next quarter or possible later based on the realization of the profit as a percentage.
- Moderator:** The next question is from the line of Keshav from RakSan Investors. Please go ahead.
- Keshav:** Could you give a breakup of margins and/or asset turns between pharma and the specialty chemical verticals?
- Sunder Venkatraman:** No, we are not providing segment wise split of the margins in profitability.
- Keshav:** The ongoing CAPEX, for which vertical is it specifically or it's a mix of verticals?
- Sunder Venkatraman:** It's a mix. The thing is that right now the ongoing CAPEX of Rs.600 crore, of course, that is yet to begin, that's what we have said that. When it comes to the past one which is about Rs.320 crore, it constitutes all the places which includes the formulations, which includes one of the blocks in our facility in Pashamylaram which is integrated in the API, the other one is JNPC, Vizag which is also a multi-product facility. So, out of the total Rs.320 crore what was budgeted, we have already capitalized about Rs.207 crore and pending capitalization of about Rs.96 crore in the form of capital work-in progress, the balance Rs.17 crore to be spent, of which two facilities are commercialized, one is yet to be commercialized.
- Jeevan Patwa:** For your formulations vertical, is there a differentiation strategy that you follow vis-à-vis your competitors and what kind of growth do you foresee in the next three to five years?
- Venkat Jasti:** In the formulations we are doing the products which are very niche, in a sense, volume wise there are not many people that will enter, this is very low volume brand value products which we sell on a profit share basis. So, there is no budgeting for that, I mean, competition for this, that's the one we target is have less competition that is where the target is and the values and the volumes are not big enough so that big boys will go at the door steps.
- Moderator:** The next question is from the line of Sarath Reddy from Unifi Capital. Please go ahead.
- Sarath Reddy:** So, on the base of new research projects, could you provide your comments and what is the total number of projects as of now?
- Venkat Jasti:** The thing is we are not giving phase wise because they keep changing on quarter-on-quarter basis and also not giving you correct guidance. So, we are going with a revenue generation total CRAMS, that's what we are giving now.
- Sarath Reddy:** You had mentioned that previous year there were some disruptions and conversations especially in new projects. Has the conversations and signing of new projects picked up?
- Venkat Jasti:** The conversations could not start, the reason being COVID, nobody can travel, so this will be delayed further. Background work is being done but the active work is not being happening. I think when we were talking February that time this COVID



situation was not there but the situation in other countries were much severe. But now the situation in India is bad so they are not able to come. It is going on, on the background because it's the same customers who are working with us in the content products, so it will go on but as I said last time itself it takes two to three years before you get any concrete results out of this initiative.

Sarath Reddy: So, in terms of commercialization pipeline, at the start of the year we had six ANDAs that were approved, and I think we have commercialized three, -- please correct me if I'm wrong. So, was there any new commercialization that happened in Q4 and also any new ANDA filings in Q4 and how many ANDAs do you expect to commercialize in FY'22?

Venkat Jasti: Six approved, out of that five we are distributing until last quarter, this quarter we have added one (ANADA) Animal New Drug Application, they started one shipment, so six is there. Another six are yet to be approved and we hope some of them will get approved in fiscal '22 and we have filed another five which is waiting for approval, then again, we have about five to six will be filed minimum during fiscal '22.

Sarath Reddy: In terms of both commercial CRAMS and Specialty CRAMS, you had mentioned that there is a possibility that two more Specialty Chemicals could be commercialized and also one more pharma could be commercialized. So, is that on track?

Venkat Jasti: On the Specialty Chemicals, third one, we just started in the fourth quarter shipping initial quantities. The other one I didn't say it's a commercial opportunity, that's a developmental part. Two; one is commercial, one is developmental. So, now three commercial in terms of the Specialty, one developmental. In terms of the CRAMS, nothing has come into the commercial operations but with this situation one or two maybe that too in '23 not before that because these are all COVID-related activities and they're all in the phase-2 stage. Accelerated approval process and if everything goes well, sometime in calendar 2023 or end of '22.

Sarath Reddy: So now that we have commercialized six ANDAs. So, the acceptability in the market is going to determine the volume growth plus the profit growth would follow. So, is that what you're monitoring with your customers?

Venkat Jasti: These are small volume, niche products, not many people are there, I was telling you these are initial stages. Because of this COVID situation we are not able to engage because everybody is concentrated on the COVID-related products even the distributors and all the stuff. So, not much inputs are given and the ramp-up is also not happening that aggressively at this time for those things which we had launched.

Sarath Reddy: Mr. Jasti, at the outset you made a couple of comments. Can I take you back to that? You said that there is an increase overall in costs and that explains the slight lag between top line and bottom line? You also said that the outlook for this year seems fine in terms of your visibility whatever you have from a business perspective, I presume that refers to top line and the bottom line I guess is again a factor of material prices and logistics and so on. So, could you just focus a bit on the top line and could you give us some sense of how you are seeing for the full year the top line evolves?

Venkat Jasti: As you know me, we never give you the whole year guidance because we do not have the visibility more than six months, but based on the feedback we have, the traction is much better and things are all going well. And as I said the situation is that if everything goes well without any effect post June for the phase-2 (read as



next phase) of this COVID, I think we expect to go 10% to 15% growth, that's the best estimate we are giving but not on the actual estimate. Hopefully, nothing will derail us with another set of COVID coming in a couple months from now as everybody is suggesting. Without that I think we expect to grow from 10% to 15%.

Moderator: The next question is from the line of Vineet Gala from Monarch Network Capital. Please go ahead.

Vineet Gala: Sir, you mentioned that 35% to 40% EBITDA margin is something that we can expect which is lower than our historical performance and given the increase in formulations where our profit share hitting the EBITDA, should not be the blended EBITDA margins improve from the current level?

Venkat Jasti: That is the guidance we are giving. That is the minimum we want to achieve and that's been consistent over the years. If we achieve better based on the product mix and the mix of various verticals, that would be good, but I cannot give you based on especially ANDA-based activities, without this ramp up will be much better, but something happened in the COVID situation and the ramp-up is not that great. I can't tell. But what we are saying is minimum what we can achieve. Over and above it is good for everybody. We cannot give guarantee at this time.

Vineet Gala: Also on the Spec Chem side, we have two incoming molecules, right. So, what can be the contribution on top line on these two new molecules?

Venkat Jasti: Last time I was telling you if at all maximum to go to full commercial within two to three years, it will be about \$8-10 million per product on the top angle. So, the third one which we are doing is the same thing, start with a couple of million to \$5 million like that, maximum cost (read as revenue) of \$8-\$10 million. It will not be like the old one where we have about \$25 million top line.

Vineet Gala: When are these expected to commercialize?

Venkat Jasti: We just started shipping the initial commercial quantities last quarter itself, that's what I was telling you before. So, now we have three commercials in the Specialty Chemicals.

Vineet Gala: So, sir, excluding these two molecules on the current base, are we looking at any sort of degrowth?

Venkat Jasti: As of now understanding from the customer one to two years it's the same, there's no degrowth impact. So, you can expect 5% growth at this time, other than that we don't see any degrowth.

Vineet Gala: Sir, my last question is on the formulations side. So, I wanted to understand as far as the products that you're entering, these are very niche molecules per se and very small in size?

Venkat Jasti: Niche in the sense, other way round, it is only because of the very less value and volume, not brand where not many people will be filing the ANDAs. This is in leveraging side we started with and since it's being a profit share basis, we expect at least better margins on that. Unfortunately, things did not move the way it's supposed to be moving, repeat business is not just going up and all the stuff, because of the COVID situation. In general, it's small molecules which are not highest priority for them. But they will come back after this.

- Vineet Gala:** So, sir, my question was more on the long-term perspective on this business. So, second line choosing these niche molecules, how many of such molecules will be there in the market which are not contested and small in size which are easy picking, so like over next two, three years I think you'll get some opportunities, but beyond that what would be the strategy on formulations for us?
- Venkat Jasti:** As I said, not more than two to three people in the market for every molecule that we choose and some of them we have eventually some additional features in the NDDS kind of things, now into the picture which sometime by 2023 timeframe, then the evaluation will be much better. So, these are the kind of things which we are working on.
- Moderator:** The next question is from the line of Venkat from Six Sigma Financial. Please go ahead.
- Venkat:** One question that I had in my mind is this year several companies are impacted by COVID and probably they're impacted financially as well. So, for financial year '23, are we going to have the same kind of growth that we saw last financial year 20% and above?
- Venkat Jasti:** It can be that much and maybe more. How much growth? I cannot tell. So, I was saying in general our visibility is only for six months. These are all the molecules which are in the clinical development except those commercial ones which we will not be knowing the results and these are all going forward is not in our hand. It's all data-driven. So, it's very difficult. But can happen. In fact, if we see last four, five years, we do 40%, 45%, then suddenly you stay there for a year or two, then again things grow. So, that's the way it is so. I cannot give you.
- Venkat:** My part is more from the structural side. So, there are no major structural changes because of this COVID or whatever. So, the projects will not be impacted because of this one month or two months whatever we are impacted by this COVID. I'm just trying to understand from that point of view.
- Venkat Jasti:** The structural side is only temporary but what we are talking about is our structure, structure is based on the success of the molecules in the clinical trial, the way it works in our business model. So, the structure, yes, it has a temporary effect but in general the success of the molecule is the one that gives us the longevity of the business.
- Moderator:** The next question is from the line of Purvi Shah from Kotak. Please go ahead.
- Purvi Shah:** Sir, I just wanted to understand that our CDMO Pharma business for the year has reported very good growth, but when comes in terms of our guidance, I understand that because of the COVID thing you're trying to be a little conservative and give us a growth of 10% to 15%. What I want to understand is basically that the 10% to 15% growth guidance is conservative and does it have a scope of increasing in the future>
- Venkat Jasti:** Yes, but what is the use of giving something which is not known to me? You know very well, you've been dealing with us for a long time, the visibility is only six months, how can I give you more than that? I don't want to say something, then if I cannot keep my promise. The minimum that I think I can deliver, will be given, you could see from the old history, that's well and good, but if I said 20% growth on the bottom line also, but could not deliver goods, I don't want to commit myself, I want to be very cautious and if something comes good, it's good for everybody, not only me and all the investors and all that stuff. And also there are so many variables

including this new pandemic we are in so we are doubly careful on that, but in general, looks good and the fact is going to the customers.

Purvi Shah: Other thing also I just would like to pick your brain on the margin front, the gross profit margins have been impacted by almost 200 basis points for the year. So, I understand a lot of it would be mainly related to the COVID thing. So, given the situation where things settle down, can we expect it to be back to those levels in a period of a year or two and can we expand it also further?

Venkat Jasti: It's always a possibility, but at this time I cannot give you a guarantee on that, it is always a possibility, due to product mix change and with the pandemic of course which the raw materials cost are not going up, logistics cost not going up and the continuous production of some of the commercials are taking place from three years from now, yes, certainly, it can go up and if you see the last five, six years you can see some rallies and things can happen. As you go every year, it is a higher base we are talking about it. So, keeping at same itself is a tough task and giving a growth on that also depends on various parameters, but what is the minimum I am telling you is based on the gut feeling I have as of now, hoping that everything goes well from now onwards.

Moderator: The next question is from the line of Ankush Agarwal from VPI Research. Please go ahead.

Ankush Agarwal: So, firstly, in last year you mentioned that by '2023 you're targeting that one-third of our profit should come from the ADA business. So, do you still think that that would play out?

Venkat Jasti: As of now, we still feel that it should come to that level, but two years from now.

Ankush Agarwal: So, that guidance of one-third, is it largely dependent on the 505(b)(2) kind of molecules that we are targeting in FY'23 or the smaller molecules itself will be able to reach that level?

Venkat Jasti: It's not 505(b)(2), but some other molecules with niche technologies that is involved and that kind of stuff and also the product mix.

Ankush Agarwal: One data question, can you give me how much was the profit share and royalty including the total formulations sales of Rs.80 crore this year?

Venkat Jasti: A very small account and it is not on a regular basis, so we are not giving breakups on this anymore. We have discontinued nine months ago (read as more than 12 months).

Moderator: The next question is from the line of Jinal Sheth from Awriga Capital Advisors. Please go ahead.

Jinal Sheth: Sir, in the last call, when the discussion on CAPEX was where you had mentioned that you would be giving details of the same in the following call. So, are we in a situation to kind of talk about that?

Venkat Jasti: We start that and then we got into the mess of this COVID wave-2, even the existing things are not going smooth, we are not allowing other than the employees come into the facilities and all the stuff. So, we have not finalized yet, not getting the quotations also from the customers also. So, that's why I said in the beginning of my call that it will be sometime in the second quarter we will start doing things. These are all only as I said replacement, one is a movement, one thing is for the

future expansion base. So, it's not in a rush but at the same time we have to plan for it but unfortunately did not start the activity because of the various reasons related to COVID.

Jinal Sheth: I just wanted to understand that one way we do mention that we have like a six month outlook but obviously somewhere when we are doing CAPEX, we have a broader sense of the demand direction, there is a fine line between the two, so obviously when you do talk about guidance, I presume there is a mix of both, is that right?

Venkat Jasti: When it comes to the CAPEX, it has nothing to do with the production-based activity, to be honest with you and as I mentioned out of the Rs. 600 crore we are talking about, one is the relocation of the R&D facility, that has nothing to do with any projections for the customer, one is the replacement of 35-year-old block, that has nothing to do with the customer. Only one part of it is for the expansion and more than that the expansion is not necessarily for the creation of the additional capacity alone, but also putting some of the requirements of the customers like OEL-4 facility and Continuous Flows Chemistries, something like that, it's all the requirements, it will give you certainly some capacity addition but at the same time it is meant for the customer-based request. These are all the projects. The commercialization takes three to four years from now, but infrastructure has to be created upfront. That's why you cannot correlate between our CAPEX versus our sales or projections especially, this is all mainly related to the upgradations and new requirements from the customers point of view. And, of course, naturally when you do new things, you will have certainly additional capacity in-house.

Jinal Sheth: What I was trying to ask is generally, not more to do with CAPEX but generally when you mentioned time and time again that okay we have a six month kind of an outlook on the order book. ...

Venkat Jasti: Only on the sales aspect.

Moderator: The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to the recent approval that Biogen has received. The manufacturing will come into the APIs or in formulations? And secondly, whether any milestone payment will come into Suven Life Sciences?

Sunder Venkatraman: You are talking about the recent FDA approval for Biogen molecule for Alzheimer's?

Charulata Gaidhani: Yes.

Sunder Venkatraman: Nothing to do with Suven, madam, and it is totally a different molecule, they have got the approval which they have been launching based on the FDA approval which there is some fast track kind of thing and we are not involved in either development or manufacturing or any of the things in our CRAMS business.

Moderator: Thank you. The next question is from the line of Sanjay Chaturvedi from Ampersand Capital. Please go ahead.

Sanjay Chaturvedi: Most of the pharma companies are taking advantage of the urgency to fight pandemic and very hardl any company has really been impacted or are so much negatively talking about the prospects. So, has there something structural that has happened for Suven contrary to most other companies in this space, can you just

help us understand that is Suven different compared to any other pharma company that the pandemic is negatively impacting it rather than helping it?

- Venkat Jasti:** First of all, we are not in the formulations sales in India. So, I cannot compare with themselves. Second of all, I didn't say the whole thing is due to COVID but the only thing is COVID has an indirect effect on it and it is only one quarter we are talking about and you are generalizing only say Suven is different. Yes, Suven is different, we don't do any stuff and sell items, we do with only for the innovators during the clinical phase of the drug development, and I clearly said it is the product makes on quarter-on-quarter, you cannot equate it, but year-on-year, yes, you can do that, but the people they are not telling that it's not due to the COVID, maybe they've not got affected because the raw material prices based on the products which they are not in generic in nature has a different raw material requirement which sometimes the prices have gone up sky high because of the oxygen shortages and all that stuff and also 20% absenteeism that gives you more headaches in putting people in and the extra cost and also logistics support and delayed shipments and increased inventories, all these things causes. We are not different, but at the same time yes, we are different.
- Sanjay Chaturvedi:** If it is just a one quarter phenomena and particularly when the pandemic is webbing, our single discussion it is the pandemic and its impact. So, that makes us feel that maybe like something structural has happened because everybody is talking about the situation getting normalized but from your tone it looks like you're still in thick of thing?
- Venkat Jasti:** Did you realize that the second pandemic wave will come in last December? You did not. And today everybody talking about third wave. I'm just being cautious and I don't want to give high hopes and we will deliver goods more than what we promised and you have to see last 10 years what we have done. So, I don't have to tell the rosy picture because I'll be cautious.
- Sanjay Chaturvedi:** The last thing sir, while your costs have gone up and considering the unique nature of your business where you do bespoke work, do you have the eligibility to pass on the cost to your customer?
- Venkat Jasti:** I was mentioning earlier if it's more than 10%, then we will pass on 50% of that. But if it's less than 10%, we have to absorb it.
- Sanjay Chaturvedi:** But then that will kind of help you build up a stronger relationship with your customer I assume?
- Venkat Jasti:** Yes, Yes, that's what the Suven is all about having people working with us more than two decades.
- Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.
- Darshit Shah:** My question is pertaining to what you said we have one or two molecules in pharma CRAMS which probably might come up in the next year or so and maybe most of them are usually related to COVID related drugs, and they might get an expedited approval. And in the history also we have seen that whenever we have one or two molecules coming in commercial pharma, then the profitability done is good enough over the next one or two years. So, sir is that a possibility if at all with a caveat that they might be approved or they might not be approved?

- Venkat Jasti:** Oh, Yes, always a possibility is there but as you said, it is a zero to one right now nothing in between. So, if it is approved, then you can get it because now so many drugs are being developed and so many will get fast track approvals. So, how it will fair in the market will also determine the volume and the profitability. So, yes, it's a very strong probability that we can make good money on that but at the same time it is a zero probability if it doesn't make it to the next level also. So, we will take it as and when it comes. I cannot give an estimate. It is likely to happen. I can give the timeline. But will it happen or not? I don't know.
- Moderator:** Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.
- Nikhil Jain:** Two questions actually on a broad side. Are we actually supporting the innovators for contract development and manufacturing of oncology products?
- Venkat Jasti:** No, some intermediates are there in the development, but not in the final stages.
- Nikhil Jain:** Currently, we don't have facility for manufacturing the oncology products, right, and that is where we are setting up this low OEM facility?
- Venkat Jasti:** Yes, I don't have the facility but not all the intermediates require the high potency facilities.
- Moderator:** Thank you. The next question is from the line of Abdulkader Puranwala from Anand Rathi. Please go ahead.
- A Puranwala:** Sir, your revenue growth guidance on the Specialty Chemicals, it will grow 5%, does that include the third product which you have commercialized, or this is largely on the base of the other two products what we had commercialized every year.
- Venkat Jasti:** Yes, this includes the new product but it's not a volume-driven product and at the same time the old products one of them is the real old product, so the volumes also 5% this way or that way compared to that volume when you add this one up, and the top line growth I said it's around 5% that's why.
- Moderator:** The next question is from the line of Akshay Sam from Sam Capital. Please go ahead.
- Akshay Sam:** Just a couple of questions. Do you think that the recent approval of BioLine's Alzheimer's drug is going to lead to a tsunami of money coming into research in the CNS segment? And since we are kind of experts in the CNS segment, is it going to benefit us?
- Venkat Jasti:** Tens of billions of dollars are spent on the Alzheimer's drug. Since 2003 there is no new drug has come. And also the controversy related to this Biogen drug also, we know it. Just because it is approved, because there is nothing there, it doesn't mean that unless of course had it in the clinical trial, not but we have in, yes, there is always a possibility, there is always a big push that comes into the picture but at the same time you need to have data. In general, yes, there is a lot of emphasis on the CNS segment. Only problem is it doesn't have a clear end point, these are all suggestive end points, high efficient rate especially things like Alzheimer's last 18 years, 19 years there's no new drug. It's very difficult to meet the endpoint. As you could see in our life sciences our SUVN-502 in clinical it is showing very good but it did not give statistically significant results even though it's very safe in terms of all other aspects for the long term usage. So, yes, there is a possibility but anyhow

that has nothing to do with Suven Pharma, that is to do with the Suven Life Sciences.

Moderator: The next question is from the line of Sachin Kasera from Swan Investment. Please go ahead.

Sachin Kasera: Sir, this Rs.330 crore of ongoing CAPEX, can give us some sense when we can start seeing some revenue contributions from that, H2 should be a fair assumption?

Venkat Jasti: Except for the formulations, both the things are already commercialized, one, where using the specialty chemicals already and the other one is another block in Pashamylaram which we are using it, that has happened last year itself which we have mentioned in January timeframe.

Moderator: The next question is from the line of Rahul Teja for Multi-Act Equity. Please go ahead.

Rahul Teja: Sir, I wanted to clarify a couple of things; so firstly on the Specialty Chemicals segment we said that we have launched the third molecule in Q4 and at the same time we have guided for a flat kind of revenue growth next year. So, the contribution from this new molecule, is this expected to be immaterial or are you expecting some decline in the base business?

Venkat Jasti: If you see the last year, there is a decline in the earlier molecules and came back a little bit with the second molecule coming into the picture. So, we're taking some decline in the earlier molecule and as I said that this is a very small volume to start with the third molecule, even 5% is a good growth, we did it. So, it's a combination thereof.

Rahul Teja: You said that we have six approved ANDAs as of now. So, how many of these six have been launched in the market?

Venkat Jasti: Six of them.

Rahul Teja: So when does the profit share start accruing to us?

Venkat Jasti: We already started the profit share in a small manner. This is happening for more than a year now. Only the last quarter ANDAs launched into small volume and usually there's a lag of five to six months because it has to go, then they have to distribute it, then they have to get the sales and the profit share and it's a five to six months lag for every shipment we do, minimum.

Rahul Teja: So, incremental contribution that is expected to come from these molecules profit share in FY'22, is that included in your 15% growth guidance?

Venkat Jasti: Yes, always it is a catch-up situation, not only for this year, anytime we did we will take it in combination thereof.

Moderator: The next question is from the line of Rahul from Shifa Family Office. Please go ahead.

Rahul: My question is on this professional management, the CEO appointment. So, where do we stand on that? Second question is on the scientists on our payroll last year versus this year ending March 2021? And my last question is about your commentary on CDMO opportunity specifically the current situation of China Plus

or the kind of opportunity we are foreseeing in terms of growth in the CDMO space?

Venkat Jasti: As I was mentioning, it's based on the feedback from the customers, there is a very good traction but at the same time the space in which we are in is in the developmental aspects of it, not the generic aspect of it. So, I can give you much guidance with the generic-based activity but when it is a success-based activity, it all depends on the success, the molecules, the clinical trial out and then we will be getting the next level of opportunity. When it comes to the other question on professional CEO, it's very difficult to get someone with this mindset and taking this forward and a couple of people we looked in the US also and we are not able to get these people on board because of the COVID situation since one year. And we're also waiting for the right candidate to come in because it has to be a long drawn possession, not for one year or two years, so we're waiting for the right person. It's not that easy but we are still looking for it. To your second question, there's no difference, I mean, there is an increase in the lower end of people maybe by about 5% but our number of people are same, total scientists in our organization is around 250.

Moderator: Thank you. The next question is from the line of Neha Agarwal from SageOne Investments. Please go ahead.

Neha Agarwal: Two quick questions: One is on the formulations unit in Pashamylaram. What is the capacity utilization currently?

Venkat Jasti: The existing formulations is fully utilized. The new expansion now is under the validation for the future projects only. But for the present one we have enough capacity, we are using more or less 100%.

Neha Agarwal: So, then the new approvals that we would be expecting in FY'22 plus the growth from the existing ones in FY'21 would be taken care by the existing one only?

Venkat Jasti: We are expecting one or two to come from that side also. As I was telling you the existing ones which we launched also, as I said, the traction is not that great and we will know only in another three, four months from now how that is fairing. It's a combination to put together.

Neha Agarwal: Also, there is one question which is not related directly to your business as of now, but just wanted to understand with respect to PLI-II Scheme of the government, are we evaluating doing something there in terms of new CAPEX because the current CAPEX that you announced as you rightly said is not directly linked to capacity expansion, so can we expect something to be done there with respect to leveraging that opportunity plus expanding the capacity?

Venkat Jasti: No, because it's not in our line of activity because they are mainly for generic purposes, for the intermediate, for the generic molecules and all that stuff and we are in the innovation, supply chain and none of the products meets our requirements because as I said we don't have any stock and sell items, but say everything is on collaboration basis, except the ANDAs which are in the profit share basis again.

Moderator: The next question is from the line of M S Rajashekar, an individual investor. Please go ahead.

M S Rajashekar: I am an individual investor Mr. Venkat Jasti thank you very much. I have been an investor with you for over a decade. I really got benefitted. Thank you so much. My



question is everybody is going in for the biologicals and biosimilars. Is Suven also thinking in that line?

Venkat Jasti: No sir, it's not our cup of tea and you have to have different skill sets and time frame and all that stuff. We are not that big to go into straightaway lot of people and money into that at this time now.

Moderator: Thank you. The next question is from the line of BT Vainatheyan, an individual investor. Please go ahead.

BT Vainatheyan: If I am allowed to ask this question, this USFDA approval for the plant, how do they now give it because saying if they are not able to come physically to inspect it, so does this mean that the next FDA inspection is supposed to during this COVID phase if that approval still continued, or do they have to still come and approve it and then only Suven can continue with its projects or something like that?

Venkat Jasti: Yes, our approval has happened in January itself and usually they don't visit the facility, and we used to go over, so we have a problem on that part facility wise, but if there is a specific product, the approval is required, nowadays they are doing online based on the old records they have taken, only the paper work they are seeing it, they are also going to see the online visual data coming, inspection also by ZOOM or something like that if there is a requirement for a product that is to be launched immediately. I don't see any problem on that. The existing approvals continues unless there is a product that needs to be launched and if it requires the approval, then only they will come. And they can do this by remote online things also if needed, but otherwise they have the people here in this country, they can also send them. So, as of now, no problem and things are valid until they come. It's only based on their availability they'll show up when the product is to be added.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Sunder Venkatraman: Thank you. Before I hand over to CMD for his concluding remarks, I would like to clarify the first question in relation to the cash flow. The question was why there is a difference in the classifications of some of the items of cash flow compared to the last year annual report which was published? Wwe got a clarification that some of them were due to auditor's reclassification of this based on in line with the current year that is 2021. So, these are the groups like finance cost, receivables, exchange fluctuations and capital advances, and those things, it was a purely regrouping effect. Other than that, there is no change in the cash flow overall. It's just regrouped in line with the current year figures. Thanks for asking that question. Hope it's clarified.

Venkat Jasti: Again, thanks everyone for tuning in for this update on the results. And as I was telling you in my earlier commentary, things are tough and somebody said it's only for Suven stuff, we are dealing that way based on our business model and all that stuff and we are hoping that it will pass sooner than later the traction that is being there and hope to perform better at least 10% to 15% next year, with the caveat that things will move smoothly from now onwards. Everybody stay home and stay safe and thank you for tuning in.

Moderator: On behalf of Suven Pharmaceuticals Limited that concludes the conference call. Thank you for joining us and you may now disconnect your line.

Please note: We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.