



Suven Life Sciences Limited

Q2FY17 Earnings Conference Call Transcript

November 25, 2016

Moderator Good day, ladies and gentlemen and welcome to the Q2 and H1 FY17 Earnings Conference Call of 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 the 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. Gavin Desa from CDR India. Thank you and over to you, Mr. Desa.

Gavin Desa Thank you. Good day and thank you for joining us on this call to discuss the financial results of Suven Life Sciences for the quarter ended September 30th 2016. We have with us Mr. Venkat Jasti - the Chairman and CEO and Mr. Venkatraman Sunder - VP (Corporate Affairs) and other members of the senior management team. Before we begin, I would like to mention that some of these statements made in today’s discussion may be forward looking in nature and may involve risks and uncertainties. Documents relating to company’s financial performance have been mailed to you earlier and I trust you have had a chance to go through the same. I now invite Mr. Sunder to share some perspective on the performance for the quarter and half year and his outlook for the year ahead. Over to you sir.

Venkatraman Sunder Thanks, Gavin. Good afternoon everyone. I will take 2 minutes to give the overview of the results for Q2 and then half year for Suven Life Sciences and then we will open up for the questions.

The quarter ending September 2016, we achieved a topline revenue of Rs. 122 crore with profit after tax of Rs.26 crore with a cumulative 6 months revenue of Rs.260 crore with Rs.58.9 crore of profit. The EBITDA stood at about Rs.43.6 crore for the quarter, for 6 months period it is about Rs.91.6 crore. For this quarter, there is a dip in the revenue compared with previous quarter of 11.2%; however, for the half yearly period, there is a growth of about 13.42% when we compare it to September 2015. PAT grew by 29% for the September 2016vs September 2015 half year figure, even though there is a dip in the PAT between quarter-on-quarter by 18.54%. Similarly, there is a growth in EBITDA of 35% and for the half year figure and there is a slight dip of about 8.96% in the EBITDA for the quarter figure.

R&D to sales stood at about 11% and we have spent about close to Rs.29 crore of R&D for the half year period which is for discovery research. Overall if you see the ratios, PAT to income for the 6 months and then quarter stood at almost around 22%. EBITDA to income is about healthy around 35% and we have a very healthy cash flow of 26% to the income and pre-R&D EBITDA to income stood at almost 47% for the quarter as well as for the half year figure. This is in relation with results of our CRAMS business. At this point of time, we are running about 118 projects in CRAMS, which includes 3 commercial, 71 in Phase-1, 42 in Phase-2 and 2 in Phase-3. Further to that, our discovery research of SUVN-502 is undergoing clinical trials in US with 537 patients target to be enrolled in about another one to

one and half year. Currently, we have enrolled about close to 140 patients for the trial which is progressing well.

With this, I thank you every one and we will open up for questions and will be glad to answer that. Thank you.

- Moderator** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.
- Rashmi Sancheti** Can you just give the breakup of sales during the quarter. How much it stood for core CRAMS and specialty chemicals for this quarter versus the last corresponding quarter?
- Venkatraman Sunder** For this quarter, the core CRAMS is about Rs.50.5 crore as compared to the core CRAMS for Q1 FY17 it was Rs. 56.78 crore. For Q2 FY16 it was Rs.49.67crore
- Rashmi Sancheti** And what about specialty?
- Venkatraman Sunder** Specialty chemicals of this quarter is about Rs.42.34 crore compared to previous year for the same quarter Rs.48.69 crore.
- RashmiSancheti** And sir what about that one-off commercial supply? Is that included in CRAMS business this Rs.50.5 crore?
- Venkatraman Sunder** No,if we include that Rs.7.5 crore towards one-off which is like commercial, the total CRAMS including commercial supplies of the one-off products will come to Rs.57.79crore for this quarter.
- RashmiSancheti** And what about Q2 FY16, that Rs.49.6 crore does it include anything, any one-off ?
- Venkatraman Sunder** No, in specialty chemicals we do not have anything that is a commercial.
- Rashmi Sancheti** No, I am talking about core CRAMS.
- Venkatraman Sunder** Core CRAMS that is what the figure I have given. On this quarter, it is about Rs.57.79 minus Rs.7.5, which is for commercial.
- Rashmi Sancheti** And quarter 2 FY16 there is nothing?
- Venkatraman Sunder** Yeah, quarter 2, there was nothing. No, there is no commercial last year.
- Rashmi Sancheti** And sir out of the total R&D cost, how much is apportioned to this NCE molecule and how much is for the regular R&D cost?
- Venkatraman Sunder** As such we do not have anything for regular R&D cost. The process R&D is all CRAMS. We took R&D for other companies and it is revenue based. They are included in the raw materials, it is not R&D. The R&D what we do is mostly the discovery research.
- Rashmi Sancheti** So, you are saying that entire 90% of the total R&D cost is basically catered to this NCE molecules only?
- Venkatraman Sunder** That is correct.

- Rashmi Sancheti** And sir, what is the progress on SUVN-502 if you can give some update on it because since it is into Alzheimer and there, what we are hearing that many global companies like even Eli Lilly had come up with some new drug and even which was in clinical trials and failed. So can you just give like where we are heading and what is the progress and when can we expect Phase-2 trials to get completed.
- Venkatraman Sunder** We started the Phase-2 clinical trials for SUVN-502 in US. The whole trial is being done in US with 537 patients targeted for enrolment. The enrolment is likely to be completed by end of 2017 or during the first quarter of 2018. And at this point of time, we have completed enrolment of close to about 140 patients as we speak today.
- Rashmi Sancheti** 140 patients.
- Venkatraman Sunder** 140 patients, we have got to reach 537 patients that is what I am saying that it will take about another 12-14 months to reach there.
- Rashmi Sancheti** And by what time you will get the result?
- Venkatraman Sunder** The results are most likely to be around post completion of first quarter of 2018 that is around April you can expect, March, April plus or minus 2-3 months based on the enrollment that is happening.
- Rashmi Sancheti** So, if it gets cleared and then we can actually go and out license the drug?
- Venkatraman Sunder** Then we can look for the outlicensing as an opportunity post the completion of this.
- Rashmi Sancheti** So in 2018 it can be likely?
- Venkatraman Sunder** Absolutely, it cannot be in 2017 because the trial will be on and 2018 only you can see an option to whether there is a possibility for commercialization.
- Moderator** We will move to our next question which is from the line of Keshav Mishra from Intel Investment. Please go ahead.
- Keshav Mishra** Sir, I just wanted to understand what is the CRAMS order position for the three-commercialized molecule, have we received any fresh order apart from Rs. 30 crore order that we have received?
- Venkatraman Sunder** At this point of time we have got Rs.30 crore order what we have received, of which we have supplied about Rs.19 crore, the balance needs to be supplied. We do not have the order for any other commercialized molecule at this point of time.
- Keshav Mishra** Are we expecting this in the coming quarters?
- Venkatraman Sunder** Well, if it comes, we will let you know. At this point of time, we do not have that, but our expectation has got no meaning unless until we get it.
- Moderator** Thank you. The next question is from the line of Ranveer Singh from Systematix. Please go ahead.
- Ranveer Singh** Sir, I was going through the interview by Venkat sir and saying that 10% growth we can expect in FY17 and further it may go to 10% to 15%, so just I was working out the number. So, second half should be actually much higher run rate than what we have seen in this quarter. So, where will this growth come from i.e specialty or CRAMS, how we should look at it?

- Venkatraman Sunder** See, I think Mr. Jasti's overall guidance what was given for specialty chemicals in this year is that it is likely to be close to about Rs.225 crore what we achieved last year, although it was a core CRAMS which includes our core CRAMS and then plus contract technical services going to be other line of business plus this Rs.30 crore which is the commercial order; based on this, he has given the guideline.
- Ranveer Singh** So, CRAMS revenue on annualized basis, how much you said could it be?
- Venkatraman Sunder** Now overall if you really see under the CRAMS business, there is likely to be about 10% to 15% growth that is what Mr. Jasti has said in the last call.
- Ranveer Singh** And secondly for specialty chemical that we see this run rate is likely to sustain over 2-3 years or we may see some interruption on quarterly run rate there going forward?
- Venkatraman Sunder** Yeah, Mr. Jasti will be addressing this particular query.
- VenkatJasti** As per my meeting in Singapore last year, it will keep changing from quarter-to-quarter but at the end of the year it will be same as last year.
- Ranveer Singh** Sir, how much have we supplied to Taro for that formulation Malathion, so how much revenue we have captured in this quarter?
- Venkatraman Sunder** Ranveer, we will just let you know, I just called the finance people to do that, maybe you can ask other questions in the meanwhile.
- Ranveer Singh** Then just two more questions. On the effective tax rate it seems to be higher, so what may be the annualized run rate and what CAPEX guidance you are giving for FY17 and FY18?
- Venkatraman Sunder** As far as the tax rate is concerned, this year it will be between 25% to 28% that is what our estimate is and towards CAPEX, the plan is around about Rs.50 crore.
- Ranveer Singh** So why is there so much variation in tax rates from 25% to 28%?
- Venkatraman Sunder** Yeah, basically last year we had this Vizag plant commercialized for which we had tax incentives and the additional depreciation that is coming there that is the reason the overall tax rate has come down to around 22%. If I remember well and this time it is basically those incentives will not be there in this current year and that is the reason it is increasing. And moreover if you really see 35(2ab), the benefits are also coming down overall for R&D cost on which earlier it used to be 200% and it has come down. Now it is 150%, so that is the reason it will further impact the tax.
- Ranveer Singh** And the CRAMS number you said in this quarter Rs.50.5 crore includes that repeat orders or this is repeat order related numbers are apart?
- Venkatraman Sunder** Yeah, apart from that, repeat order is Rs.7.5 crore.
- Ranveer Singh** And just I missed the number on specialty chemical revenue from specialty chemical in last year in Q2 FY16?
- Venkatraman Sunder** Rs.48.69crore.
- Moderator** Thank you. The next question is from the line of Ankur Jain, he is an individual investor. Please go ahead.

- Ankur Jain** My question is related to what are the other NCE pipelines apart from SUVN-502 currently, any update on that?
- Venkatraman Sunder** Yes, we have SUVN-G3031 which has completed Phase-I trial and undergoing long term toxicology studies and we have SUVN-D4010 which is also completed Phase-I trial but the preparation for long term toxicology studies are going on. These two trials will take some time before it can be ready for Phase-II that is the update as of now.
- Moderator** Thank you. The next question is from the line of Veena Patel from I-Wealth Management. Please go ahead.
- Veena Patel** Sorry, I just joined the call a bit late, so can I just get the revenue breakup across our two major verticals?
- Venkatraman Sunder** Yes, for this quarter we have about CRAMS Rs.57.79crore, specialty chemicals Rs. 42.34crore and contract technical services Rs.15.71crore and CRAMS includes Rs.7.5 crore of the repeat order what we got for commercial.
- Veena Patel** Sorry, not get the number for the repeat order?
- Venkatraman Sunder** Rs.7.5 crore.
- Veena Patel** So, what was the number for Q1 for the repeat order?
- Venkatraman Sunder** The repeat order amount for Q1 was Rs.11.5 crore.
- Veena Patel** So, like any kind of annual guidance for the repeat order?
- Venkatraman Sunder** At this point of time as informed to everyone in last conference call, Rs.30 crore is the order what we got for the diabetics molecule for which we have supplied now first and second quarter put together Rs.19 crore, the balance Rs.11 crore will be supplied. Other than that, we do not have any other orders.
- Veena Patel** The second molecule?
- Venkatraman Sunder** The second molecule we do not have anything.
- Veena Patel** So, the guidance that you have mentioned in the interview that given on the CNBC about 10% to 15%, it is on the basis of the CRAMS and what about the specialty chemicals?
- Venkatraman Sunder** No, specialty chemicals Mr. Jasti was mentioning that it will be more or less same flat as of last year figures and the CRAMS is what has given us a growth of 15% to 20%.
- Veena Patel** And sir, the CAPEX number that you mentioned to the previous participant about Rs.50 odd crore. So, this is including the routine CAPEX as well as the pending CAPEX on the Vizag facility?
- Venkatraman Sunder** There is no pending CAPEX on Vizag facility as such, the Rs.50 crore will be the regular CAPEX plus it to be spent on Unit-III which is in Pashamylaram.
- Veena Patel** Unit- III?

- Venkatraman Sunder** Yeah, that is right like usually we get the upgradations and things which modernization and that is part of it plus addition of few more capacities of these players.
- Veena Patel** And sir, coming to our normal R&D budget, so like for the first half we have already spent around Rs.29 odd crore. So, for the entire year how much we are expecting?
- Venkatraman Sunder** The overall guidance remained same, around Rs.60 crore.
- Veena Patel** And sir, how much would have been spent on our 502 molecule?
- Venkatraman Sunder** For this half year, we have spent about \$2.5 million.
- Veena Patel** Sir, can you just give a breakup on Q1 and Q2 basis?
- Venkatraman Sunder** The total about \$7.5 million what we have spent, of this about \$3 million spent earlier and then \$2.5 million spent in this quarter, the balance was spent in Q1.
- Veena Patel** So, this quarter \$2.5 million has been spent?
- Venkatraman Sunder** Right.
- Veena Patel** And sir, what is the status on the study reports that we have submitted for 502?
- Venkatraman Sunder** 502, right now the clinical trial is going on with 537 patients and as of now we have enrolled about 140 patients. The study is likely to be completed by 2017 year end or it will take up to 2018 up to March. Post that, the results will be announced, the report will be submitted.
- Veena Patel** Post March 2018, the results will be announced?
- Venkatraman Sunder** That is correct.
- Moderator** We will move to our next question which is from the line of C Shrihari from PCS Securities. Please go ahead.
- C Shrihari** Main questions, one is the why is the core CRAMS business on an absolute basis quite low sequentially in particular and secondly your gross margins have expanded significantly, is it one-off or is it sustainable? Thank you.
- Venkat Jasti** As you know, the CRAMS business, the lumpiness is one of the reasons why you see the spurt in the value. At the same time, the change in the product mix also adds to values. This time volumes are down but the values are better that is why you see a better gross margin.
- C Shrihari** And gross margins expansion?
- Venkat Jasti** Gross margin expansion, we expect to keep (+30%) on the EBITDA level 25% at the net level.
- C Shrihari** No, I was talking about gross margins, I mean from roughly 70 odd percentage, it is up to around 78%, so that is sizeable sequential increase?
- Venkatraman Sunder** Yeah, that is due to product mix that is what he was trying to tell.

- C Shrihari** Is it sustainable or what would be let's say roughly?
- Venkat Jasti** We cannot say it is sustainable, it keeps changing.
- C Shrihari** So, will 70% gross margin be a benchmark that we have to look at?
- Venkat Jasti** It is difficult to tell on a quarter-on-quarter basis but at the end of the year as I said EBITDA levels, we can tell you +30%.
- Moderator** Thank you. The next question is from the line of Amit Kadam from LIC Mutual Fund. Please go ahead.
- Amit Kadam** My question is again on CRAMS where almost from a year, we are not able to post a good growth on that particular thing. I understand lots of lumpiness in the business which is based on the phases it moves but if you just like track our last 10 years of history where we have moved our product pipeline from somewhere around 40 odd products now 117, we were able to give some kind of a consistent growth on that. Whereas if I track in last couple of years, our product pipeline has been stuck to somewhere 110 to 117 and the growth is also muted or maybe flattish on this particular thing. So, considering this part 117, and considering how do we build FY18 growth if my molecules are in between Phase-I to Phase-III around about 117?
- Venkat Jasti** As you know it's not the number of the molecules that counts, naturally more molecules have a better chance of success, but at the same time if we have more molecules, it does not mean that you will have a guaranteed growth even in one molecule which happens again, couple of molecules which happened in 2017 gave a robust growth after that it is staying flat because we are comparing this numbers, even though there is a growth without taking that one-off into the consideration but the numbers have no guarantee that it will give you but it is the successful molecule that gives growth.
- Amit Kadam** So if I have to actually build like or foresee, what will be the FY18 based on the current pipeline? So, with little bit of visibility and confidence how do I see FY18 on the current product pipelines?
- Venkat Jasti** We expect around 15% growth barring the positive surprises of success with the customers' molecule, so around +/-15% growth that is the range we are expecting.
- Amit Kadam** And if I heard it correctly, there is one more molecule got added in the Phase-III because last quarter we had only one in Phase-III and now it is two?
- Venkat Jasti** Yes.
- Amit Kadam** And sir like from this SUVN-502 like our target induction is 537 patients, of which we have just enrolled 140 which is 25% of it. So meeting that particular target of maybe closing this trial by year end or so, is it feasible or like how is it going to move because it is just 25% right now?
- Venkat Jasti** Actually this is a first in class protocol which we have developed. Never in the history of Alzheimer's disease there are more than two molecules given in a trial because now everything became generic, standard of scale became with two molecules already taken by the customers. So even if the clinical trial company is able to start a protocol with this combination. It gives you an advantage in terms of the efficacy, but at the same times gives you disadvantage in the speed with which we recruit the patient. By now we should have above 200 patient recruitments. So there is a lag in the recruitment of the patient, that is why we thought we will have

mid 2017 our results but now we are saying end '17 and we want to finish the trial and the fourth quarter of 2017, I mean January-March of 2018 we may get the results out of the trial. So this is not in our hand but things are going very well and now it started picking up.

Amit Kadam Earlier our plans was to close this trial or initial trials that may be somewhere around October 2017

Venkat Jasti We will get our results by the end of the calendar year.

Amit Kadam Looking at the way the things are going, induction is happening, is there may be a risk still where the induction is happening, can it stretch this particular deadline post 2018?

VenkatJasti We do not have any kind of problem on that basis, it is only we are losing the opportunity for many molecules for quality.

Moderator Thank you. The next question is from the line of Srikanth Reddy, he is an individual investor. Please go ahead.

Srikanth Reddy There is one molecule which comes to Phase-III and we are waiting for the commercial supply, correct? What is the status of that?

Venkatraman Sunder No, two molecules in Phase-III right now. It has not completed Phase-III as of now. Before answering others, I would like to answer Mr. Ranveer's question about the Taro income which is about the royalty income first quarter it was Rs.3.68 crore, second quarter again Rs.3.68 crore total for half yearly period actually it is about Rs.7.36 crore. Thank you.

Srikanth Reddy But I would like to request to upload the concall transcripts so that it would be useful to read.

Venkatraman Sunder We will do that, no problem. Thank you.

Moderator Thank you. The next question is from the line of Radha Krishnan, he is an individual investor. Please go ahead.

Radha Krishnan Sir, I wanted to know about the functioning of our new Hyderabad unit whether it has started full commercial operation?

Venkatraman Sunder Hyderabad unit has been commercial operational for quite some time. So it is not new.

Radha Krishnan It is operating fully commercial?

Venkatraman Sunder Yes.

Moderator Thank you. The next question is from the line of Himanshu Shah from Potentialities Unlimited. Please go ahead.

Himanshu Shah My query is regarding the enrollment of patients. One, if you can take me through this process of enrollment of patients and the other is, is it in the block of 70 patients that we do because last quarter it was exactly 70, this quarter it is 140, so please explain that?

Venkatraman Sunder It is not a block of 70 patients. See, when you start a clinical trial, we are looking at about close to about 80 to 90 clinical sites in US and all the sites will not be coming on board on day one. Each one is separately entered into a contract, initiate and qualified before they can start enrolling the patients. So, now we have almost come to a peak of close to 75 sites which is in peak enrolment. Last time it was close to about 45 sites that were initiated. As more sites get initiated, the more number of patients will have an opportunity to enroll into the study. It is not just block. The graph keeps going up as with the enrolling and as you add more sites. Like typically if I start with 10 sites initially, and say at the 10 sites will have enrollment of say 3-3 patients it will be less than 30 patients and then you are enrolling about more than 20 then it will add up. It is not in block, the enrolment happens continuously, the addition and enrollment happens continuously.

Himanshu Shah My enquiry was only because it was like 70 as a number that we add for two quarters straight on and on so I was just wondering?

Venkatraman Sunder Yeah, it is not really related but coincident do happen.

Moderator Thank you. The next question is from the line of C Srihari from PCS Securities. Please go ahead.

C Srihari I would like to know what is the kind of visibility you have especially with regard to Phase-II and Phase-III molecules vis-à-vis 42 and 2 currently, what would be our outlook over the next 12 months?

Venkat Jasti There is not going to be any visibility like a purchase order. Whenever the project comes in, then we report it. I think now the growth is there but not as much as one would expect, but as I was telling earlier the success full stage i.e. moving from one stage to other stage will lead to some cost, visibility we will not be able to tell until it comes into picture. I won't give you something like that because others they can tell that they require the next requirement may be in March or something like that, but nobody will tell you the key projects upfront. So I cannot give you any guidance on that.

C Srihari I mean to say that you have projected 10% to 15% kind of a topline growth

Venkat Jasti That is not based on the pipeline expansion, it is based on the success of the molecules and also the repeat business coming into picture.

C Srihari For the CRAMS business, are you giving any topline growth estimate for fiscal 2018?

Venkat Jasti 15%.

C Srihari For fiscal 2018 as well?

Venkat Jasti Yes.

C Srihari Next year as well?

Venkat Jasti Yes.

Moderator Thank you. The next question is from the line of Ranveer Singh from Systematix. Please go ahead.

Ranveer Singh What has been R&D expenditure on 502 in this year in second half?

- Venkatraman Sunder** This is about \$2.5 million.
- Ranveer Singh** And our total budget is how much for this year?
- Venkatraman Sunder** The total budget is \$20 to \$22 million, of which we have spent up to \$7.4 million as of now, which includes this \$2.5 million for this current year.
- Ranveer Singh** And secondly the breakup you had given, I was not able to reconcile it, you said that from CRAMS you said Rs.50.5 crore, Rs.42.23 crore is for specialty chemicals and Rs.7.5 crore is from repeat order and Rs.8.5 crore is from drug discovery services. All together is coming up to Rs.108.7 crore.
- Venkatraman Sunder** Let me give you the figure you can note down. It is like for this quarter Rs.57.79 crore is the CRAMS, Rs.42.34 crore is the specialty chemical, Rs.15.7 crore is the contract technical services which is Rs.115.84 plus Rs.11.25 crore is the other income that is for this quarter. And of the CRAMS of 57.79, Rs.7.5 crore is the repeat order. That is how it is.
- Ranveer Singh** Secondly the number of projects we see in Phase-III, has been moved from Phase-II or we have received, it is Phase-III itself.
- Venkatraman Sunder** Usually it moves from Phase-II to Phase-III.
- Ranveer Singh** And we have chances of getting it commercialized or our commitment is up to Phase-III only?
- Venkat Jasti** Phase-III requires getting a commercialization around 3 to 3.5 years before you see commercialization of Phase-II.
- Moderator** Thank you. The next question is from the line of Cindrella Carvalho from Dolat Capital. Please go ahead.
- Cindrella Carvalho** Sir, I wanted to know that we had a presentation in the society of Neuroscience, can you update us like how was the response over there and like any data observations which were appreciated?
- Venkat Jasti** This is an on-going process of using our updates and various stages of our molecule and we have tremendous response which we see in number of molecules has come down because of the failures that happened unfortunately. So, everybody is looking at our molecules and the status where we are in and also because of the first in class protocol that is being tried in all kind of patient with successful combination, Suven is the only company doing in the world. So, many people came to our booth and took information, it is a very good turnout.
- Cindrella Carvalho** That is really helpful and good to know that we are only one in the world doing such molecule. Sir, just one more query that the Phase-III molecules which has got added this quarter, has it contributed something to the revenues or it will reflect in the second half?
- VenkatJasti** Not yet, but will be there. Some because it did not move into Phase-III and it will give us some kind of a revenue on the near future.
- Cindrella Carvalho** So, we should see it in the second half?
- Venkat Jasti** Yeah.

- Cindrella Carvalho** And sir, just a clarification of the repeat order of Rs.30 crore, we have supplied Rs.19 crore as of now, right?
- Venkat Jasti** Rs.11 crore is pending, it will be going in the third quarter itself and maybe little bit going into the fourth quarter.
- Cindrella Carvalho** And sir, may I request you to give us how do you see the company in another coming three to four years ahead, what is your expectation we know one SUVN-502 that is what we are looking up to the trials are coming up and all and overall business like, can you help us understand when do you see it going ahead? Thank you sir.
- Venkat Jasti** See, I do not have visibility more than 3-4 months in the CRAMS business. So, how can I give you three to four years from now but as a trend, usually it will be around 15% growth barring any past two outcomes which happened in 2013 that will add up to this one. With respect to the discovery, SUVN-502 and 3031 whatever these things are, these are 0 to 1. We cannot take anything as guaranteed until it comes into your kitty, it is a high risk and even though we are very optimistic about our success but until the data comes out, we cannot give you any guidance on that but when it comes you know the value that you can get.
- Cinderella Carvalho** See, that lumpiness we understand sir. I just wanted to know more on the qualitative aspect of it but whatever you said is really helpful?
- Venkat Jasti** Yes, qualitative aspect is because we have update ourselves with customers requirement and we became the preferred suppliers of some of four big customers and their molecules success will give us more opportunity for us to go. So, in the next three years we expect much more growth than 15%, 15% is giving you more or less guaranteed growth but there is a possibility, it can be much higher if these are successful molecules.
- Moderator** Thank you. The next question is a follow up from the line of Veena Patel from I-Wealth Management. Please go ahead.
- Veena Patel** Sir, I had missed out on the data with regard to the number of projects that are in Phase-I, II and III for this particular quarter?
- Venkatraman Sunder** 71, 42, 2.
- Veena Patel** The total is around 115 projects?
- Venkatraman Sunder** That is correct.
- Veena Patel** And sir, what was the number for Q1?
- Venkatraman Sunder** The Q1 number, I think it is 48. It was 114 total.
- Veena Patel** In Phase-III?
- Venkatraman Sunder** Phase-III was only 1.
- Veena Patel** And the rest Phase-I and Phase-II was similar number?
- Venkatraman Sunder** Yes.
- Veena Patel** So, we added one more project in Phase-III?

- Venkatraman Sunder** That is correct.
- Veena Patel** Sir, on the explanation with regards to the expansion in the gross margins, so what has been the major reason for that?
- Venkat Jasti** Reason is gross margin improvement is because of the value-added products which we have during this quarter.
- Veena Patel** Because this was not seen in past few quarters also. First time ever we have gone to such higher rate, sir going ahead like what kind of gross margins which may sustainable?
- Venkat Jasti** EBITDA level +30% margin we will maintain.
- Veena Patel** I was referring to the gross margins sir?
- Venkat Jasti** EBITDA includes other income and that is what we take into the consideration and is going up. Even though gross margins go up, our expenses are also going up. So we are going by EBITDA which is more or less number which we go by.
- Veena Patel** Sir, finally on the specialty chemical division, so the expansion that we did in the Vizag we had one dedicated block for manufacturing of specialty chemicals which used to generally get it done from the outsourced facility, so you have guided for a flat growth this year but going ahead how is the traction coming up?
- Venkat Jasti** No, we have clearly mentioned that it is not more than 5% can go because we have matured volumes now and that will continue for the next 4 to 5 years more.
- Veena Patel** Sir, can you just elaborate on the details with regard to the number of specialty chemical products that we have been supplying and which segment are they catering to?
- Venkat Jasti** This is only one specialty chemical which we are supplying right now. It is various aspects including agro and radio chemicals and fine chemicals. It is a specialty intermediates that we sell.
- Veena Patel** But the major application industry would be agrochemicals?
- Venkat Jasti** Yes.
- Veena Patel** So, this lower guidance you give because of the softness that we are seeing in the global agro chemical industry, so once it picks up then maybe your specialty chemical segment can grow faster?
- VenkatJasti** We add more projects, we are certainly growing more faster but what I am saying the molecules which we are doing, this is commercial and matured volume which will continue for a while.
- Moderator** Thank you. The next question is from the line of Rashmi Sancheti from Anand Rathi. Please go ahead.
- Rashmi Sancheti** Sir, you mentioned Rs.7.36 crore sales from Taro for Malathion Lotion right, this is booked in which line item
- Venkatraman Sunder** It is part of the CRAMS.

Rashmi Sancheti And you said that EBITDA margin is at around 30%, so this is at standalone level or consolidated level?

Venkatraman Sunder This is standalone level.

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

Venkat Jasti Thanks for the opportunity to explain our results. Quarter-on-quarter it was a decline in the margins, the values and volumes, but on a half yearly basis improvement of about 13% on the revenue level and about 5% in the net profit margin and even enrolment is picking up and we hope to finish it earlier, we hope to finish it by October, but now because of the lag we will have completed by December timeframe. Other two molecules will get into Phase-II activity in early part of the next year, later part of next year and 911 will be going into Phase-I in the first quarter of next year. That is a brief outlook. I hope we talk to you next time when we have this con-call. Thank you again.

Moderator Thank you. On behalf of Suven Life Sciences that concludes this conference. Thank you for joining us and you may now disconnect your lines.