



ANUH PHARMA LTD.

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19th February, 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 Video Conference Call

Dear Sir,

Please find attached herewith the Transcript of Earnings Video Conference Call held on 17th February, 2021 at 4.00 PM to discuss the Financial Performance for Quarter & Nine months 31st December, 2020.

We request you to kindly take the same on record and acknowledge its receipt.

Thanking you,

Yours faithfully,
For **Anuh Pharma Limited**

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



Encl: As above



Anuh Pharma Limited
Q3 FY21 Earnings call
February 17, 2021

Moderator: Good evening to all. Welcome to the earnings call for Q3 FY21 of Anuh Pharma Limited organized by Latin Manharlal Securities Private limited. I shall now hand over to Mr. Bhavin Shah from Latin Manharlal who shall give us a brief introductory address followed by a brief presentation by the management of Anuh Pharma and finally the Q&A session. Over to you sir.

Bhavin Shah: Thank you. Good evening all. First of all, thanking all the attendees so far and the future joiners to spare some time out to attend this call, arranged by LM and will be briefed by the management of Anuh Pharma. I sincerely thank to the management of Anuh Pharma Limited to shell out time to address the queries of all of our investors, shareholders in the industry. I'm sure it's going to be an insight to the investors.

I think, looking back about 2-3 quarters time has been pretty challenging as well as there are a lot of opportunities around. So I'm sure which in one current FY Company has been able to capitalize on the opportunities available to the fullest. Followed by the next quarter, which I feel was pretty much going back to the normal consistency performance as was there earlier and this quarter as well. I think, the company's management, shall give us more insights and summarize, give the brief earnings for the current FY quarter Q3 and also take us through the all three quarters so far. I would like to invite the management of Anuh Pharma, Mr. Bipin Shah, the Vice Chairman, Mr. Ritesh Shah, the Joint MD and Mr. Darshan, the CFO from Anuh Pharma. I will hand it over to them without taking much time and I think let us hear out from them. Thank you very much. Over to you.

Bipin Shah: Thank you, Bhavin bhai. Friends and dear shareholders, I am Bipin Shah, Vice Chairman of Anuh Pharma Limited.. We are 32 years young company. If you go back to our history Anuh Pharma has been paying dividend since more than 25 years, ranging from 55% going up to 230%. We have been able to give bonus every 5 years, let's say 1999, 2006, 2010, 2015 and 2020. The bonus has been from a range of 1:1 or going up to 3 shares for each shareholding.

You'll be pleased to know that the company started with a capital of Rs. 8 lakh. With the God's grace and with your support today, it is a reserve of more than 175 crores. These are all our past accomplishments, achievements etc. But what about the future outlook? Friends we are pleased to inform you that we are now getting all raw materials, except one, for which we are trying to develop a local source. We are fortunately back on the track post COVID19 lockdown and even during the COVID19 lockdown, we had kept the wheels of production always moving..

The advantages of new expansion facility as per our promise is 30% growth on top line, 30% growth on bottom line and an average EBITDA of 15%. I'm very pleased to say that in the end of three quarters, that is on 31st December, 2020, we have been able to reach or surpass this promise, which I had given to you during my last conference call. I would also like to specially mention one thing that the facility at Boisar has got a zero liquid discharge system installed which take care of safety and environment. You also know that today the biggest challenge of any API industry is the pollution, Friends our current manufacturing capacity is 1,200 metric tons per year after expansion. Our on going capacity utilization is approximately 65%. We are also pleased to say that we have the lowest attrition rate compared to the industrial attrition rate.

During the next financial year, that is a year 2021-22 we propose to invest additional 4 crores in capital investment to take our manufacturing capacity from 1200 metric tonnes per year to 1500

metric tonnes per year. Friends for the period April 2020 going up to December, 2020 that is the first nine months, the EBITDA margin is approximately 49 crores, which is probably the highest compared to the last 31 years. Even our profit before tax has been reported at 36.9 crores, which is also the highest amongst last 32 years and the top line of 343 crores. That is also probably the highest and all the above numbers are at least 30% higher than the first nine months of last financial year. Would also like to note that in this particular year which will end on 31st March, 2021 we would have claimed a depreciation of approximately Rs. 15 crore which used to be about 3 crores earlier years but because of the additional expansion where we spent approximately Rs. 70 crores and which was commissioned in December, 2019, we'll be writing off a depreciation of around 15 crores. I would now welcome any further questions that you might have in mind. I am here to only say that look at the history, look at the current year's nine months performance and we are here working very hard. Now I have two more gentlemen who are being appointed as Joint Managing Directors. One is my elder son Ritesh Shah, who is an MBA and a Chemistry graduate with almost 16 years experience in Anuh Pharma, second is my younger son Vivek Shah who has done his Master in Biotechnology and he has also spent 11 years in Anuh Pharma. Ritesh Shah takes care of the finance, international marketing, local marketing, general administration. Vivek Shah takes care of all the technical matters like running a R&D laboratory, production, new projects. And I am still available to them as and when they need it, I am fully still very active on that. I wanted to pass on the battle at the right time and I am sure that under their guidance the company will definitely flourish further and further. So with this, I invite questions from the shareholders and our well-wishers. Thank you so much.

Moderator: Certainly. There is one question from Mr. Pawan. When is NSE listing?

Bipin Shah: There is some listing criteria for NSE listing and I think it may take additional six to nine months to list.

Moderator: We have a question from Ms. Kirti Thakkar. Ms. Thakkar? There is one question from Mr. Prasanjeet. The EBITDA margin target of 15% to 16% is not visible in Q3 FY20 number and also NM FY20 numbers. Q3 FY20 EBITDA margin much low at 6.5%. Any reason? What's the margin target for Q4 FY20?

Bipin Shah: My humble request is bulk drug industry is to an extent a seasonal industry. Whenever there is a healthy season like October, November, December, the performance is always little lower. And second thing, in the first six months of the financial year that is starting from 1st April going up to 30th September, this is the peak season and during this season people buy the largest quantity of bulk drugs. And in this particular year, that was COVID year, the formulation companies who are our main clients they purchased additional quantities in fear of not getting quantities subsequently. So we had excessive sales in the first six months and naturally that will be little lower in the last quarter. But overall, I am very confident that we will be able to reach approximately 14% to 15% EBITDA margin in spite of having spent 15 crore on the depreciation.

Moderator: There's a question from Parul Shah. What should be EBITDA margin in FY22 and what should be approximate top line in FY22?

Bipin Shah: As of today's, plan, this year we had committed at over 2020, that is April to March 2020, we will give a result which will be 30% higher top margin, bottom line margin and EBITDA margin. In April to March 2021, we had committed, and we have been performing as per that, once our projects and budgets are ready, but I am very confident that this will be continued next year also may be between 25 to 30 because I want to be a little conservative rather than giving a very dreamy picture to the shareholders.

Moderator: Mr. Pankaj P Shah has a question. Please go ahead, sir. Mr. Pankaj P Shah? We have a question from Mr. Sunny Ahuja. Raw material cost is 81% at the highest ever. Are we having supply chain issues?

Bipin Shah: There is no supply chain issue, but the selling price will pick up once we have regulatory approvals. Whenever we make any new product like Ambroxol Hydrochloride or Gliclazide, initially we have to sell this product in the local market or in the rest of the world market where regulatory approvals are not being followed. Once we have approval in the regulatory market, the selling price will improve which will consequently take down the raw material content from 81 down up to 70%. When we sell our goods in rest of the world or in local market, we do not realize the same selling price as we realize in the regulatory market.

Moderator: The next question is what's the utilization levels of our new plant and outlook for revenue and capacity utilization from the new plant?

Bipin Shah: The current utilization is at 65% and we hope to go up to 85% in the subsequent years.

Moderator: We have a question from Punkil. What is the current capacity utilization and where are we likely to end by March 2021?

Bipin Shah: The current capacity utilization I just said is about 65% and it will continue to go, but maximum up to 70% by March 2021.

Moderator: There's a question from Raju Bakshi. What is the status of the three new products that you had mentioned in Annual Report?

Bipin Shah: Well, as far as those three new products are concerned, if you see Gliclazide is already marketed and we are getting very good support from the market. Ambroxol which was marketed in the earlier year that we are happy to say that we have received European approval which is called EDQM approval. So now we will be able to sell it in the regulatory market. About the other two products that is Telimisartan and Moxifloxacin, the validation batches are going on and one clarity I would like to make that, any new product once we start the validation batch, it will have a cycle of four to five years after which it will receive an optimum quantity, optimum number of cells and then it will be able to make good profit because by that time it would have received the regulatory approval and then we will be able to realize higher selling price because any new product we make will need three years to make the stability data. Till we are ready with the stability data, regulatory approvals like USFDA, like European approval would not come. So till then we have to sell it in the local or rest of the world market where the realization is comparatively low.

Moderator: There is a question from Mr. Jaydeep Merchant. What is the level of pre-qualification sale in FY2021 and what kind of growth you expect FY2022 in pre-qualification sales?

Bipin Shah: The pre-qualification sale of the total is about 17.5%. And now that we have got more products involved in that it can go up to 25%.

Moderator: The next question is what are the plans for new plant from Mr. Punkil.

Bipin Shah: In the new plant we have only started as I said Gliclazide. We have increased the production of Ambroxol Hydrochloride and the validation batches are going on. And one most important thing, one of our very good product called Sulfadoxine, we are starting it from the basics in our intermediate plan which was a part of our new project.

Moderator: The next question is from Mr. Manohar Jumani. Were the formalities from the company side have been complied for NSE listing?

Bipin Shah: We are just studying what are the listing criteria and then as I was told that it will take six to nine months to complete the formalities.

Moderator: The next question is from Romil Jain. Pipeline for new products going ahead, number of products and market size? And any benefit of higher realization for our products due to COVID scenario?

Bipin Shah: Yes, there is one important thing which I would like to reply in this question. There is one product called Azithromycin which we have been manufacturing for the last several years but that we were doing by one step importing N-1 that is penultimate stage from China. But now our R&D laboratory and our project team are working very hard to make it from absolute basic stage and we are likely to be successful there. With that, the same product we will be making from N-4, i.e., four step backward. In these our quantum of market will go up and our profitability is also likely to go up.

Moderator: We have a question from Mr. Jaideep Merchant. What is the status of finished product pricing which had gone up in COVID times? Has the price stabilized now? Do you expect these prices to move up after a few quarters?

Bipin Shah: Finished product prices have definitely stabilized and it's not a constant, when the price goes up it is mainly because of the raw material costs because in any bulk drug or pharma product, basic drug content is about 70% of the total selling price. So it is a variable thing.

Moderator: We have a question from Mr. Siddhanth. Please confirm of the total raw material requirement, how much percentage is important and how much percentage is sourced via backward integration?

Bipin Shah: I think our import content is around 60% of our total raw material. And the balance 10% approximately is procured locally.

Moderator: The next question is, whether our company will be able to get PLI benefits for new products. This is from Mr. Manohar Jumani.

Bipin Shah: There is one product, as I said, that is Azithromycin which can qualify for the PLI scheme, but in my considered opinion after having studied the PLI scheme, probably it doesn't sell that good purpose but we have to more depend on our own costing and our own strength of marketing.

Moderator: There is a question from Ms. Purvi. When do we expect the USFDA to visit or approve the new facility? How many products have been filed so far from this site? Post launch how do we see sales and profit growth?

Bipin Shah: Normally USFDA visits a factory after five years, but the moment we file any drug master file, then they give us permission and subsequently they visit within one or two years. As of today, we have not filed any drug master file for USFDA. But we do have a USFDA approval.

Moderator: We have a question from Mr. Hitesh. The seasonality in the margins that you are referring to is not seen in the past years. Gross margin in Q3 at 18.6% was the lowest in the last five years. Please elaborate on this.

Bipin Shah: If you see five years' average and if you see one quarter average, I think there is a big difference in that. And as I said, during that healthy season in order to achieve our top line target we also compromise on our selling price to make sure that the quantity targets are reached.

Moderator: We have a question from Ms. Purvi. Post-entry into regulated markets, what kind of gross margins do we expect to report?

Bipin Shah: Regulatory sales brings an average EBITDA margin of anything from 30% to 35% and non-regulatory sale brings about 14% to 15%. So it is substantially higher than the non-regulatory sales.

Moderator: The question from Mr. Amit. How much will Erythromycin sales be as a percentage of total sales after 3 to 4 years?

Bipin Shah: Azithromycin is considered as a derivative from Erythromycin only. So if that Azithromycin project which I discussed before 5 minutes on the same plateaus, at present if you see the Erythromycin plus Azithromycin sale is about 40% of the total sale of the Company including other products. The moment Azithromycin clicks I expect it to go to at least 55% to 60% of the total sales of the company. That means around 50% growth on the current numbers. If our current sale is about 220 crores from while at least 45% to 50%.

Moderator: We have a question from Romil Jain. Market size of new products which are launched and next 3 to 4 years revenue vision?

Bipin Shah: Market size and the revenue vision on the new products is an exercise which we have conducted before 2 years but this is a very dynamic thing and it keeps on changing because new molecules by the time you start R&D and by the time you market, there are several changes coming either from new molecules take over or the old molecules, the profitability which we see at the time of starting R&D and by the time we really are ready with the marketing are different. It is only time-tested exercise. Whatever is projected and what happens will have Romil sometime a big gap.

Moderator: Next is a question from Mr. Hitesh. When do you expect to make the raw material intermediates of Azithromycin in-house?

Bipin Shah: R&D on 1 kilo scale is ready but I can tell you conservatively it should take maximum 6 months.

Moderator: We have a question from Mr. Sunny Ahuja. What is the expected market share of Corticosteroids in FY21 and FY22?

Bipin Shah: The current margin only will continue which is around 15%. I think that should continue, there is not a big upward or downward.

Moderator: The next question is to achieve quantity targets. Is it possible to just focus on 30 to 40 customers? Currently the presentation says that there are about 350 customers. Would focus on 30-40 help increase sales and get better margins? Your views please.

Bipin Shah: Not at all. This 350 number includes export plus local and it is always advisable and better and wise to have a larger number of client base because if you are dependent on only 30 or 40 clients, then there are more chances of up-and-downs which is not right and we have to look at it that we should be able to cater and 350 again is a very good number because we are not dependent on only a few number of clients.

Moderator: The next question is when do we expect the regulated sales to commence if we have already received an approval? When do we plan to file the DMFs?

Bipin Shah: When you say regulatory sale it is European Approval plus WHO PQ, Geneva Approval. When sales are already going on and they are increasing year-on-year and now that we have Ambroxol which is approved by European regulatory and we are very sure that year-on-year that percentage of regulatory sale will go on year-on-year by at least 10% per year. That means if we are selling today a 17.5% is a regulatory it should go up by 10% year-on-year basis.

Moderator: The next question is which product do you forecast fastest growth in 2 years?

Bipin Shah: There are some old products also like as I said Azithromycin will have probably very fast growth. Sulfadoxine also will have very fast growth and Gliclaside is a very promising product. These three products I mean with my experience of more than 49 years in this industry are the top line products of Anuh Pharma which will grow very fast.

Moderator: The next question is from Romil Jain. Current revenue from regulated markets, next 3 to 4 years contribution from regulated products?

Bipin Shah: This number has to be worked out but quantity-wise I said that 17.5 is the quantity wise sales in the current year and the increase would be post dependent on products which are now recently approved by European Approval and WHO PQ. So 17.5 is a current number and it will progressively go year-on-year basis.

Moderator: Next question is, any plans of inorganic growth by taking over other companies so that sales engine can grow faster?

Bipin Shah: We have a plan but the right candidate is yet to be seen because since more than 2 years we have been looking for inorganic expansion and the day we get the right candidate because you must have something to fall back upon also. At present of course another company Great Pacific where we are making steroids but it is only steroids specific. We can't do anything except steroid there but yes, we have plans within next 1.5 years if we get a right candidate to go for inorganic expansion.

Moderator: The next question is from Raju Bakshi. What is the reason of significant fall in EBITDA in Q3 9.7% only? Also, there is a de-growth in top line in Q3.

Bipin Shah: I already gave reply that in the earlier quarters the formulators had bought excessive quantities because they were thinking that probably there could be acute shortage of bulk drugs and this mean again a healthy season as it is but you have to count the nine-months performance or as I said to an extent our industry is seasonal. So there is no specific reason for that. This is a typical thing and even in our review of a company's performance of Anuh Pharma, we have always seen the whole year or first two-three quarters, four quarters like that. Individual quarters we don't have any significance over the yearly performance.

Participant: Mr. Nilay asks does Anuh Pharma envisage to do enter into Crams business any time in future?

Bipin Shah: Not for the time being because as it is there is a huge scope for the new products which we have already developed and as on this stage we are not planning to go for any Crams. Our specialty is API manufacturing.

Moderator: Next question is from Mr. Manohar Jumani. What are the margins in Erythromycin at present with 45% to 50% increase; whether the margins will improve?

Bipin Shah: As I said when you make first-generation salts that is all Erythromycin salts, the EBITDA margin is around 14% to 15% but the moment we go for Azithromycin the margins are likely to improve substantially and the EBITDA margin could be 14% to 15% and the net margin could be 10% in case of first-generation salts.

Moderator: You have a question from Prasanjit, kindly share the revenue vision or target for the next two to three years, your long-term vision for the company.

Bipin Shah: Well, we have made a five-year plan when we did our expansion. In that five-year plan, when I look back, I know that the top line will help to go up by anything between 20% to

25% year on year. Although there is not the right benchmarking, the right benchmarking is EBITDA margin, but as you ask for top line, I expect for next four to five years, the top line plan should go up by 20% to 25% year on year basis.

Moderator: Next question is, how much percentage of revenue are we targeting from new products in next three years?

Bipin Shah: Only from new products if you see at least 25% of the revenue, top revenue to be coming from new products.

Moderator: The next question is, our facility was inspected by US FDA, are we supplying for us as well?

Bipin Shah: Our facility, not the new project but the old facility was inspected and approved by USFDA without any comment. That means it was thoroughly approved by them and there are some products which are of course as of now in small quantity that are being supplied to USA for compounding purpose.

Moderator: Next question is from Nitin Gandhi, plan to increase market share of Azithromycin from 2 to 15, when can it happen and what can be impact on EBITDA margin?

Bipin Shah: The share can go up in at least two years' time and EBITDA margin will naturally remain the same. Within two years we expected quantum jump in Azithromycin.

Moderator: The next question is, when the regulatory sales for USA will commence?

Bipin Shah: It is little difficult to say, at present we are supplying for some compounding products, which is not that significant, but our efforts are on to see that triggers some quantities for us.

Moderator: The next question is what is the reason for significant fall in EBITDA in Q3? Also, top line is also showing a downward trend.

Bipin Shah: As I say that earlier also, that let us not look on quarter to quarter basis because this is a seasonal product to an extended API and first six months are always substantially higher than the subsequent quarters.

Moderator: You have a question from Hitesh, is it possible to broadly grade the profitability margins of different category of products that we currently have?

Bipin Shah: I would give a general reply that if you are selling in non-regulatory market, then your PBT, which is the profit before tax will be around 9% to 10%, but the moment you sale in a regulatory market, this profit margin will go up to 25%.

Moderator: The next question is from Amrish Mehta, Azithromycin is also being sold by China at cheaper rates. What is the company's preparedness to compete with this Chinese product?

Bipin Shah: Well our R&D laboratory has developed a process which will definitely see the cost of it will be at least 5% to 8% less than the imports from China and as it is now, all the formulators are giving more priority and preference to any bulk drug which is produced in India because of somewhat strained relations and uncertainty from Chinese API's.

Moderator: The next question is any products where we are leaders or major supplier from India?

Bipin Shah: Yes, I think two of the product groups that is Erythromycin group and Pyrazinamide one of the anti-TB product. We are the largest producer and largest exporter from India and now our third product in the queue Sulfadoxin there also we are now trying to achieve first position as an exporter to the regulatory market as well as a veterinary market.

Moderator: It is a question from Sunny Ahuja, our USA market share by 2025, any rough estimate?

Bipin Shah: It's a wild guess, but the moment any good product clicks, it can go up to 15% to 20%.

Moderator: Abhishek Kapoor asks, we are into bulk drugs any plans to get into specialty drugs to improve margins?

Bipin Shah: I think some of the products which we are manufacturing are already like specialty products. There is one product where in we are the only producers in the world. There is another product where we are the second largest producer in the world. So this does mean that what we produce is to substantial extent a specialty product.

Moderator: Manohar Jumani asks, what are the prospects for Q4, where the top line will be better than previous year Q4 and also bottom line in Q4 will better?

Bipin Shah: Yes, it has to be better, we are hopeful for that.

Moderator: The next question is, are we looking for to avail PLI scheme announced by government or API manufacturing?

Bipin Shah: As I said, in my opinion or in my considered opinion, the PLI scheme doesn't serve any useful purpose and it by so many years' experience, the product itself could have the strength of making profit. On any government scheme if we depend, then that is not my philosophy of doing or running the industry.

Moderator: The next question is from Nitin Gandhi, when will expanded capacity be operational from 1200 to 1500, FY22 will be 85% utilization of 1500. What is asset turnover, ROCE etc. criteria expected for product developed.

Bipin Shah: During April to March '22, that is April '21 going up to March '22 we have a plan to invest additional 4 crores and put more machineries and reactors to take the production capacity or installed capacity from 1200 metric tonnes to 1500 metric tonnes and then up to 2023, we hope that 80% of 1500 tonnes to be apparently possible to achieve.

Moderator: We have a question from Pawan, any plans for special dividend?

Bipin Shah: Let us hope that your dreams come true for special dividend we have to make special profits and I wish your words come true. It is in everybody's interest in directors to all my shareholders.

Moderator: We have a question from Sunny Ahuja, any plans to attract FII's or institutional investors?

Bipin Shah: We would welcome any proposal.

Moderator: What is the asset turnover, ROCE etc. criteria expected for product developed?

Bipin Shah: Five times.

Moderator: We have a question from Pratik Kothari, when will we see 15% margins? FY '21 numbers do not reflect that yet.

Bipin Shah: 15% EBITDA is there and you can imagine we are claiming about 15 crore depreciation in April to March '21. So as it is EBITDA margin is 15%.

Moderator: Thank you. Shareholders can send email to company secretary for any further questions. I would like to read a disclaimer. This presentation may include certain forward-looking statements based on current expectations within the meaning of applicable laws and regulations, actual results may differ and the company does not guarantee realization of these statements. The company also disclaims any obligation to revise any forward-looking statements. The readers may use their own judgment and our advice to make their own calculations before deciding on any matter based on the information given herein. No part of this presentation may be reproduced quoted or circulated without prior written approval from Anuh Pharma Limited. I would now like to turn the call to Bhavin Shah for closing comments.

Bhavin Shah: Thank you all the participants for participating in the earnings call and being so patient. I would first of all thank you management, Bipin Shah, Ritesh Shah and Darshan Rampariya to be so patiently addressing and answering the investors' concerns and questions. That's it from my side. Thank you very much. We hope and we wish all the very best to the company, to see the progress continuing ahead. Thank you very much.

Moderator: Ladies and gentlemen, thank you for participating in today's call and for using iJunxion Services. You may please log out now. Thank you.