

CSD/BSE&NSE/CC/2022-23
May 13, 2022

To
The Manager
Department of Corporate Services
BSE Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai - 400 001

To
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 543064

Scrip Symbol: SUVENPHAR

Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter and year ended March 31, 2022

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Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended March 31, 2022 conducted after the meeting of Board of Directors held on May 9, 2022.

The above information has been uploaded on the Company's website at <https://www.suvenpharm.com/index.php/investors/financial-info/quarterly-release>

This is for your information and record.

Thanking You,
Yours faithfully,
For **Suven Pharmaceuticals Limited**



K Hanumantha Rao
Company Secretary

Encl: as above

Suven Pharmaceuticals Limited



Suven Pharmaceuticals

Q4 & FY22 Earnings Conference Call Transcript

May 10, 2022

- Moderator:** Ladies and gentlemen, good day, and welcome to the Q4 & FY22 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 & FY22 Earnings for Suven Pharmaceuticals. We have with us Mr. Venkat Jasti, the Managing Director and Mr. Venkatraman Sunder – Vice President, Corporate Affairs, and Mr. Subba Rao, CFO.
- 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, Rishab. Good afternoon, everyone who have tuned in for the Q4 & FY22 earnings conference call of Suven Pharmaceuticals Limited. I know everybody have the data which is circulated to you guys and instead of rehashing the same numbers all over again, I think better you ask questions, and I clarify them to the best of my knowledge. So, I would like the moderator to open the forum for the question-and-answer session.
- Moderator:** We will now begin the question-and-answer session. The first question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.
- Ankush Agrawal:** Firstly, since we have completed this Casper Pharma's acquisition, could you talk a little bit about the opportunity over here, like what is the end market size for the six filed products and what kind of visibility we have from the future pipeline that might come from the Rising Pharma's R&D?
- Venkat Jasti:** At this time, yes, we have taken over this as of April '22 and now this is a brand new facility. There are two ANDAs filed and waiting for the USFDA to come and inspect for us to do the sales activity. Meanwhile, other than that, we have other 15 products to be filed within the fiscal year, ANDAs. So, as of now this is the update, I can give you because more than that is nothing else, because we have not started the activity

yet, just taken the position of it and waiting for the USFDA inspection to happen, then the things will start running.

- Ankush Agrawal:** Did you mention two ANDAs has been filed from this facility?
- Venkat Jasti:** Yes, two already filed and waiting for inspection actually. And the dossier is while USFDA is under progress and waiting for the USFDA inspection and 15 more will be filed during the fiscal.
- Ankush Agrawal:** These 15 products is from the Rising partnership and not the existing ANDA that we're doing separately?
- Venkat Jasti:** No, no, no, this is all for the Rising partnership.
- Ankush Agrawal:** So, just a clarification over here, I think last quarter, you mentioned that this facility has six filed products. So, what is the difference now from six to two?
- Venkat Jasti:** Five products ready for filing, two are already filed, under evaluation, three are under compilation and filing by end of June.
- Ankush Agrawal:** Secondly, on CRAMS business growth. So, we have had a very healthy growth this quarter. So, just wanted some qualitative update, are we seeing a big part of this growth led by the COVID drug that was commercialized in the last quarter, or that hasn't been that much of a contribution?
- Venkat Jasti:** No, it's not the COVID-led growth, some of the activities that are small quantities COVID-led growth for this quarter, but otherwise, it's overall activity. And, in CRAMS, it is not a guaranteed stuff until it goes to the next level in the clinical trials, and it's very difficult for us to project anything in the future. As usual, we are able to maintain 10% to 15% growth. But there is always a possibility that if some of the molecules which are in phase two, moves to phase three or phase three molecules goes into the pre-launch quantities, then certainly the volumes can go up also. So, as it is, this was a good growth last year compared to the year before and we hope to maintain the same plus around 10% to 15% growth as of now that is what we expect.
- Ankush Agrawal:** So, what you're saying is largely a broad-based growth and not of products. So, any qualitative update in terms of when change in pipeline in Phase-3 and commercial?
- Venkat Jasti:** Nothing in this quarter.
- Ankush Agrawal:** Five commercial and five in Phase-2.
- Venkat Jasti:** Five in Phase-3 and rest are all came at 35.
- Moderator:** The next question is from the line of Rashmi Sancheti from Dolat Capital. Please go ahead.
- Rashmi Sancheti:** Sir, just a follow up from the earlier participant. What I understand that there are five commercial products in the CRAMS business, is it that the fifth molecule has started, I mean, it's all started supplying from Q4 onwards, then are we not going to see a good ramp up in FY23 and FY24, then your guidance looks a little conservative?
- Venkat Jasti:** We're always conservative, but not knowing what is going to happen in the market, because this is all the PAS model, not a generic where I can use some kind of a

guidance. More or less, when the COVID is receding, and the growth is muted, so based on that, I do not have any visibility, I cannot tell how this is going to go post COVID. So, that's why we had to be conservative and maintaining that itself is a challenge in the CRAMS business model. And we hope to maintain this plus about 10% to 15% growth as we expect on a broad-based activity.

Rashmi Sancheti: And so on your total formulations and technical services, what I see the number is around Rs.84 crore. Out of that Rs.84 crore, how much is just formulations sales and your other technical services if you can give the breakup for FY22?

Venkat Jasti: Technical services is very meager; it will be less than 10%, rest of them are all formulations sales and the profit share.

Rashmi Sancheti: On gross margins, we are also seeing inflationary pressure on the raw material prices. So, what is your outlook over there, are the gross margins that is currently been reported going to sustain or are we seeing that further there will be some downward element to it or you think that things are improving from here on?

Venkat Jasti: It's the status quo as far as improvement is concerned. I don't see any rise in cost, as it is come down since last time, but at the same time not also going up other than the diesel and all these things. But at the same time in our business, what do you call this margins is depending on the product mix. Since we are not supplying the same material day-in, day-out, everything is dependent, it changes from quarter-on-quarter, month-on-month and year-on-year. But at the same time, we said last time, and I'll continue to keep that same number around 40%-plus EBITDA margin, and surprises can happen in the positive side, but around 40% is what we hope to keep it as a guidance.

Rashmi Sancheti: But that would be slightly lower than FY22, right, if you're saying 40% EBITDA margin then?

Venkat Jasti: It is only we have performed, doesn't mean that it will be the same product mix. So, not knowing the product mix I cannot comment. So, that's why we're sticking to the 40%.

Moderator: The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: On your Casper acquisition, can you share what is the outlook here, what is your plan going forward with this facility, what kind of product are you filing for the ANDAs that you said, if you could throw some more light on what kind of products these are? And what is the kind of revenue potential once these molecules come into production?

Venkat Jasti: So, as far as product is concerned, we're not going to reveal it to you at this time until it is approved. So, that's the things we do want to do it. It's is a brand new acquisition and a brand new project, it's not yet inspected by the FDA. As I said earlier, we have filed to the FDA as expected this second quarter, hopefully the inspection and we have 15 more to be filed during the fiscal year. So, this is the update I can give you, but not the products until it is approved.

Yogansh Jeswani: Just another clarification on that part. I think in your disclosure to the exchange, we had mentioned that the Casper facility had started in 2016. So, is it that in 2016 it started commercially, or it started getting built in 2016? And if it had started in 2016, what was the business it was doing for last four, five years?

Venkat Jasti: When you start a new Greenfield business, the construction and the regulations and special economic zones, all those things take time. And as I said, they have constructed or doing only the business of filing the exhibit values, submission batches and submitted a couple of ANDAs out of that. And that's all, there is no revenues on that. The revenues will accrue only when the USFDA comes into the picture and then approvals taken place, then only the sale starts. So, it is a brand-new facility, completely validated and already submitted 15 more ANDAs, just waiting for the USFDA inspection so that the commercial activity can start.

Yogansh Jeswani: And sir lastly, a follow up on the breakup that you shared about the five commercial products in Phase-2, you said, right?

Venkat Jasti: 5 commercial products in Phase-3.

Yogansh Jeswani: Again, can you give the second level breakup in terms of how many of these are in these specialty chemicals and how many are in the other one?

Venkat Jasti: They are different. This is all part what I have talked; 77 in Phase-1, 35 in Phase-2, 5 in Phase-3, five in commercial. In specialty chemicals, there are three products plus one development product.

Yogansh Jeswani: In terms of pipelines, are we seeing post-COVID Companies again getting aggressive in terms of development, are we seeing more interest there or is it still lower, how's the market feeling like?

Venkat Jasti: Activities have not started aggressive now, but the activity has started.

Moderator: The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir, just one question from my side. So, we used to cater to an innovator through the Casper acquisition and we are venturing into generic businesses. I guess your thought process because you are always vocal about not entering this field. So, your purpose does it bring any change in the organization, why are we doing this?

Venkat Jasti: Even before the Casper acquisition, we have the formulations in the last seven years and we are not going after the blockbusters, we are going after those molecules which are very small volume, very niche molecules where not many people, which is a leverage exercise. The same thing will go in the Casper also, I mean a little bit more number because it's in a focused way. But we don't have any problem with our innovators, they are the full know about it and some of them were even discussing in developing the dossiers for them in the preclinical stage if needed as a service. So, everybody knows there is no hesitation from the big pharma. See, the thing is what we are doing in the big pharma and the CRAMS side of the business is there is no IP-related, these are all the intermediates and known products, nothing we are copying or contradicting each other, anything like that. And this is a misapprehension by the investors, but not the customers.

Pratik Kothari: A couple of years back, we had mentioned in the annual report that we wanted to go higher up the value chain from intermediates to API to maybe formulations. Just if you can qualitatively highlight how are we on this journey over last week then how do we go ahead?

Venkat Jasti: Actually, we started with three of our customers for the forward integration and they are inclined to do. As I said, it will take two to three years before they can come on

board for that kind of activity. But unfortunately, the COVID has stopped all the things, not only that, even regular visit also stopped. So, we hope during this year, with this fourth stage don't come up, hopefully, the third quarter onwards, we will see the visitors coming in and the activity will start, based on that it will take a couple of years before you can see any forward integration activity to take place.

Pratik Kothari: Just to understand this two, three customers of us used to take intermediates from us and they had shown some interest that we would want to forward integrate with you, right?

Venkat Jasti: Yes, not only for the existing products, but also for those lifecycle management which means if the big pharma has a product, which is expiring soon, and they want to continue in the market, they want to have a partner who can do that rather than themselves doing that both API and the formulation itself, that's where the activity will come. And in terms of the intermediates we are supplying minus two maybe and minus one and eventually the API itself. So, these are some of the activities we are targeting. And only time will tell when actually they come or not, I mean, they know the difficulty, but the team will be different, and the strategy will be different, a couple of years we're doing before you see any result on that.

Moderator: The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah: The cash and investments which lies in our book, including the mutual funds, so that is roughly around Rs.525 crore and I understand we are spending Rs.150-odd crore in cash spends Rs.60 crore as dividends you are going to distribute. So, is there any other plans to utilize this cash apart from the normal capex that we would be doing in Suven Pharma?

Venkat Jasti: It's only being used for normal capex at this time, but we've not thought of anything on that.

Darshit Shah: Because we'll be obviously generating another Rs.350, 400 crore kind of operating cash this year itself, so you just want to kind of pile up on the existing cash flow?

Venkat Jasti: Just because we have cash I can't go into the market and acquire no. So, the opportunity which meets the requirements, I don't want to go to a mom and pop operations where I drag my margins down, just for the sake of top line growth. Now, we'll wait for the right opportunity and also we'll see how to utilize the cash properly rather than just because we have, I don't want to go on a shopping spree.

Darshit Shah: On the Rising sale, where we got 41 million, so that's roughly Rs. 310 crore in our subsidiary, so has that money being kind of back in our Company or is something still lying with Suven Pharma, Inc.?

Venkat Jasti: No, we have brought back the money. Very residual amount is there and a residual stake is in our Rising holding.

Darshit Shah: So, all the other income basically, whatever we have is through that dividend we have infused?

Venkat Jasti: Yes.

Moderator: The next question is from the line of Abdulkader Puranwala from Elara Capital. Please go ahead.

A Puranwala: Just one clarification on the products which are filed to the Casper side. In this, the margins would be identical as what your current formulations business would be?

Venkat Jasti: Yes.

A Puranwala: Secondly, sir, on the Rs. 600 crore capex plan, so if you could just share some details of where we are, and how your capex project for the next two years would look like?

Venkat Jasti: Yes, it's a three year plan and as I said in last concall also, just we started the activity, we need to start within the Suryapet facility and we'll be spending this money before the end of the year. And with respect to the other expansions and movement of the R&D center, has not started yet because it is not important immediately it has to be there but we have only a portion of that money, and we are waiting for the other block to be started in our Pashamylaram facility in maybe three to four months from now.

A Puranwala: Sir, could you just sum the absolute number that you would spend in next fiscal FY23?

Venkat Jasti: It would have been Rs.250-300 crore maximum.

A Puranwala: My final question on cash conversion cycle. The debtor days for the FY22 has increased quite a bit. So, you see that getting normalized in FY23 and if you could also highlight what led to this increase? I'm talking about the receivable.

Venkat Jasti: It will normalize within a month's time in Q2, end of the quarter, end of the year it looks like it is big numbers, but they are normal, they are not too old, you know. Specialty chemicals, commercial sales, and sometimes it goes to the last month, it may come in the first week or the second week.

Sunder Venkatraman: Normally in 60-days.

Venkat Jasti: There's no difference.

Moderator: The next question is from the line of Saravanan V.N. from Unifi Capital. Please go ahead.

Saravanan V.N.: I have two questions. One on the taxations, this year, is the tax high because of the dividends? What is the guidance for FY23?

Sunder Venkatraman: FY23 will be a normal tax rate around 25%, that's what we expect. But this year is basically because the US tax and Indian tax, including the dividend tax there, all put together it's higher, that's what it is.

Saravanan V.N.: Formulations from a yearly perspective, FY22, we saw moderate growth of 5%. So, in the next two to three years, what are the strategies here, because I think a year before we had expected formulations to be 1/3 of the revenues by FY24 or FY25, are we on track to achieve it?

Venkat Jasti: No, because it is taking time to get the inspections and filing also. And when the numbers goes up, naturally the volumes will go up and the profitability will go up. That's what we hope to achieve in three to four years' time. That's what we said that

it's not a guaranteed thing because it all depends on the product, because when we choose a product, it may look guaranteed but when we file actually, it may be different. So, we cannot tell. Right now, things are going really with flow, but now it's speeding up and hope the USFDA will give us the permissions as we file the number of ANDAs, and that will give us the revenue growth.

Saravanan V.N.: But from a mid to long term perspective, your investments in formulations would continue, right, the filings and the capacities? Any capacities that we have acquired now?

Venkat Jasti: Yes, as I said earlier, Casper itself, we are filing 50 more during the financial year and another five to seven more in the Suven Pharma FDF facility in Pashamylaram. So, around 20 filings will happen during the FY22, FY23 and the timeline will take the approvals. In the long run, yes, it will come.

Saravanan V.N.: And on Casper's USFDA inspection, are you expecting in the two quarters any indicative timeline?

Venkat Jasti: It should be any time, that's what we're expecting. Because nowadays they're just giving you a week notice to talk to us, but based on the two ANDAs that are pending, we hope to get that in the second quarter itself.

Saravanan V.N.: In front end, you would always operate through partners in formulations, right, or we have our own department?

Venkat Jasti: Yes, we do not have our own marketing department, we'll have various partners.

Moderator: The next question is from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.

Ranvir Singh: Just on Casper acquisition, wanted to check whether that consideration has already been paid to Casper?

Venkat Jasti: Everything is paid. It is in our possession as on 22nd of April 2022.

Ranvir Singh: That Rs.300 crore additional is all related to that realization from Rising Pharma, that 44 million that is sitting in short-term investment, right?

Venkat Jasti: Yes.

Ranvir Singh: So, despite all this we'll have surplus cash, and very good amount of cash going forward, so anything, if you could give some color where we are going to invest it or do we have any plan for inorganic expansion or anything of that sort?

Venkat Jasti: No, as of now, nothing. We will be thinking about it, but we want the capitalization and capex plan, so we'll be placing it. And as I said earlier, if it's an opportunity account which meets our requirements, then certainly, we'll go for the inorganic, but right now, nothing is in the cards.

Ranvir Singh: The two products, which we have filed through Casper, because pre-approval inspection is pending, so just wanted to understand, is this a critical product or just a simple product it will be easy going for getting inspection and getting done?

- Venkat Jasti:** There are regular products only, there's nothing like a simple product that attracts the USFDA to come and inspect. These are the things which we had chosen, and this is through the Rising Partnership. Because we got this only 10 days ago, right, these are all filed by them at that time.
- Ranvir Singh:** In last call also, you indicated that six months, including this quarter, and probably next quarter, you had a visibility of CDMO business coming in that kind of flow. Going forward, we do not have much visibility. So, because now we are already in the last quarter of this fiscal, can we give some qualitative indication what kind of things in second half of FY23 is going to come, because what we believe that these six months has been a very good, so whether this kind of thing will continue going forward?
- Venkat Jasti:** No, in this CRAMS, you cannot guarantee yourself, because it all depends on the success of the molecule or the clinical trials. So, that's why we give a ballpark figure of 10% to 15% growth. But things can happen in a jiffy and we can have a 30%, 40% growth also for a particular molecule or a particular quarter. But that I cannot give you right now, because it's not a thing where I can go, put sales persons and keep on telling. It's not a generic and it has to be a success at the clinical trial before they can place an order. So, it's very difficult for us to give you any guidance.
- Ranvir Singh:** In specialty chemicals, one product is in development stage. So, what is the potential of this product?
- Venkat Jasti:** Yes, one is in development. It takes time. I mean, it takes a year before you can see what do you call any kind of commercialization. Even the third one, which we had sold last year, which will have a gap of about 18 to 24 months before you get the repeat business. So, just because we have commercial quantities supplied, doesn't mean that it will be right away coming in, they also have the field test to be done based on that one and all that stuff. So, right now, things are going well, but the fourth molecule, which is a development one is likely to be some time in 2030. We don't know yet the exact timeline on that.
- Ranvir Singh:** But is it going to be sizable one?
- Venkat Jasti:** No, as I told last time itself, it's all Rs.40 to 50 crore kind of thing, not like the one which we have first compound which has a huge volume.
- Moderator:** The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.
- Nikhil Jain:** Sir, I just wanted to understand for the formulation business, the 15 molecules that you're planning to file, are they also of the same kind versus small molecules, generic with less competition or is there any different strategy?
- Venkat Jasti:** Yes, these things, which Casper they are all derived by the Rising because the Casper facility was Rising until last month and they have decided the new molecules and they are all the normal molecules only. And whereas in Suven, when we choose those molecules with less volume and less niche molecules. So, it will be a mix of things that will be in the future.
- Nikhil Jain:** So, these 15 molecules would be regular generic molecules that the filing would be then?
- Venkat Jasti:** Yes, regular generic.

- Moderator:** The next question is from the line of Neha Agarwal from SageOne Investment Managers. Please go ahead.
- Neha Agarwal:** One question on Casper again. Given that you mentioned that this would largely be all generic, can we expect overall some margin dilution once numbers come from this particular asset?
- Venkat Jasti:** As I told you earlier also, the margins will be the same as whatever we are getting here in Suven also; it will be around 25%.
- Neha Agarwal:** In terms of overall potential from that particular asset, do we have any number in mind?
- Venkat Jasti:** Not yet., We're working on the numbers because we just got it and we have to evaluate it and our concentration now is mainly with the filings and on the inspection and we'll get into that in due course of time.
- Moderator:** The next question is from the line of B. D. Vaidyanathan, an individual investor. Please go ahead.
- B. D. Vaidyanathan:** I've been with Suven for the last nearly a decade. I think it was only a CDMO business then knowing Shri. Jasti ji slowly went into specialty and then the ANDAs programs and formulations. Now, I see Suven positioned itself. This is my reading. The next phase of growth with a Casper acquisition, now it's got a four-pronged strategy, it's own ANDAs as well as now Casper Pharma's ANDAs. Now, seeing the amount of workload, do you assume that you will be now looking forward to hive off or maybe branch out a particular CEO for a particular business model in due course?
- Venkat Jasti:** No, in every division we have a vice president who takes care of it. My job is only strategy and coordination. I don't look after any division for that matter. So, we have people, you may call it whatever it maybe but, each unit is operated by vice President who is capable of delivering goods.
- B. D. Vaidyanathan:** This additional workload on Casper Pharma would it entail additional employees or will the current strength with Suven, will you be like dividing it between the two companies like the two plants?
- Venkat Jasti:** I think we are doing that already in the formulations division, specialty chemicals division, and the CRAMS division all the time. And as I said, I am not doing the work day-to-day and people is there each and every one. With this Casper acquisition, we got 150 people came along with it who are running the business. We took over their business. They are capable of running it. My job is to coordinate and strategize, that is all I do.
- B. D. Vaidyanathan:** Last question sir on SUVN-G3031, and is it progressing as anticipated at least at the moment after the COVID strain has got over?
- Venkat Jasti:** Yes, it started picking up, but now again with this fourth wave or whatever it is, it a is little bit slower, but much better than last year.
- B. D. Vaidyanathan:** And the results will be like as anticipated within this year end and the actual results by next year before March?
- Venkat Jasti:** Yes, the trial will be over by March end and the results will be in the second quarter.

Moderator: The next question is from the line of Hussain Kagzi from Ambit Asset Management. Please go ahead.

Hussain Kagzi: My question was with regards to specialty chem. I believe you have given that you would like to grow 10% to 15% in this quarter in the pharma CRAMS business. On specialty chem, if I understand correctly, we do have a better visibility over there from the client side, and given that last year FY22 we had a molecule being commercialized, so that's why we saw 50% growth, so from here on what is the visibility that you have in the near term on this specialty chem business?

Venkat Jasti: In specialty chemicals, there will not be much growth. As a matter of fact your understanding is wrong, as the volume has not gone up because of the one launching which we have done, that's only a small part of it, but the old molecule which last out some of the patients in some countries and now they have a combination product they have done, they have increased the volumes because of that and the volume growth is mainly because of the original molecule not because of the launched molecule and the growth is not much because the one that is launched last year, they will not have any requirement for the next 12 to 18 months, so we can say it is a flat growth.

Hussain Kagzi: And just one clarification was that our employee expenses in this quarter did shoot up a quite much compared to quarter-on-quarter and year-on-year. Is this attributed to the capex and we hired additional staff over there or is it the increments that is given out?

Venkat Jasti: Yes, it's a combination of additional staff and also additional increment due.

Hussain Kagzi: So, I just wanted to understand that by the time our new capex comes on-line, we will have some incremental expenses on our below the gross profit, is that fair to understand?

Venkat Jasti: Incremental revenue also will happen, no, it is a combination, without the revenue there is an expense, without expense, there is no revenue so it will happen.

Hussain Kagzi: I meant since by the time the facilities come on-line, so till that time it will?

Venkat Jasti: Pre-operative expenses always there no sir, because even though the facility will be up and running say, suppose in January, I need to have people to do the validation and checking on those things in three to four months ahead of time. So, all those pre-operative expense also will come to picture, but that will be offset by the revenues we are going to generate in later part of the start of the operations, but I do not have a number right now.

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

Vineet Gala: You mentioned that margins that we do on the generic business, the combination business will be at par with current CRAMS business. So, that would include a huge element of profit share, right?

Venkat Jasti: No, you did not hear me properly I said the current formulations margin which is 25%, the same thing will be there for the generic business.

Vineet Gala: So, 24% EBITDA margins is what we are assuming for US generic business, is that right?

Venkat Jasti: The EBITDA margins on the formulations will be around 25% compared to 40% of the CRAMS side of the business.

Vineet Gala: Sir, overall, if we are investing significantly on the US generic business and if this business is going to contribute say like 25% margins versus 45% margin on CDMO, over next four to five years would not our overall margins dilute from our current right now?

Sunder Venkatraman: We are not investing more on the formulations. We invested only 20 million now.

Venkat Jasti: What he is saying is in four to five years' time, this is 25% and 40%, so the total mix will be less. But as you know, you have to go by our track record and things are changing, even in the CRAMS itself it can come down, right. If the product mix is such that they do not have value add. So, we hope that it will not be that much of a dilution.

Vineet Gala: Initially, we were engaging on a profit share basis with Rising Pharma. So, what would be that element of profit share beyond that 25% that you are guiding?

Venkat Jasti: Whatever the value that is coming as a profit share and the sales both put together, right. So, the margins will be based on the total put together; it will be 25%.

Moderator: The next question is from the line of Shiva Kumar, an individual investor. Please go ahead.

Shiva Kumar: Is it the right forum to raise question about the Suven Life Sciences?

Venkat Jasti: Yeah.

Shiva Kumar: So, we have been into the research for Alzheimer for almost more than a decade, but not much breakthrough has been achieved. So, just want to know as part of the research, are we also referring to the Indian medical system like ayurveda, siddha for a possible solution or we go purely by the western medical system?

Venkat Jasti: We are going into the central system disorders, that is our target area, we are not deviating out of it, and from the beginning we keep telling it is a zero to one, there is no guarantees in this business and since 2002, 2003 there is no new drugs developed in the CNS arena, where we are working. It is not only us, it is the globally the same scenario. This is a huge unmet medical need. We are working, that is the only capabilities we have. We are not going to unani or siddha and we will continue to do this, but you have to be very careful that this is a zero to one, there is no between, either success or a failure and it can take years, maybe two decades, three decades, anything can happen. So, this is partially you have to take when you are investing into these kind of activities.

Moderator: The next question is a follow up question from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.

Ranvir Singh: Just one more clarification I wanted. In this quarterly result, we see that gross margin is very similar to your sequential previous quarter in Q3 or even Q2 also we had a similar level of margin, although in the three quarters the input cost for most of

chemicals and basic materials have gone up significantly. So, I wanted to understand that how we have been able to maintain this gross margins or is it any escalation clause or anything now our revenue agreement with our client?

Venkat Jasti: No, not the escalation clause. As I have been telling all the time, these margins can differ from quarter-to-quarter or sometimes year-to-year also. These are all the product mix that is available. So, at what stage the molecule we are supplying, is it earlier stage, the margins will be less, if it is the Phase-2, Phase-3 and commercial quantities, then the values will be more. So, it's a product mix effect. And as I said when the new projects are there, when we know the prices are going up, we will actually take those new prices into consideration and quote it. But once we got the purchase order, we cannot change it because it is one-off kind of thing, unlike a regular product which we sell day in, day out, then we can have a passing on the cost. It has an effect on it still, because the product which are high margin in this year, that's why you see the good profit margin, not because of anything else, we have not passed on, but some of them we have told them and we are quoting and they have accepted the prices.

Ranvir Singh: I think it is just a coincidence because in the last three quarters we have 69.2, 69.5, 69.7. So, that number looks exactly similar. So, going forward also, can we expect this kind of number?

Venkat Jasti: I think it is a very difficult question. These are the product mix itself and it can be better also, but it can also come down and that is why we said EBITDAs will be around 40%.

Moderator: The next question is a follow up question from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Can you just give us the numbers of the ANDA filings, total approved for commercial and all that?

Venkat Jasti: We have filed about 17, 9 approved, 8 launched, but not all of the 8 are really active, that's why we do not see much growth in there and we hope to file another 7 to 8 during this calendar year in the existing formulations facility. When it comes to the Casper, which is not yet commercialized, the two are already filed, waiting for the USFDA approval, 15 products are under development and dossier preparations which will be filed before the end of the fiscal.

Ankush Agrawal: Any qualitative comment on the next six months visibility on the CRAMS business?

Venkat Jasti: It is going in the similar run rate.

Moderator: The next question is a follow up question from the Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Just some follow-up question. So, I just wanted to understand, if we are planning to offer the formulations development services also, are we building up an organization or planning for that as of now?

Venkat Jasti: We started as a formulations development division only, then forward integrated into ANDA preparations and leveraging the experience we have. So, we do not need to create any more. We have enough capacity and capability. Only whenever that comes in, we will take it up happily.

- Nikhil Jain:** So, any plans for biotechnology or oncology at this point of time for the CRAMS side?
- Venkat Jasti:** CRAMS side, there is no differentiation, only small molecule, not biotechnology.
- Nikhil Jain:** But oncology may need some special facility, right, so which at this point of time, we do not have, right?
- Venkat Jasti:** Oncology need not be biotechnology, there is chemistry. So, chemistry can be oncology also. We also have oncology products. We are not doing the final product, we are doing intermediate for the oncology products already, that is always there.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Venkat Jasti:** Thank you, everyone for tuning in for our quarter and year-ended March 31, 2022, earnings conference call. During this challenging times, we could do good profit margins and with good product mix, and as I said the visibility is very less, and we hope to achieve 10% to 15% normal growth. If something happens positive, that would be good for everyone. We hope things will stay the same and we get more opportunities to bid on the new projects and new activity that will start with the Global Pharma which will increase our bandwidth also and also the success of the molecules in the clinical trial, based on that our revenues will improve. So, with this, I thank each and every one and hope to catch up with you in the next call.
- Moderator:** On behalf of Suven Pharmaceuticals Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.
- Please note:** We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.