



## ANUH PHARMA LTD.

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18<sup>th</sup> November, 2021

To,  
Dept. of Corporate Services/  
Listing Department  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Fort, Mumbai - 400 001

**Ref: Scrip Code No. 506260**

**Sub: Transcript of Earnings Call**

Dear Sir,

Please find attached herewith the Transcript of Earnings Audio Conference Call held on 16<sup>th</sup> November, 2021 at 4.00 PM wherein Financial Performance for Quarter ended 30<sup>th</sup> September, 2021 was discussed.

Kindly acknowledge the receipt and take the same on record.

Thanking you,

Yours faithfully,

For **Anuh Pharma Limited**

*A. S. Ambrale*



**Ashwini Ambrale**  
**Company Secretary & Compliance Officer**  
**(Membership No.: A32456)**

**Encl: As above**



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## **The Financial Performance of Anuh Pharma Ltd. for quarter ended 30<sup>th</sup> September' 2021**

### **Moderator:**

Good evening to all. Welcome to the earnings call of Anuh Pharma Limited organized by Latin Manharlal Securities Private Limited to discuss the financial performance for the quarter ended 30<sup>th</sup> September 2021. We will start the call with all participant lines in listen only mode. There will be an opportunity to ask questions at the end of today's call. If you need assistance during the conference, please signal an operator by pressing \* and 0 on your phone. Now I shall hand over the call to Mr. Bhavin Shah from Latin Manharlal Securities Private Limited, thank you and over to you sir.

### **Bhavin Shah:**

Thank you. Good evening, ladies and gentlemen. Welcome you all to the quarter two earnings calls of Anuh Pharma Limited. First of all, I would like to wish every participant here present and everybody around a very Happy Diwali and a Happy New Year. I hope after a year and a half gap most of us would have been able to have a little more and better cheerful Diwali and environment that we could live in. So, I'm sure we have a long way and much better days to come back. And I think we are almost back getting to the normalcy, which is I think, the best and the great news that we all are living with. This call will be addressed by the Vice Chairman, Mr. Bipin Shah, Mr. Ritesh Shah the joint MD and Mr. Darshan Rampariya the CFO. I would like to thank the management and the team at Anuh Pharma. We have been able to see, you know, quite a better and cheerful recovery what we are seeing and observing post COVID I think we are all getting back to much better and smoother, you know, phase of business environments, in always. So, I think the team at Anuh Pharma is doing great striving hard to do excellent and continue and making sure to achieve what is said and trying their best to outperform the set targets and I'm sure there is a long way and we are getting back, so I will not take much time but handover to team Mr. Bipin at Anuh Pharma to take it over and throw some light and insights of Anuh Pharma and its growth. Thank you very much. Over to you Bipin.

### **Bipin Shah:**

Thank you Bhavin. My dear shareholders I hope this finds you in safe and in good health. Friends, I'm glad to share with you that Anuh Pharma Ltd has achieved a reasonably good top line of 110.64 crores in the second quarter, that is July to September 2021 of the current year. The more exciting news is that the profit before tax of the second quarter is Rs.11.03 crores which is far better than the last quarter i.e. the quarter ending 30<sup>th</sup> June 2021 which was at Rs. 7.11 crores. The EBITDA for the current quarter is Rs.14.38 crores compared to the EBITDA of Rs.10.28 crores in the first quarter, which ended on 30<sup>th</sup> June 2021. Friends, during the last quarter, the sales of Gliclazide , Ambroxol, Erythromycin and Sulfadoxine was very good and also the pending order status as on 1<sup>st</sup> October 2021 i.e. the current quarter is also good. It may please be noted that quarter after quarter we are improving our top line and our bottom line and now, we are confident to reach our targets made for the current year that is April'21 up to March 2022. Please note that we are temporarily facing some delays and shortage in procurement of certain intermediates from China. However, we are making alternative arrangements for procuring these intermediates from local companies and this project is likely to be completed maximum in two months' time. The main purpose of developing this intermediate locally is to become self-reliant and not to suffer any sales for the want of intermediates. We also observed improvement in the sale of Pyrazinamide and

Erythromycin in the second quarter. And we are confident that we'll be able to achieve our top line and bottom-line targets which were fixed for April to March 2022. Friends, we are also making best efforts to introduce two to three new products before the end of the year. Our new plant already resumed steady state and as of now, there is no capacity constraints. Regarding the future outlook, we are pleased to inform you that we are regularly getting all raw materials except for one for which we are trying to develop a local source. Friends, Anuh Pharma Ltd. is back on track post COVID-19 lockdown. The advantages of new expansion facility as per our promise of 30% growth on top line and bottom-line contribution is going on. An average EBITDA percentage margin of 12.76% which will resume for the year ending 31<sup>st</sup> March 2021 will also be improved in the current year. We have also now zero liquid discharge facility which takes good care of safety and environment. Our manufacturing capacity is 1200 metric tons per year after expansion and our ongoing capacity utilization is approximately 65%. We are also pleased to inform you that we have the lowest attrition rate compared to the industrial rate. During the current financial year 2021 we propose to invest additional four crores in the capex to take our manufacturing capacity from 1200 metric tons to 1500 metric tons per year. There were many questions last year asking us about NSE listing. I am pleased to inform you that within maximum two months' time we will be also listed on NSE. Thank you very much for your time friends and best of luck to all my shareholders for the future year. May we invite any questions if any.

**Moderator:**

Certainly. Ladies and gentlemen, we will now begin the question-and-answer session. Participants using speaker phones are requested to use handset when asking questions. To enter the question-and-answer queue, please press \*1 on your phone. If you would like to withdraw your question and exit the queue, press \*1 again.

Participants who wish to ask questions, please press \*1 on your phone now.

We have first question from the line of Mr. Sunny Ahuja as an individual investor, please go ahead.

**Sunny Ahuja:**

I have a question regarding the top line, you know, we were saying that we are going to report a 30% increase on the top line. This quarter, we've hardly seen anything come through in terms of you know, we compare the numbers, vis a vis, I guess last year, the top line has not moved much, although we have seen reasonable amount of, you know, increase in the bottom line. So, since we have done approximately 430 crores last year, and what you said, you know, that we will be reporting a 30% overall increase in their top line. So, does that mean that we are gonna make up for this, you know, revenue in the coming quarters.

**Bipin Shah:**

Mr. Ahuja, the company makes two kinds of products, a set of products are called volume builders, and another set of products are called profit builders. So, if you see the bottom-line improvement itself indicates in that is probably the most important element. Even if the top line doesn't improve much, we will see the bottom-line improvement compared to the first quarter is probably more than 30%. So, at the end of the year, whether the top line improves or not, is not very important, but the bottom-line improvement is more important.

**Sunny Ahuja:**

Right, I understand sir, so, basically, what from what I understood is what you're saying is that our margins are higher margin products have contributed more as opposed to what it was before. What about the raw material costs? Is that are you also seeing those softening because from what I have understood that you know, there are cost pressures coming in from China and raw material prices are pretty much you know firm. So, can you just tell me whether the margins are we are we able to sell more high margin products or also we are seeing some impact on the raw material costs.

**Bipin Shah:**

So, first of all, now, we have understood that in the second quarter, what we have done is we have sold more of profit builder products and less of volume builder products. That's why you see that probably with the same kind of top line, the bottom line is improved substantially. Now, your second question is that there is a huge pressure on the prices of the intermediate and the raw materials which are going in for the production of the API, which are manufactured by Anuh Pharma. So, my answer to that is the majority of the products from China are available, maybe at a higher price, but we have to plan our sales in such a way that substantial amount of the increase in the raw material cost is passed on to the user because raw material forms a very large proportion of our selling price, you know in any API industry, anything from 60 to 75% is the cost of raw material compared to the selling price. So, we have been taking all good care to get the raw materials even if it is at a higher price, you have to take the raw material, but we have to take that subsequently the higher selling price from our clients

**Sunny Ahuja:**

Okay understood Sir. But are you still sticking them to your target of the 30% growth in top line, which means are we still looking at maybe a 500 crore or maybe 500 crores plus kind of top line for this year?

**Bipin Shah:**

As I said, these are the projections, but when it comes to the numbers, we will give more importance to the bottom line. And top line also Yes, is on target. We are looking at about 485 or around. But still my more important thing is the bottom line.

**Sunny Ahuja:**

Understood Sir, Thank you.

**Bipin Shah:**

Thank you, Mr Ahuja.

**Moderator:**

Thank you, Mr. Ahuja. Ladies and gentlemen, for any further questions, request you to press \*1 on your phone.

We have next question from the line of Ms. Purvi Shah from Kotak securities. Please go ahead.

**Purvi Shah:**

Thank you. Good evening, Sir. So, my question is regarding one is that if you could just help us update on the NSE listing, where do we stand currently?

**Bipin Shah:**

Our consultant who has been given this job maximum within two months' time Anuh Pharma limited will be listed on NSE also.

**Purvi Shah:**

That's great, thank you so much. And since you highlighted that you know, we are facing some issue with sourcing certain intermediate. Can you have a project that's over next two months you would like to find an alternative in India? If you could just highlight more on that one as to what is the kind of impact that you can see on the margins going forward in case the intermediates are not sourced in time that is one and the second thing is shifting from China to an Indian player, how much would that have an impact on the margin system?

**Bipin Shah:**

Let me tell you, there is only one intermediate where we are finding it a little difficult to get sufficient quantity from China, we do get already but we get 50% of our required quantity. So that 50% we are trying to get it manufactured by one manufacturer in India who have already started giving us some commodities, but the prices from India will be almost equivalent to what we get from China. So, there won't be any pressure or there won't be any incremental cost due to sourcing from India.

**Purvi Shah:**

Thank you, Sir, that's nice to hear. The other thing also I wanted to know was are we having any pressure from the logistics or transportation cost?

**Bipin Shah:**

Yes, there is a substantial increase in transportation costs from China and some other places, but again, that we have to take care while making our costing them whatever possible, we would like to pass it on to the final product also because there is substantial it is not the marginal increase, you will see the container red coal from China is almost doubled as I've told.

**Purvi Shah:**

right. So, do we have this clause when such issues do happen? Do we have this clause in the contract wherein we can pass it down to our customer?

**Bipin Shah:**

No, there is no such clause. We have to be careful because this is not today, it is almost down for months that the cost of containers & the cost of freight has been going up. So now we are going to be x instead of x by two. So, care has to be taken while quoting what the finished API we are selling.

**Purvi Shah:**

Okay. Okay, thank you so much. That's also my end. If I have anything I will get back. Thank you.

**Moderator:**

Thank you, Miss Purvi. Participants who wish to ask any more questions, please press \*1 on your phone.

We have question again from the line of Mr. Sunny Ahuja as an individual investor, please go ahead.

**Sunny Ahuja:**

Sir I also had a question on Azithromycin, you had mentioned that we were making Azithromycin from more you know, earliest stage and that would be aiding our margins. And you also mentioned that you know, we have managed to sell higher margin products this quarter. So, have you seen that as Azithromycin being (18:46 inaudible) stage has that come into play at all in this quarter?

**Bipin Shah:**

See, Azithromycin has two ways. Number one it is imported from China number two companies like us and maybe one or two other companies are manufacturing Azithromycin by importing an intermediate from China. So, our Azithromycin is produced at Anuh Pharma factory by importing an intermediate and then we have to compare again because of the direct import price from Erythromycin coming from China. So, whenever we get our intermediate in substantial quantity at a better price, we find that our situation is good. Now another thing most important that has happened is that Azithromycin is produced from TIOC. That is called Erythromycin Thiocyanate. Now the cost of Erythromycin Thiocyanate world over has increased substantially because one of the players who's making almost 1000 metric ton out of total world requirement of 6500 metric tonnes has probably withdrawn the prices of TIOC which is Erythromycin Thiocyanate and it has gone up substantially due to which probably Azithromycin prices in India, as well as China will also substantially go up. But we are well covered with the intermediate. So, we hope that we won't have much difficulty.

**Sunny Ahuja:**

I understand so that point is well taken, but if I'm not mistaken, I believe that you had mentioned in the prior con calls that you were also working on something to make it from a slightly earlier stage. So, I don't know that has come through or as that as having any impact you know, on our margins.

**Bipin Shah:**

So, as of now, although we have developed from TIOC but because TIOC there is Erythromycin Thiocyanate it said the prices have gone out of the roof so at this stage although we already developed process probably it is wiser to produce from Erythromycin rather than going for the basic

**Sunny Ahuja:**

Okay, understood. Thanks

**Moderator:**

Thank you, Mr. Ahuja. Participants for any further questions request you to press \*1 on your phone.

**Nirav Ashar:**

Good evening Bipin Sir, this is Nirav Ashar here from Latin Manharlal securities. I just wanted to ask a question pertaining to the balance sheet of the company happened to see the balance sheet of a company where the balance sheet size is close to Rs.340 crores and majority portion is deployed into inventory trade receivables fixed assets that is approximately 73% of the balance sheet and we have cash and cash equivalents, liquid assets

investments to the tune of 86 crores now this 86 crores which is there I think we need to understand what is going to be the deployment strategy for this because you know carrying so much cash and cash equivalents or liquid investments on the balance sheet Do we have a deployment plan as such going forward into the future?

**Bipin Shah:**

I would like Mr. Darshan Rampariya our CFO to reply to this question.

**Darshan Rampariya:**

You will see as you rightly mentioned that we have cash equivalents and the very current quick asset so at the same time we also have the short-term borrowings which we'll refer So, the plan is that when the maturity comes, we would like to you know repay this borrowing

**Nirav Ashar:**

Okay. Okay. What would (22:50 inaudible) brings against these investments of approximately 86 crores.

**Darshan Rampariya:**

I believe so, certain current investments are about Rs.60 crore, okay. Yeah, against that we have about 43 crores of outstanding loans, Okay, which is very short term in nature.

**Nirav Ashar:**

Okay. And still, I think you are a cash surplus company, because the kind of cash generation which is happening quarter on quarter basis. So, I think you would have surely drawn up a strategy for the deployment of the surplus funds because when you carry so much surplus funds on the balance sheet, it tends to curb the return on equity, return on capital ratios, etc. So, just wanted,

**Bipin Shah:**

This is very important question that you asked as you see my opening remarks about four crore rupees, we are going to undertake capex in this year to increase our capacity from 1200 metric tons up to 1500 metric tons. Secondly, we are looking for a second unit for inorganic growth also because, so, much of investment in so, many regulatory approvals, which are surrounded only on one site that is Boisar site. So, to fall back upon, we should have one more small unit. So, this money which is found to be surplus will be utilized when we get the right candidate for a second unit.

**Nirav Ashar:**

Because sir, just as in continuation to this, because we have a strong working capital position also. So, I think that working capital position naturally takes care of all the short-term liabilities which are there. So, technically, if one were to content, we can say that we are a cash rich company, we are an extremely cash rich company where we are approximately 1/3 of our balance sheet is into liquid assets. So, I think we need to have a much more sound or an aggressive strategy going forward for expansion or if we are not able to deploy the money then what we have in accordance with the global best practices, we declare a liberal dividend for the shareholders. So, I think we can consider.

**Bipin Shah:**

I'll give you a reply the last expansion was commissioned in December 2019, Almost two years back in which we had invested Rs.70 crore as capex all the capex was from the internal

accruals or reserves, we did not take any term loan or any loan from the bank number one number two, any second unit that you'd like to go for inorganic expansion, so, that we can fall back upon as I said just now, we will need minimum Rs.80 to 100 crore in sum we are looking for a right candidate once we get the right candidate it can take one month or it can take three months or it can take six months. Today the most important is to get the right candidate once we get that probably utilize (26:12 inaudible)

**Nirav Ashar:**

Sir, are you screening any candidates at the moment or it would be too (26:24 inaudible)

**Bipin Shah:**

every month we get two to three proposals, but to get the right candidate is like to get the right bride when you have to get married.

**Nirav Ashar:**

right. So, yeah that is appreciated. And just one more question on the P & L side. Last year, your depreciation figure was 15 crores for the full year and it this figure is very important because when we take into account the cash profit because your net profit gets added to the depreciation being a non cash cost. Now, this year for the half year, the depreciation is 5.96 crores is roughly 6 crores as compared to 7.5 crores in the corresponding period of the previous year. So, your fixed assets are down by approximately 8% There's been a reduction of 8% in your assets last year your fixed assets were 71 crores this year it is 65.5 crores and the depreciation is down by 21%. So, I think I would like to understand why there is a disconnect in this particular case with respect to (27:37 inaudible)

**Bipin Shah:**

I would like Mr. Darshan to reply to this question

**Nirav Ashar:**

Yes.

**Darshan Rampariya:**

So, we are following the written down value method of depreciation and about the average rate of depreciation is worked out to be in the range of 12 to 15%. But that's the reason you will find this (27:56 inaudible)

**Nirav Ashar:**

depreciation means last year we were at 7.5 crores and this time we are at 6 crores that too on a half yearly basis that means on an annualized basis will be we will be going down from 15 crores to 12 crores

**Darshan Rampariya:**

true, very true

**Nirav Ashar:**

So, just would like to understand the reasons for this.

**Ritesh Shah:**

So, you remember we have done the expansion in 2019. And the depreciation for the last financial year, as you rightly pointed out is approximately 15 crores. And this year on the



same investment, return on value will be reduced to approximately 12 to 13 crores. The same thing will continue and of course, the new investments that we will be continuing doing we'll be keeping on adding on this depreciation but the investment amount in new capex is slightly lesser than the depreciation amount that is getting deducted.

**Nirav Ashar:**

Okay. And, sir, on the operational side, just one question. Also, we've seen We've heard reports that in China post the shortage of coal and severe energy crisis which has happened over there, there's we have kind of hyperinflationary scenario when the raw material prices have shot up. And I think this is this has been a commentary across many, many companies, they've given this kind of view, there's been a hyper inflation kind of a scenario. So, have you experienced something on that line do you happen to

**Ritesh Shah:**

Bipinbhai has also mentioned in his previous talk, you know, because of the dual power policy in China, the products that we are importing from China has seen a substantial increase ranging from 20% to 40% depending upon the product. It also has in a way that the inventory that we have been carrying, has also increased its valuation to the market value. At the same time, we are getting the new raw material and we are passing on this increase in cost to the end users. So, we do not see any major issue because of it on our bottom line as such.

**Nirav Ashar:**

And while it does not impact the bottom line, do you see any pressure with respect to the working capital cycle Do you think your working capital cycle could be impacted in any ways?

**Ritesh Shah:**

that will be of course, increase in the working capital requirement, but since we have our own results, we are able to utilize that we are not going for any additional borrowing.

**Nirav Ashar:**

And sir, for the next couple of quarters, what is your outlook with regard to the domestic market as well as the export markets?

**Ritesh Shah:**

So, you know, we are our sales to domestic and export are almost 50%. We are anticipating top line have around between 480 to 500 in this current financial year. So, domestic sales are expected to be somewhere around 240 crores while exports will be somewhere around 250 crores but currently, there is more demand in export side because of the opening of you know countries because of COVID. And the domestic clients are facing issues related to this increase in price because of the DPCO, and organization of Indian pharmaceutical, called IDMA has already applied to PPI, you know the chemical and fertilizer ministry to increase the price of the finished formulation by 20%. Because there is an increase in the API costs due to intermediate increase in China. So, we will have to wait and watch but our export growth seems to be very, very good in this next two quarters.

**Nirav Ashar;**

So, the crux of what you're saying is that you expect pharmaceutical companies to be under pressure or the industry to be under pressure on account of not being able to pass on or the prices to the final consumers due to the DPCO.

**Ritesh Shah:**

That is for the formulation companies in India, they will have this issue related to increase in the price of the API's.

**Nirav Ashar:**

Okay, that's all from my side. Thank you, Sir.

**Moderator:**

Thank you Mr. Nirav Ashar. Ladies and gentlemen, if you wish to ask any questions, please press \*1 on your phone now. Participants who wish to ask questions, please press \*1 on your phone. There are no questions in the queue now.

**Bipin Shah:**

Okay,

**Moderator:**

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**Bipin Shah:**

Thank you very much, my dear shareholders, let us hope for better and better quarters in the future. And thank you Bhavin for arranging this investors presentation and investors call. Thank you very much, everybody. Have a nice day.

**Bhavin Shah:**

Our pleasure. Thank you.

**Moderator:**

Thank you, ladies and gentlemen, this concludes your conference call for today. We thank you for your participation and for using iJunxion conference service. You may disconnect your lines now and have a great day ahead. Thank you.