



Suven Life Sciences Limited

Q2 & H1 FY'20 Earnings Conference Call

November 15, 2019

Moderator: Ladies and gentlemen good day and welcome to the Q2 & H1 FY'20 Earnings Conference Call for Suven Life Sciences 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 Suven Life Sciences Q2 & H1 FY'20 Earnings. We have with us Mr. Venkat Jasti -- the Chairman and CEO; Mr. Venkatraman Sunder -- Vice President, Corporate Affairs as well as Mr. Subba Rao -- the 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. Thanks, everyone who has tuned into this Half Yearly Results Update of Suven Life Sciences. As I was telling you last time itself here it is looking good with respect to the growth in the overall business; and that is reflective of the half yearly results; income is up by 62% and EBITDA by 115% and net profit by 128%. There are no one-offs in this, but at the same time there are certain additional sales that have occurred in Q2, so you cannot take these Q2 numbers as a parameter for the next quarters. What I mean to say is the specialty chemicals which we used to do around Rs. 5 crore, would be done more than Rs. 50 crore, which includes, some of them have come this quarter ahead of schedule, and the other one is on the commercial CRAMS also, we have done about Rs. 20 crore, from the next quarter into this quarter also it has come in, that is why it is a very good quarter. So I just want to give you a kind of suggestion that we should not think that this will be the next quarter kind of thing. But as I was telling you earlier, things are going very well. I will leave the numbers to the question-and-answer session.

With respect to the innovation and the finds, finally after the four months of gap of the last patient lab visit in SUVN502, the CRO can do the last of the database and we expect the results in the next two to three weeks. And in anticipation of the results, we already have scheduled to present the data in the CTAD 2019 in San Diego during 4th to 7th of December 2019 and we hope to have these results before that. And another thing is SUVN3031 is as you know is a rare disease and things are moving in a right direction and we have about eight patients already randomized and 20-odd patients are in the screening stage, things are going well as of now. We do not see any delay and as expected we hope to have these results by the end of the next year.

With this I think I will leave this floor open to the question-and-answer so that I can give you direct answers rather than giving upfront numbers or whatever.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Can you give us a breakup of Specialty Chemicals, CRAMS and the breakup of CRAMS into regular CRAMS and commercial CRAMS and technical services?
- Venkat Jasti:** This quarter, CRAMS is total Rs. 206 crore, out of that Rs. 107 crore is the commercial CRAMS, and Rs. 54 crore is Specialty Chemicals and technical services is about Rs. 13 crore.
- Ankit Gupta:** How much is the total CRAMS, Rs. 206 crore?
- Venkat Jasti:** Rs. 206 crore for the CRAMS total put together, both commercial and core CRAMS.
- Ankit Gupta:** With the kind of jump that we have seen any growth in both commercial and regular CRAMS, if you can specially talk about what is happening in regular CRAMS because there has been a big jump in the regular CRAMS also, we have reported Rs. 99 crore of revenue from it?
- Venkat Jasti:** As I said, one is the commercial CRAMS which is having very good growth as we see, as you know that will come in, lumpiness will happen because the orders are there and we supplied as I said Rs. 20 crore ahead of schedule also we supplied because campaign has been finished just in time the quarter ended. With respect to the regular CRAMS, there is a big improvement, more than 10% these days, because one phase-III molecule we have given supplies this quarter, so that also gives you better volume and profits.
- Ankit Gupta:** But how do you see the regular CRAMS ramping up over the next second half and in FY'21 as well?
- Venkat Jasti:** I keep telling you all the time my visibility is only around six months. As of now things looks good and as I was telling you all the time it is 10% to 15% to maximum 20% growth barring the success at the customer level, that is normal guidance I can give you. So things are looking good and only one thing what I am saying is do not go by the Q2 number alone, but overall things are good.
- Ankit Gupta:** On the commercial CRAMS we were expected to ramp up revenues to around Rs.160, Rs.170 crore for the full year FY'20 and till now in H1 we have done close to Rs.130 to Rs.135 crore of revenue from commercial CRAMS. So do you expect the commercial CRAMS revenue to taper off in second half?
- Venkat Jasti:** Compared to this quarter it will taper down and we expect that around Rs.170, Rs.180 crore in the total year may be goes up to Rs. 190 crore, but I do not have any other guidance at this time, so we are sticking with old guidance of Rs.180 to Rs.190 crore max all put together.
- Moderator:** Thank you. The next question is from the line of Ankush Agarwal from Stallion Asset. Please go ahead.

- Ankush Agarwal:** My question is regarding product pipeline. Currently, how many molecules are we supplying for the Specialty Chemicals?
- Venkatraman Sunder:** 78 in phase-1, 34 in phase-2, one in phase-3, 4 commercials.
- Ankush Agarwal:** On Specialty Chemicals side, we are doing two molecules right?
- Venkat Jasti:** As of now it is two, two more are under development.
- Ankush Agarwal:** On the commercial side, out of four how many are currently still in relaunch and how many are actually commercial molecules out of four?
- Venkat Jasti:** As you know, first molecule is always a commercial molecule. The second has also gone into commercial as I said last quarter and this is continuing. The volumes will not be the same as that of the first molecule. The maximum volume out of this will be around 10 million per year.
- Ankush Agarwal:** My question is towards the commercial molecules of CRAMS, out of four how many are still in prelaunch and how many are actually commercial?
- Venkat Jasti:** They are all in commercial.
- Ankush Agarwal:** My second question is regarding the margin profile between our different segments like do you have any idea of margin profile vis-à-vis like base CRAMS versus commercial CRAMS versus specialty CRAMS, which is the highest, which is the second highest in that way?
- Venkat Jasti:** CRAMS will have better margin profile than the specialty chemicals. You cannot say what will happen this quarter and next quarter. It is a product mix which you will see the margin profile, but in general we are talking about 35% EBITDA margin, not less than that. But if the value added products comes in that time which can go another 10 points. So that is way it is happening. The guidance will be 30% to 35% at EBITDA level.
- Moderator:** Thank you. The next question is from the line of Rahul V from Multiact Equity. Please go ahead.
- Rahul V:** My question is firstly on the taxes. Any specific reason for not adopting the reduced tax rate?
- Venkatraman Sunder:** Tax rate right now is the whole tax whatever is there, we do not have any other concessions or benefits. At this point of time we are charging the same 33%+ whatever the top percentage. So far we have not moved into the new tax regime as we are waiting for our demerger activities also to be taken care of which is going to happen in a couple of months, then it will be re-calibrated accordingly. As we have time up to 31st March, we will wait till that time before we calibrate and then whichever we want to adopt, we will go ahead.
- Rahul V:** Secondly, my question is on the cash flow. So presently as of H1 we have about Rs.150 crore of cash on our balance sheet and assuming we generate another Rs. 70, 80 crore in H2, we will end up with around Rs. 220 to Rs.230 crore by the end of the year and this will largely go towards the demerged NCE entity, right?
- Venkat Jasti:** I mean the cash that will be accrued to the demerged entity, I mean, the Life Sciences it will be either you can give it lump sum or you can give it as and when it



is needed, and we will be utilizing this cash also to the CAPEX that is going to happen from now onwards, which is about Rs.150 crore still pending.

- Rahul V:** So basically the Rs.150 crore of debt that we have right now plus any incremental spends towards CAPEX that we do, will stay as debt with the Suven Pharma entity is that correct?
- P. Subba Rao:** No, Suven Pharma right now, the debt whatever it is going to Suven Pharma, there would not be any debt in Suven Life Sciences and that will continue, there would not be any changes to that profile.
- Rahul V:** So basically I wanted to understand that the cash would go to the Life Sciences business and the debt and any CAPEX which will accrue for the debt will stay with the CRAMS business?
- Venkat Jasti:** Yes, naturally because we are earning money and sometimes will help offset all those things.
- Venkatraman Sunder:** All the cash earnings belongs to, at this point of time goes to Suven Pharma, which is going to be resultant entity [in demerger process]. Whatever the balance of cash we are supposed to pay to Suven Life Sciences, will be paid over a period of time and also making CAPEX requirement for Suven Pharma as we have a requirement till next year.
- Rahul V:** This Rs. 200 crore will go over a period of time and not initially at the time of demerger?
- Venkaraman Sunder:** Correct.
- Moderator:** Thank you. The next question is from the line of Harsh Parikh, individual investor. Please go ahead.
- Harsh Parikh:** I would like to know the sequence of events we are proposing, the result of SUVN502 as well as we are proposing for the demerger. So what will happen first - first the demerger and then the results or what?
- Venkat Jasti:** Demerger has nothing to do with the results, results will come as when it comes and the demerger will come whenever the NCLT finalize. As of now the final hearing is scheduled for 29th of November, after that some procedures are there, based on that it will happen. Whether the results of SUVN502 come or not, does not matter. The demerger process is independent of that and the Suven Pharma which will be effective October 1st of 2018
- Venkatraman Sunder:** That is the appointed date. And when the approval comes from NCLT, then the balance sheet and P&L will be recast effective from October 1st, 2018.
- Harsh Parikh:** Most possibly during the conference in Chicago, right, 4th to 7th you will be announcing the results.
- Venkat Jasti:** December 4 to 7 scheduled for our meeting [in San Diego, USA]
- Harsh Parikh:** That will be a formal announcement about the results?
- Venkat Jasti:** Now, the [data] lock has happened, it should come within the next two to three weeks.



Venkatraman Sunder: Once the data is available, then we will announce.

Moderator: Thank you. The next question is from the line of Saravanan V from Unify Capital. Please go ahead.

Saravanan V: As regards the tax, could you repeat, you mentioned that you would decide by 31st March?

Venkatraman Sunder: The thing is right now the tax is calculated based on the current tax rates and which is at the peak of 30% plus and it will continue. And as the new tax regime has come in whereby we are allowed to take 22 plus surcharge which is 25.17% that will be calibrated based on the post demerger activity, what we are going to take. The reason being that R&D charge will not be there. To that extent there will be an additional tax. So accordingly it will be recalibrated. So we will have time up to 31st March 2020 and until then we will wait.

Saravanan V: You have some process R&D even in Suven CRAMS division. In any case the 25% taxation will be better right for the CRAMS?

Venkat Jasti: Better, but there is a MAT credits are there at this time when we will re-calibrate when it comes and it does not matter effective rate will be for the new entity after demerger, which will be from April 1st 2019 itself, so there will not be any problem, you will get that benefit anyway.

Saravanan V: As regards to Rising Pharma, what is the year-to-date revenues and you had mentioned that it is only an investment, so there would not be any consolidation which means you will just reassess the carrying value of the investment every quarter?

Venkat Jasti: No, as per the new guidelines we need to do the consolidation, but at the same time this is being under the US Bankruptcy Procedure, the procedures have not ended, they have liability assessment that can be based on the judges discrimination I think which will end sometime in this quarter. After that only what you call the basic numbers will come out. So hence they could not give a balance sheet. So that is why we could not consolidate this quarter, but we are hoping that after this process is over by the judge, the assessment of the correct numbers and opening balance will be arrived by the CPA and then they will give the balance sheet which will be presented in the next quarter.

Saravanan V: \$140 million is the total amount right including all the liabilities?

Venkat Jasti: That is the assumed thing in one day, but there are liabilities because that has given a short duration for the creditors, then they have another 180-day window, post the total hearing is over to claim it. If anything comes in, that will need to be added, so that we are waiting for. We do not see much coming in, but there is a possibility coming one or two million additional.

Saravanan V: So you will be able to consolidate once that bankruptcy proceeding is completely over?

Venkat Jasti: That is right.

Saravanan V: As of now, we have paid \$15 million. Another \$20 million to be paid, right?

Venkat Jasti: No, we have subscribed \$35 million into that operation.

- Saravanan V:** Sir, the earlier question on year-to-date revenues of Rising Pharma?
- Venkat Jasti:** No, we do not have the correct numbers, but as I said it will be close to \$200 million for the whole year which is running at the same level as of now, I think it is around \$100 million for the first five months.
- Saravanan V:** Breakeven is expected only next year, right
- Venkat Jasti:** Yes, 2021.
- Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.
- Darshit Shah:** Can you just let me know what is the current cash bank balance including investments in mutual fund at the consolidated level?
- Venkatraman Sunder:** Yes, we have Rs.150 crore.
- Darshit Shah:** Including investments in mutual funds?
- Venkatraman Sunder:** That is correct.
- Darshit Shah:** Sir, my next question pertains to SUVN-502. You said lock-in has already happened and we are participating in CTAD. I understand you might be having embargo policies with CTAD. So will you be able to provide a brief kind of press release of the outcome before that or you would only be able to present it at the CTAD?
- Venkat Jasti:** No, because the opportunity has come to present CTAD because it is happening and now this can come in two weeks from now, any day, so we will present it upfront itself even before we presented the data at the CTAD. CTAD is forum to present our findings. As soon as we know, it will come forthwith to the public.
- Darshit Shah:** So you will give a press release about that?
- Venkat Jasti:** Yes, certainly.
- Moderator:** Thank you. The next question is from the line of Ayush Mittal from MAPL Value Investing Fund. Please go ahead.
- Ayush Mittal:** Sir, you had also mentioned about the CAPEX that will be coming up around this time and if I see your balance sheet I think almost Rs.130 crore in CWIP. Can you share more details about the same and when do you expect to commercialize and what will be the growth from that and what will be the revenue utilization going forward from that?
- Venkat Jasti:** We are saying this every time. The amount of investment has nothing to do with the revenues like this in generic business. These are some of the requirements of the customers which we are doing proactively, and some are from the additional capacities that we hope to have based on the traction on the CRAMS business. As I said, we have only six months visibility, we will not be able to guide you on that. With respect to the CAPEX, the occupational exposure level facility in Pashamylaram will be commercialized with validations this quarter and investment is over with us. And the formulations will be ready by end of third quarter of next

year and also the additional block in Vizag will be also ready by the end of the third quarter next year.

- Ayush Mittal:** And sir, can I get a breakup of our revenue for Q2 FY'19 last year?
- Venkat Jasti:** Total is Rs. 86.41 crore put together; Rs. 72 crore is CRAMS and Rs. 5 crore is Specialty and Rs. 9 is CTC.
- Ayush Mittal:** And then CRAMS, do we have a breakup between commercial CRAMS and core CRAMS?
- Venkat Jasti:** Last year there was no commercial.
- Ayush Mittal:** So basically this year we have seen a lot of scale up happen in the commercial CRAMS side which maybe lumpy, but overall we expect Rs.180-190 crore kind of revenue, is that a right assessment?
- Venkat Jasti:** Yes, sir.
- Ayush Mittal:** And going forward is this a sustainable thing beyond this and growing area for us or there was something like some molecule was in certain phase and then it gets normalized?
- Venkat Jasti:** No-no, as I said, it was last week so it will not come in the next quarter alone, it may happen 12-months from now, business is picking up. Meanwhile, some other products will go fully come into the commercial; one in phase-III may come into the commercial. [if successful in phase III studies by sponsor]
- Ayush Mittal:** Sir, in reference to the continuation of the discussion on the outcome of a result of SUVN502 molecule, just in case if the study is not in line with the expectations, is it the end of our process on this or there are further opportunities or steps to correct it and do something again in some reasonable time?
- Venkat Jasti:** Nobody is guaranteeing one way or other and also it has more than one parameter which we are leading in the different outcome measures. One is the main thing for Alzheimer's, that is the cognition. There are other things also. The analysis of the database and then this analysis will give various not only the primary outcome, it will also give you the secondary outcome. So depending on the things which we will take a call at that time. So, we cannot tell what will happen to the primary, what will happen to the secondary, which is better, which is not better, whether they are positive or negative, I cannot tell. So, as and when it comes in, we will take it, but as I said, we have more than one indication and the analysis will give you the guidance whether it is good for one or not.
- Ayush Mittal:** So, what is the usual course of action after this?
- Venkat Jasti:** After this, we will see based on the results, if it is positive for the main activity, then people will come to us and if it is positive in some other aspects, then we will go to the agency and seek their guidance how to go about it. So various things can be done, but that is only post the result. Right now, I cannot speculate what is going to be done.
- Ayush Mittal:** Something around the customer addition or concentration that you can share on the CRAMS side of a business? Any major customer additions or something that has happened on a business and what is the concentration as of now?

- Venkat Jasti:** Concentration keeps changing because today's number one customer maybe tomorrow's #10 customer because of the product mix as the volume of the business that takes off, one product is giving commercial he may not be there but next year no commercial for six months, then he will not be the #1. So, all in all, about ten customers will give us the 90% of the business, which will keep changing between them.
- Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.
- Sachin Kasera:** Sir, on Specialty, how much revenue you have done in the first half you mentioned?
- Venkat Jasti:** First half is Rs.155 crore.
- Sachin Kasera:** I think initially sir you were guiding for Rs. 200-210 crore. So considering that it was Rs.155 crore, it is seasonal, and we should still maybe Rs. 200, 210 or we can maybe look little better say Rs. 230, 235 crore for the full year now?
- Venkat Jasti:** Maybe 5% this or that way, about Rs. 210 crore will come, but it maybe another 5% maximum.
- Sachin Kasera:** Similarly, on the core CRAMS, what is the first half number?
- Venkat Jasti:** Rs.155 crore.
- Sachin Kasera:** On the CAPEX front, Rs. 30 crore is what we have spent in the first half. You mentioned revenue of Rs.150 crore is to be spent. So how it is split between this current financial year and how much will spill over to FY'21?
- Venkat Jasti:** Very difficult to tell because during the construction sometimes the expenses goes up all in one and equipment because it does not take much. So it can happen, Rs.160 crore pending, Rs.100 crore maybe before the end of the March and later rest of them will be later. We cannot exactly pin point the numbers.
- Sachin Kasera:** But broadly speaking it will be Rs. 100 crore this year, Rs. 50 crore next year ballpark?
- Venkat Jasti:** Yes, roughly.
- Sachin Kasera:** And sir, you mentioned the two products in specialty are currently commercial and two more in pipeline. Is that what you communicated?
- Venkat Jasti:** Yes.
- Sachin Kasera:** What is the visibility on this remaining, when do we expect them to become commercial -- FY'21?
- Venkat Jasti:** They are in very early stage. It will be '21 or '22 the timeline. We cannot tell as of now.
- Sachin Kasera:** Any update on the ANDA filings if you can give us or no?

- Venkat Jasti:** Total, we have the eight ANDAs, three are our own, five with the partner, one is commercial which is Taro's molecule.
- Sachin Kasera:** So these three are including the one which is commercialized you mentioned ?
- Venkat Jasti:** Yes, including.
- Sachin Kasera:** So two of our own are pending and five with the partner?
- Venkat Jasti:** Right.
- Sachin Kasera:** Expecting any commercialization this year, sir?
- Venkat Jasti:** Very difficult to tell because nothing has come to the table, but during the calendar '2020, we can expect at least three, four to get commercialized. I cannot say because nothing has come from the FDA for the review. When it comes, then I can tell only then
- Sachin Kasera:** Sir, currently, what is the market share of the seven ANDAs cumulatively that we have filed?
- Venkat Jasti:** As I said from the beginning we do not go after the big blockbusters. Commercial values for these will be around \$300 million. So what happens, \$300 million becomes about \$40-50 million maximum, right. We can say \$40-50 million is the possibility. But we are not the only one, some other person will join even though it is a small quantity. We expect \$2-3 million minimum for us.
- Moderator:** Thank you. The next question is from the line of Deepak Mehta from Elixir Equities. Please go ahead.
- Deepak Mehta:** I was just looking at the 12-month above figure for update on CRAMS project and there has hardly been any movement in terms of phase-1, phase-2, phase-3 and commercial. So, are the same molecules or there is a change in the types of molecules which are there in the total figure, for example, it was 116 12-months ago, it has gone to 117. So, if you can just briefly discuss that aspect?
- Venkat Jasti:** Yes, there will be attrition of the old molecules in addition of the new molecules. So the net addition is only one during the year but at least 40% of the portfolio is churned.
- Deepak Mehta:** Second question is what is the regulatory horizon or set up for a company like you, is the same thing that USFDA risk factor for other companies, does it exist with Suven as well and if so, then when were you inspected last, if you can just briefly discuss that aspect?
- Venkat Jasti:** The regulation is there for any pharma company which supplies to USA. It maybe the API or it may be the regulatory intermediate. So the thing is in our case since we are not API-based products, our customers are our biggest auditors and they have much more stringent requirement than the FDA itself. So in that respect, whatever the observation we get during the FDA is only as per the related batch. So we are not worried about that and our customers are also not worried about that. But that is a necessary that we have to get it certified.
- Moderator:** Thank you. The next question is from the line of Kiran Karthik from Table Tree Capital. Please go ahead.

- Kiran Karthik:** A couple of questions, sir. How much did we spend on total CAPEX in Pashamylaram, Vizag and Formulations, if you could just elaborate, I know CAPEX in progress?
- Venkat Jasti:** Out of the Rs.320 crore CAPEX, we have to spend Rs.160 crore..
- Kiran Karthik:** Can you split across these three things sir?
- Venkat Jasti:** Rs.100 crore in Parshmylaram itself we spent as I said earlier that that will be capitalized before the end of this third quarter and the other two will be capitalized next year third quarter.
- Kiran Karthik:** The other question that I had was in terms of our P1, P2, P3 and commercial, if you could just tell us, I know it is a little tricky but if you could just elaborate on what is the high probability in terms of P2 going to P3 or P3 going to P4, any number of molecules that will go next year?
- Venkat Jasti:** I cannot tell you about my own molecules. How can I tell about others molecule, how will they fare. It is anybody's guess. We have done more than 850 projects since inception, only eight have gone into commercial. So it is very difficult for me to tell, the attrition in such a way in this business. It will happen when it happens but I cannot give any probability unless I get the guidance of any product such a time and I have the visibility of molecules.
- Kiran Karthik:** But we are fairly confident of getting that P3 to commercial next year or FY'22?
- Venkat Jasti:** We are not confident; it is customer has to be confident. We are expecting based on the volumes that they have taken. As I said, this quarter we have supplied good quantity of three molecules. Naturally, they must be progressing further but at the same time at the last moment it can go wrong in this business. So, we cannot tell. It is only a guesstimate. Now in the trial, the traction is much better compared to four years ago.
- Kiran Karthik:** From a specialty chemicals perspective, we are reaching Rs. 210, Rs. 220 crore. Given that we have some traction in the specialty chemicals space, do we expect this to grow or are we saying till FY'22 till the other two molecules do not come to fore, specialty will kind of stay here around Rs.200, 220 crore?
- Venkat Jasti:** Yes, naturally because if you see last year is only Rs.150 crore and we will grow to next level from 220 now and it may go 5% to 10%. And by the time some attrition may happen here and then the other molecules will be checked. But anything can happen. The molecules that we are working on is big number compared to what we have the second molecule, that may give you more revenue, that we do not know until it goes to the test level, that also take another two years before we will see any activity.
- Moderator:** Thank you. The next question is from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.
- Rashmi Sancheti:** A little bit on the R&D side. This quarter on the consolidated level, so R&D seems to be low compared to your quarterly run rate of Rs.47, 50 crore. It maybe because your SUVN502 has already completed the study. But what about the R&D on 3031 which in the beginning of the year you mentioned that it would be entering into phase-2 and then you will be spending around \$6-7 million on those molecules?

- Venkatraman Sunder:** To start with, 3031, the trial has just begun, the enrolment is going on, it will take some time to ramp up before we start spending more on that. And you are right, as far as 502 is concerned, yes, this quarter there was no much of expenditure because the enrolment was completed in earlier quarter after the analysis, data closure, all those things supposed to happen. That is why not much of a big expenditure happened this quarter. That is why you see very less in in the consolidation in relation to the expenditure from Suven Neurosciences were included.
- Rashmi Sancheti:** So basically for this particular year, on a consolidated basis we can expect reduction in R&D expenses compared to the last year like it would be Rs.100 crore?
- Venkatraman Sunder:** As Mr. Jasti has given guidance in relation to those, clinical-development based numbers for Suven Neurosciences we may end up spending about another \$5 million for this year and it is going to be \$10 million for overall year, that is what is going to be there.
- Rashmi Sancheti:** So your overall R&D in FY'20 would be around Rs.120-125 crore kind of?
- Venatraman Sunder:** Yes.
- Rashmi Sancheti:** On these new molecules, the budgeted R&D expenses would be around \$6-\$7 million addition coming in FY'21?
- Venkatraman Sunder:** About \$5-6 million may come in next year. This year it will take the balance.]
- Rashmi Sancheti:** How much R&D have you spent on SUVN502 cumulatively till date?
- Venkatraman Sunder:** On the clinical development phase-2, we spent about \$25 million as of now.
- Rashmi Sancheti:** And once the data comes in, if it is positive, we would not be spending anything more on this particular molecule or there will be some more investment on this molecule?
- Venkat Jasti:** First of all, we need to pay more before to the CRO because all these analysis and data require more money also. Closure payment has to be done first. It will be happening some this quarter and some next quarter because the CSR will come next quarter anyway because it takes time. So there is an expense still pending with this thing. And when once the data comes out, there is no spending initially until we decide what to do with depending on the data. If it is positive, somebody will come and take it. If it is not positive, then we have to look for the other alternatives to basically get all, then we have to start spending money.
- Rashmi Sancheti:** So that will be how much?
- Venkat Jasti:** We do not know. I cannot guess. How can I guess? This will be another 5 million for the closure.
- Rashmi Sancheti:** Sir, on your CAPEX side, you said that Rs.100 crore maybe for this year and Rs.50 crore maybe for the next year. And this will be total CAPEX including the maintenance or maintenance is another part?
- Venkat Jasti:** No-no, maintenance CAPEX is some Rs. 30-40 crore separate, that is always there. This is a new CAPEX.

- Rashmi Sancheti:** So basically your overall CAPEX would be in the range of Rs.130-140 crore this particular year and next year probably in the range of Rs.100 crore?
- Venkat Jasti:** Yes.
- Moderator:** Thank you. The next question is from the line of Saravanan V from Unifi Capital. Please go ahead.
- Saravanan V:** So Rising Pharma consolidation, it looks like going by the yearly run rate and our 25% stake, revenue will be around Rs.300-350 crore. So, similarly what will happen in EBITDA at the P&L level?
- Venkat Jasti:** It will be a line item consolidation on the P&L and there is investment, it will not have any bearing on that.
- Venkatraman Sunder:** Saravanan, I have one clarification to make in this. You are saying that Rs.350 crore Rising Pharma. What does that mean actually?
- Venkat Jasti:** You said \$200 million yearly revenue. So 25% stake, that would be consolidated, right, 200 million into 25%?
- Venkatraman Sunder:** No, that is what we want to clarify.
- Venkat Jasti:** 25% is not revenue consolidated, it is only P&L item.
- Venkatraman Sunder:** actually profit consolidation they are associated company status. So based on that, whatever net profit is there, the 25% equivalent may come before the PBT that is what we expect to do.
- Saravanan V:** So what would that quantum be roughly?
- Venkatraman Sunder:** We do not know. Probably by this quarter, we will know.
- Venkat Jasti:** CPI get this number that much we will know. That more or less will happen sometime January next time.
- Saravanan V:** Of the overall \$200 million revenue what is the EBITDA at, whether it is positive or negative?
- Venkat Jasti:** If we arrive at both the numbers, we do not get all those things.
- Venkatraman Sunder:** If we have the balance sheet, we can at best consolidate and give you, but right now we do not have, we have to certify it because the back end proceeding is still not completed. So most likely that CPA certification thing will happen by end of this quarter and probably the next quarter, it may come in for consolidation, we will be presenting all the figures. At this point of time, we do not have the idea.
- Saravanan V:** From your side, that is the board member, right, in the entity?
- Venkat Jasti:** Yes.
- Moderator:** Thank you. The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.

- Cyndrella Carvalho:** Sir, just wanted some clarity on the commercial revenue side. What is it contributing from the molecule and how do we see it going ahead, do you want to append the guidance that you have given of Rs.160 crore earlier in last conference call?
- Venkat Jasti:** Yes, it can go up to Rs.180 crore or Rs.190 crore, last time itself I said around Rs.180 crore may be another 10 that guidance is given as of now, there would not be anything going further than that.
- Cyndrella Carvalho:** And in terms of what are the molecules which are contributing it sir and how do you see the inflow from it going ahead in the second half?
- Venkat Jasti:** It is very difficult to give quarter wise pass-through what and all. We have problem in giving those molecules wise.
- Cyndrella Carvalho:** Basically, we have already done around close to Rs.140-odd crore. If that is the thing in the second half we should do the remaining of Rs.40, 50 crore kind of revenue?
- Venkat Jasti:** That guidance is there, that will be achieved.
- Cyndrella Carvalho:** Did you mention that there is a probability of one of the molecules shifting from the Phase-III to Phase-IV?
- Venkat Jasti:** Molecules shifting they have given, but this quarter we are supposed to sell it. Since the campaign is over and we requested them to take and they have taken it. This one molecule order itself is going to be Rs. 20, 25 crore. So that is why we have added some Rs.20 crore that we will recruit this and rest in the third quarter.
- Cyndrella Carvalho:** Any color on what area this Phase-III molecule is in or what therapy, what kind of indication does it belong to?
- Venkatraman Sunder:** No, we will not go into indication at this point of time.
- Venkat Jasti:** They launch the product, they have different indications, they are trying the Phase-III trial.
- Venkatraman Sunder:** It is oncology at this point of time. The specific indication will be known once they do that.
- Cyndrella Carvalho:** That is the oncology product, that is what you are saying, right?
- Venkat Jasti:** Yes.
- Cyndrella Carvalho:** Sir, if I look at the core CRAMS also, we are doing a Rs. 100-100 crore run rate. Do you see append over there also in terms of our overall guidance?
- Venkat Jasti:** The core brand, phase-III molecule is there, that is why, as I said it is a good growth yet, but in general, as I told you earlier, traction is much better as compared to earlier years, things are going well but since I do not have guidance of more than six months, I cannot say that I can do this or I can do that. So that is the problem.
- Cyndrella Carvalho:** On the specialty molecules sir, the remaining two molecules which we were expecting, what is the status over there and any color on that side?

- Venkat Jasti:** The other two molecules which are in development, the results that will be known only in 2021, 2022, but the existing two molecules are contributing good and we may be able to reach Rs.220 crore this year.
- Moderator:** Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.
- Charulata Gaidhani:** I wanted some clarity on the commercial. In commercial, what would be the steady state kind of number which would repeat every quarter?
- Venkat Jasti:** No, cannot be given any steady state number quarter-on-quarter basis. We will give you a ballpark figure of yearly basis, because it is not that they are commercial, sources it every month or every quarter. They are sold once in a year or once in 18-months or once in 15-months. So, the guidance only we can give, right. Last year, we said we can pay Rs.100-120 crore every year, but this year because of the repeat business has come, we have increased to Rs.150 crore. Since we have achieved more than that, there may be another Rs.20 crore because we have got guidance, this may go up to Rs.180 crore this year, but next year it maybe Rs.100 crore or Rs.120 crore only.
- Charulata Gaidhani:** This is across four molecules?
- Venkat Jasti:** Yes.
- Charulata Gaidhani:** My second question pertains to Rising Pharma. Is it likely that you might have to infuse some more funds into Rising Pharma?
- Venkat Jasti:** Not necessary.
- Charulata Gaidhani:** So, it will be up to you?
- Venkat Jasti:** The requirement is not there.
- Charulata Gaidhani:** What is the asset base currently?
- Venkat Jasti:** There is no asset, it is a development and distribution company because it does not have facilities or anything. They fix the partners of the assets and in collaboration basis they will work. This is the way it works in the generic and distribution. There is no big CAPEX.
- Moderator:** Thank you. The next question is from the line of Aditi Saoji from Easy Tax Private Limited. Please go ahead.
- Aditi Saoji:** The database notes have to happen, I mean, we have been expecting it from 1st of July, right, we were going to present it in the conference on 17th of July. So, finally it has happened. So, may I know what would be the reason for delay, something like they were rechecking, revalidating the data?
- Venkat Jasti:** No-no-no, I clearly mentioned that if you want to give the data presentation in July, that is only for 26-weeks therapy-based thing, we want to take data and do the representation top line data. But since that did not come on time, then we said that let the 30 week go through, and last time concall I clearly said it will be sometime in end of September or October. But what happens is we do not have the experience of working with the CROs, how the things will come and all that stuff. Since it has more than 70 sites and more than 90-doctors involved in it and getting the data,

screening the data and locking the data has taken a while. And also what you call analysis part also KOL has given a guidance, because once everything is clear, they will give a guidance of what are the set of analysis they have to do. All this has taken a while and the programming and filed in the database that has happened. I think in general it is about six-weeks delay if you take in real terms, first week it will happen.

Aditi Saoji: We are taking some positive signs out of it that because it is positive, it has taken so much time?

Venkat Jasti: No-no, it is nothing like that, we do not know anything about positive, the database lock happens, then only unblinding takes place, based on the analysis pattern we have given based on their opinion and based on our main parameters. Then based on that the output will come then only we will know what happens. So, there is nothing like. As I said last time also, we only know about the how safe is the molecule because that is known to us every month through the DSMB (Data Safety Monitoring Board) which is very good, but as you know, since 2003 no new drug has come, everything is coming and failing, especially in our case it is a triple therapy, we had to show the positive proof-of-concept over two existing drugs, it is another challenging thing. So, we are hoping that it will be a positive, anything can happen. So we are waiting eagerly.

Aditi Saoji: Is there any news from China that they have developed something for this?

Venkat Jasti: Nobody has developed anything. Various things used it for and the mechanism action which we are working, nobody is there other than the Lundbeck molecule as of now, one small study is pending, that is all.

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

Yash Lathani: My questions are primarily based on SUVN502. I understand that for the data log the data is also presented to you and sort of confirmed by you. Is there any way that you have your own assessment which might not be in accordance with what the FDA's outcome?

Venkat Jasti: I do not know where you get this information. They will project you before the data lock. The data lock happens, then they will do the unblinding. Until the time they would not do. Only thing it is done is the SAP analysis programming which will give contribution of what are the parameters they look for. So we have no idea of what is happening, and as I said it is the safety one thing we know as of today and as the data comes out, we will share with you guys forthwith.

Yash Lathani: Sir, the next question is that in the previous con-calls, you have spoken about you are doing maybe going for out-licensing if the approval is received of the phase-2 from the USFDA. I want to come back to the approximate valuation of the out-licensing that you may envisage at this stage if the approval comes?

Venkat Jasti: Thing is unless the data is positive, there will not be any out-licensing happen, right. The first thing we are waiting for the data to come in, then people will come by themselves to us, we do not have to go there if the data is good enough and the market will determine the pricing. So, we have no idea what kind of a thing. Earlier, prices for this kind of molecule happens \$100, \$150 million upfront payments, like that. But since we do not know the data yet and how good it is, how bad it is, then we cannot say anything until the actual happen.

- Venkatraman Sunder:** One more thing. There is no approval of USFDA at this point of time. It is only the data requirement that comes in.
- Venkat Jasti:** It has to make the primary end point.
- Yash Lathani:** Sir, the figure of about \$150 or 200 million was in 2003 if I am not mistaken?
- Venkat Jasti:** Something like five years ago.
- Yash Lathani:** Now just as a ballpark, should we expect about \$800 to 1,000 million if it comes?
- Venkat Jasti:** It is an unnecessary speculation. Let the data come in first. The evaluation comes as it is. If we expect \$ 1 billion, it may not come, if we expect 10 Rupees also may not come, we do not know yet. Let us not go into situation and make it hyper unnecessary for people who are listening to this. Let us get the data first. And for the market to determine the price. You cannot have price and it may or may not be achieve.
- Yash Lathani:** Sir, my next question is related to again the 502 approval. If the approval does come through, so would there be any impact on the CRAMS business?
- Venkat Jasti:** What approval in the first place? There is no approval and then after phase-2, then another phase-3 which on about 3,000 patients and that will run for three years. In what way will it affect the CRAMS? It has nothing to do with, it is two different segments of the business.
- Moderator:** Thank you. The next question is from the line of B T Vainatheyan, an individual investor. Please go ahead.
- B T Vainatheyan :** Sir, on 3031, last time 502 was delayed because there were some rival molecules which I think Lundbeck one and something else was also in the same mode as competitors and that is why the enrolment to the SUVN502 got delayed. So, do you anticipate the same thing for 3031 also for narcolepsy that molecule which we are in for, or is there any competing molecules or is it ours will be the only molecule as of now in phase-II which is going on in the US?
- Venkat Jasti:** Disease for which there different types of molecules are under development. Alzheimer's it maybe 100, but for the narcolepsy it maybe 10. The only thing is delay happens because we are working on not a molecule where people are not taking any medication since in Alzheimer's, already there are existing molecules, on top of that we have to take it and certain disease progression we have to look into it and the number of trials are going on, the number of patients that are available, inclusion/exclusion criteria, all these things are affected. Similarly, it will affect the narcolepsy trial also because it has more than one in different aspects, it will treat the disease not the same way but at the same time it is an orphan disease because it affects less number of people. So the delay can happen, but right now looks more or less on target for the next year end and delivery of the data.
- B T Vainatheyan :** What has happened to the extended access program -- is it still on for SUVN502?
- Venkat Jasti:** Yes, it is almost finished, there is nothing left because last patient in May itself, after that it is only for six months. They ask for it, I do not have the data handy, but I think it is all over now.

- B T Vainatheyan :** A quick question on the data log. So what is it like, I may be novice in asking this questions, like we will get an MRI reports and all the reports and then there is a conclusion drawn which says this is okay for a phase-III trial, that type of conclusion?
- Venkat Jasti:** There are different parameters on which we are assessing the patient and there are about 400 reports that will come out of it and then there will be analysis. On that there is pre-fixed delta has to happen from the initial day has to be six months data. So that meets end point, then it is positive, if it does not meet, it is negative, that is all.
- B T Vainatheyan :** Does this require a board member or somebody from Suven to also be a participant in this particular gathering? Now that the gathering of data process and its analysis, does it not require a representative from the company side to see through this happen?
- Venkatraman Sunder:** We are not supposed to be there
- Venkat Jasti:** No, it is a double-blind study, and nobody will be there, nobody knows anything about it, CROs, job to do it, only the KOLs and telling them to do the SAP analysis in what are the subgroup analysis has to be done is the only thing we tell them. And then they will program it in such a way other than the main parameters which was started in the earlier day one.
- Moderator:** Thank you. The next question is from the line of Afzal Mohammed, an individual investor. Please go ahead.
- Afzal Mohammed:** Sir, what is the timeline for the demerger?
- Venkat Jasti:** It all depends on the NCLT and the next meeting is scheduled which is the final meeting supposed to be on 29th of November.
- Afzal Mohammed:** Most likely in January?
- Venkat Jasti:** If everything goes well, it should be January, demerger, I mean, two separate entities.
- Afzal Mohammed:** Regarding Shore Suven, you got a 35% stake, right, why are you consolidating that, this is an associate investment?
- Venkat Jasti:** We have clearly told earlier still it is under the bankruptcy code, the final liabilities are not ascertained, they are waiting, I mean, it is not that they will come, but we have to give the opportunity for the people who did not participate in the earlier days, that gives 180 days that will be over sometime in this month or something like that. Then only they can get the opening numbers for the analysis, I mean, the PPA into the specification. That is why I could not do it. That is why we could not consolidate. Even when we consolidate, it is only the profit, or the loss be given before the PBT.
- Afzal Mohammed:** You will not add up the revenue, right, it is only investment?
- Venkat Jasti:** Yes.
- Afzal Mohammed:** Once 502 data is out, you will make the first public disclosure at the CCB meeting?

- Venkat Jasti:** No, if it comes next week, I will send it forthwith because the data means everything comes based on the analysis we planned, it gives you whether it is meet end points or does not meet end points. There is only one or zero, there is no in between. And if it comes in the last minute, we will give the last minute. We are hoping that it will come before the CTAD. We are only taking the advantage of the clinical trials at CTAD to present our data, whether it is positive or negative so that everybody knows.
- Afzal Mohammed:** Last question on a full year basis, what will be your revenue and profit for FY'21?
- Venkat Jasti:** As we said, 10% to 15% on growth and 20% to 25% on bottom line.
- Moderator:** Thank you. The next question is from the line of Dilish Daniel from Geojit Financial Services. Please go ahead.
- Dilish Daniel:** Sir, how much is the revenue from Specialty Chemicals this quarter?
- Venkat Jasti:** Rs.54 crore.
- Moderator:** Thank you. The next question is from the line of Divesh Akaria, an individual investor. Please go ahead.
- Divesh Akaria:** With regards to SUVN502 lock in of data means all the data is in and the analysis is happening, am I correct with regards to that?
- Venkat Jasti:** Yes, sir.
- Divesh Akaria:** Once the data comes, within five, ten minutes you will report it to the exchanges, right?
- Venkat Jasti:** Yes, the minute we receive it because it tells you exactly what it is and we can disseminate the information within half an hour [or immediate possible time for release].
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Sir, on the ANDA filings that we have done, the filings are from the existing plant or from the new plant that we are constructing?
- Venkat Jasti:** New plant is not there yet, it is only existing plant, the trial batches are taken in existing plant only, the new plant is in addition to the existing plant.
- Ankit Gupta:** So if the FDA approval for ANDAs come, we can supply from the next day itself, we do not have to wait for the new plant?
- Venkat Jasti:** No-no, by the time we should have the facilities in place. Another thing you need to know is the existing plant also can immediately do so the small volume molecules only we choose, it is not a big volume molecule.
- Ankit Gupta:** On the ramp up and the filing, how many ANDAs are we planning to file for next year FY'21 and FY'22?
- Venkat Jasti:** Around five to six years, that is our planning.

- Ankit Gupta:** How is the collaboration with Rising going on for they are marketing our products in the US?
- Venkat Jasti:** The collaboration is there, I mean, we have the molecules under development, Even before we did the collaboration, the new molecules we are working together to see what are the new molecules to do it, but the one I am talking about are all on the pipeline only what we have assumed before.
- Ankit Gupta:** On the specialty side, we are seeing Q4 has always been a big quarter for specialty and we have normally done at least Rs.70, 80 crore of revenue from specialty for one of our largest molecules. In H1 itself, we have done Rs.154 crore of revenue. So do we expect Q4 for the specialty molecules might have some growth in revenue compared to last Q4 there we disclosed Rs.120 crore of revenue>?
- Venkat Jasti:** There is a little shift in the molecule sourcing also, it may not be the same, quarter-on-quarter basis we cannot tell, but that is why I am telling you the total Rs.220 crore we may be able to achieve. First quarter is less if you see the other years, but this year first quarter is more as we have shown it and we hope for next year also.
- Ankit Gupta:** And sir how is the ramp up in the second molecule that we are launching, are we expecting revenues of \$5, \$6 million from that?
- Venkat Jasti:** As I said, it has the potential of \$10 million it has come into that range.
- Ankit Gupta:** Do you expect that it can reach that potential revenue this year itself or it will take one or two years more to ramp up?
- Venkat Jasti:** Likely to happen, but it is not a guarantee as of now.
- Moderator:** Thank you. 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 half yearly results. And as I said things are going well for CRAMS side of the business, it may not be repeated same as in Q2, but in general there is a good traction and we think we do better than 250% what we have reported earlier growth wise And with respect to the 502, finally the end results will come again before the next conference call, it should be seeing that result and we hope it will be a positive on and 3031 is going on well and we hope that also we do on time unlike the delays happened in the 502. Things are going well and hope to see you with good news next time when we talk. Thank you, everyone.
- Moderator:** Thank you. On behalf of Suven Life Sciences Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- Please note:** *We have edited the language, made minor correction, without changing much of the content, wherever appropriate, to bring better clarity.*