



## Suven Life Sciences Limited Q4FY16 Earnings Conference Call May 30, 2016

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to Suven Life Sciences Limited Q4FY16 Earnings Conference Call. 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 for an operator by pressing '\*' then '0' on your touchtone telephone. 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 sir.

**Gavin Desa:** Thank you. Good Day and Thank You all for joining us on this call to discuss the Financial Results of Suven Life Sciences Limited for the Quarter and Full Year ended March 31, 2016. We have with us Mr. Venkat Jasti – the Chairman and CEO; Mr. Venkatraman Sunder – V.P., Corporate Affairs and other members of senior management team.

Before we begin, I would like to state that some of the statements made in today's discussions maybe forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance have already been mailed to you. I now invite Mr. Jasti to share some Perspective on the Performance of the Quarter and the Year gone by and his Outlook for the Year ahead. Over to you, sir.

**VenkatJasti:** Thank you, Gavin and Thanks everyone for calling in. Good Evening to Everyone. As we have been informing you over the quarters that the fourth quarter will be a little bit better than the other quarters and it has happened that way. So we could cut down the gap of the original projection of (-10%) growth booking us 4% growth, similarly, from Rs.108 crore to Rs.94 crore on the net profit side. I think as you would see last year there is a dip in the CRAMS, but luckily the Specialty Chemicals has taken over the slack to fill the gaps. This year it looks little bit better and comparatively based on the projections given by the customers. Also, on the repeat business of the molecules launched earlier, we have just received Rs.30 crore order as a starter, hopefully, we will be receiving more in the near future. As usual, we are expecting around 10-15% growth on the base business. I think Specialty Chemicals has almost hit the peak level and we hope to maintain the same. I think as far as the Discovery and Development is concerned, SUVN-502 is now picking up steam for enrolment and 10% of the expected enrolment has been completed and now things are moving in much better situation. Similarly SUVN-3031 has gone into the toxicology studies and are in preparation for the Phase-II study. SUVN-D4010 will be finishing Phase 1 by July timeframe and in the third quarter SUVN-911 will be entering into the Phase-I. This is a short update as of now.

I thank you all and would like to take your questions.

- Moderator:** Thank you. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Sudharshan Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- S Padmanabhan:** You have been pointing out towards the supplies. If you can tell us what is the base business growth that we have seen in this quarter and probably we are talking about a couple of more molecules which might come through in FY'17. So if you can give us some idea of how the base business growth has been in this quarter and if you can split between the base business and how the trend is expected to be probably in FY'17?
- VenkatJasti:** As you know, base business, CRAMS last year there is no repeat business as you know for the quarter ending 31<sup>st</sup> March, there is 17% less growth in the CRAMS. As far as the fourth quarter is concerned, the CRAMS has picked up a little bit and of course naturally Specialty Chemicals has picked up much better than the CRAMS, at the same time as I was telling you last year there is a kind of degrowth both in the number of molecules and also the attrition that has happened on the various molecules which are in Phase-II. But things are moving well, but as far as the one in the Phase-III which is moving into pre-launch we are not yet having any idea and we have not been given any guidance on that by the customer. But we expect at least 15% growth on the base CRAMS business plus whatever the repeated business right now which is around Rs.30crore will be the one at this time and as I said Specialty Chemicals has more or less reached its peak.
- S Padmanabhan:** This would sustain the fourth quarter Specialty Chemicals run rate or would it be lumpy going forward in FY'17?
- VenkatJasti:** If you see Specialty Chemicals over the year it will be the same roughly, but quarter-on-quarter it keeps changing, it cannot be the same quarter-on-quarter, but this quarter also looks better but not as good as the last quarter.
- S Padmanabhan:** How much was the Spec Chem for the year end and for the quarter if you can quantify the same?
- VenkatJasti:** For the year end it is about Rs.224crore and for this last quarter it is Rs.88 crore.
- S Padmanabhan:** What about the margins for this year as we are expecting some kind of positive data coming in this year as and when the clinical trials move, the R&D spend would also kind of inch up towards? Second one is also the fact that we are looking at least 15% kind of growth and as the molecules trend from the Phase-II to Phase-III and Phase-I and Phase-II you might see some kind of a jump in the sales which will kind of drive some kind of operating leverage. So if you can throw some light on the margins how do we see things?
- VenkatJasti:** Typically, our margins are around 30% on the CRAMS side of the business EBITDA margins and about 20% for the Specialty Chemicals and net profit would be 18%.
- S Padmanabhan:** This is the kind of margins which will sustain to FY'17 as well?
- VenkatJasti:** Yes.
- S Padmanabhan:** On Phase-III molecules, I think we have been seeing a lot of delays in the scale up of the couple of molecules that we were talking about. Is there something that is not moving to the next level or what is really happening here because I think we

were talking about J-curve happening at least on the commercial side which can propel your FY'17 numbers, why it is not translating?

**VenkatJasti:** Moving the molecules **is not in our hand** Phase-III trial and we are thinking that we will get the positive data and if they do not get the positive data, there will be another trial, the trials go on, Phase-III continues, it has not gone out, but we are sure it can be any time but I cannot say that it will happen next month or next quarter, because this is a regulatory thing that has to happen and clinical trials as you know the success rate is only 50% in the Phase-III levels.

**S Padmanabhan:** This is for both the molecules that we had earlier spoken about?

**VenkatJasti:** This is only one molecule in Phase-III.

**Moderator:** The next question is from the line of Sandeep Agarwal from Arihant Capital.

**Sandeep Agarwal:** My question is in current trends of every Indian pharma company increase R&D expenses in coming years. So I want to know any major positive impact will be seen in your CRAMS business in coming years?

**VenkatJasti:** Indian pharma companies has no bearing on Suven revenue

**Sandeep Agarwal:** 80% revenue come from US and Europe,

**VenkatJasti:** R&D spending leading to success is anybody's guess. So, it is all the success based activity that comes in. Least expected it may have a positive but a lot of expectations going on, it may be a negative, so we cannot tell at this time, but in general there is a little bit better traction the way things are moving, the way the customers are talking. But it will all ramp out when the real business comes in, not what they talk about, because they may say next 6-months but sometimes it may take next 1year. So, this is all very difficult to predict at this time, that is why we will keep telling it is very difficult for us to give real guidance more than three months and maximum guidance are up to 6-months..

**Moderator:** The next question is from the line of Dheeresh Pathak from Goldman Sachs.

**Dheeresh Pathak:** Just a clarification; the CRAMS revenue ex of Specialty Chemicals it had a degrowth of 20% in FY'16, is that a right understanding?

**VenkatJasti:** About 17%, yes.

**Dheeresh Pathak:** So you might have highlighted in your opening remarks of something. Any particular reason for this?

**VenkatJasti:** There is a degrowth in the number of molecules which we were working, especially in Phase-II and also the movement of the molecules from Phase-II did not happen, third thing is the repeat business of those earlier molecules for which we have supplied the commercial quantities has not taken place last year.

**Dheeresh Pathak:** But ex of the FY'14 was the year in which we had large prelaunch supplies and then FY'15 there was a small amount of this thing. There seems to have been if the numbers that I have that you gave is right, excluding those prelaunch supplies also which were not that meaningful in FY'15, there is a degrowth of 20% in rupee terms in manufacturing in CRAMS revenue ex of Specialty Chemicals which you called out separately as Rs.223 crore. This is obviously rupee terms and rupee derated by about 6-7%. So in dollar terms obviously the degrowth is more, on a

smaller base of not even \$40 million on an annualized basis. Why is it that we can't add growth on a consistent basis?

**VenkatJasti:** This is not projects where we have generic molecules where we can expect the volumes to go up, this is based on success of the molecules which are in the clinical trials of the innovators and depending on the status sometimes one takes after the success is on, moving into Phase-II, then take supplies for two years, Similarly the Phase-II can take 2.5-years. So there will be gaps. As I was telling before in the opening remarks, it all depends on the success of the customer unlike adding the delivering business that ramping up the volumes that is why we could not see growth and that is why you saw that degrowth of 20%.

**Dheeresh Pathak:** What visibility do you have for next year growth based on the projects that you are doing right now?

**VenkatJasti:** We expected 15% growth on the base CRAMS business plus as I was telling you; there is a repeat business of Rs.30 crore in, already and we expect some more to come in, so this will add to the total growth.

**Moderator:** The next question is from the line of VeenaPatil from iWealth Management.

**VeenaPatil:** Just referring to the answer that you gave to the previous participant; the kind of growth that you mentioned was around 15% is on our base or CRAMS business and you just mention that Rs.30 crore order. Is it with regard to the prelaunch quantities that we have supplied earlier?

**VenkatJasti:** Yes.

**VeenaPatil:** Rs.30 crore already has come in for the Q1FY'17?

**VenkatJasti:** Yes, we have received it and it will be supplied in over six months' period.

**VeenaPatil:** Sir, in the last concall you had mentioned guidance of around \$50 million from the prelaunch molecules. So, is any kind of a surety from the innovators for this kind of offtake?

**VenkatJasti:** The first tranche has come and we expect something to come in the end of the year from this molecule and \$50 million guarantees not given, but I think at least \$10 million will certainly be there and we will know because we have 9-months more to go.

**VeenaPatil:** Coming to the Specialty Chemicals business, you are assuming whatever the growth that we have got currently is not sustainable and we have already reached a peak revenue of Rs.223 crore?

**VenkatJasti:** Right.

**VeenaPatil:** Can I just know where the application of the Specialty Chemical supplying is?

**VenkatJasti:** This can be a 5% this way or that way, this is more or less kind of peak has reached. This is for non-pharma application.

**VeenaPatil:** I just want to understand are we having agreement with supplier for Specialty Chemicals for whom we do an exclusive manufacturing?

- VenkatJasti:** This is an IP-based one, so I cannot tell this to anyone and anybody do not carry this one, this is a patent right.
- VeenaPatil:** You just mentioned the margins to be in the range of around 20% for the Specialty Chemicals?
- VenkatJasti:** That is right.
- VeenaPatil:** What would be the budget guidance for the routine research and development that we do for our in-house molecules?
- VenkatJasti:** Yes, the routine around Rs.60 crore this current year.
- VeenaPatil:** Coming to SUVN-502 what kind of R&D spends we would be doing for this financial year?
- VenkatJasti:** Around \$10 million.
- VeenaPatil:** You would be receiving the first data somewhere in the month of September-October?
- VenkatJasti:** Yes of 2017.
- VeenaPatil:** Have we capitalized the entire CAPEX that we have done for Vizag?
- VenkatJasti:** The first tranche, yes, it is over, and when we start the next block, we will have about another Rs.50-60 crore, but that has just started.
- VeenaPatil:** What kind of CAPEX numbers we have budgeted for this year?
- VenkatJasti:** This will be because replacement CAPEX and the upgradation CAPEX for the various regulatory requirements, would be around Rs.40 crore.
- Moderator:** The next question is from the line of Charulata Gaidhani from Dalal&Broacha.
- CharulataGaidhani:** Can you give me the details of the projects in Phase-I, II and III?
- VenkatJasti:** Phase-III is one molecule, Phase-II Is 48 and Phase-I is 64 molecules for which we already commercialized these three molecules, all put together is 116.
- CharulataGaidhani:** You have commercialized three molecules?
- VenkatJasti:** The innovator has commercialized, so they are not lead into development, that is why we separate it out. Out of that the repeat business has come for one of the molecules.
- CharulataGaidhani:** At what stage are these three molecules?
- VenkatJasti:** They are commercialized by the innovator.
- CharulataGaidhani:** Can we expect more business coming from there?
- VenkatJasti:** Yes, we have already received Rs.30 crore as I was telling you earlier, but we hope to receive some more towards the end of the year.

- CharulataGaidhani:** On an overall basis you expect revenues to grow by around 15% for FY'17?
- VenkatJasti:** CRAMS we are saying about 10-15% and again this is a repeat business as of now Rs.30 crore, add some more and the Specialty Chemicals is more or less peaked out and yes, around 15%.
- CharulataGaidhani:** Repeat business is the one-time sales right?
- VenkatJasti:** Yes, that is one-time and now it should become a sustainable one on a year-on-year basis.
- CharulataGaidhani:** That will continue say FY'18 you will expect a similar traction?
- VenkatJasti:** Yes, can continue another six years at least.
- CharulataGaidhani:** Then in terms of EBITDA margins, with your increased R&D activities, your raw material cost as a percentage of sales also will go up, right?
- VenkatJasti:** Depends on the mix of the products which we have, unlike a generic where you know sure, when the volumes goes up and price comes down and the raw material cost goes up, this case mix and match keeps inching quarter-on-quarter, month-on-month basis, so we cannot have, but I think in general the guidance is around 30% for the base CRAMS and about 20% for the Specialty Chemicals.
- Moderator:** The next question is from the line of SriramRathi from ICICI Securities.
- SriramRathi:** Two questions: First is basically the repeat business that you mentioned about Rs.30 crore of orders that you already received. So that pertains from the US customers or it will be from the European customers?
- VenkatJasti:** One of the European customers.
- SriramRathi:** Any indication from the US customer when can we see the business will start?
- VenkatJasti:** Not until the December, they have not given any guidance.
- SriramRathi:** That size should be bigger than this one?
- VenkatJasti:** Hopefully.
- SriramRathi:** On the Specialty Chemicals like around we have already reached to the target of \$30 million-odd revenue two years back. So this revenue in FY'16 has come from the new Vizag plant, right, which is created for this Specialty Chemicals business?
- VenkatJasti:** No-no, not everything comes from there, as I said, because it started only in the last July, the trial runs has happened, about 43% has come from there, but still it works for both the plants.
- SriramRathi:** What would be the capacity utilization for Specialty Chemicals plant in Vizag right now?
- VenkatJasti:** As of now it is about 45% but next year it will go up to 70%.
- SriramRathi:** 70% will be equal to \$35 million odd?

- VenkatJasti:** Then what happens is we will need some of the capacities which we are using in the regular units for whatever the new things and renovation and all that stuff and 20-25% as a backup for the Vizag plant always.
- Moderator:** The next question is from the line of Ranvir Singh from Systematix Shares.
- Ranvir Singh:** Sir, just wanted to understand that our active number of projects is 113, it was 114 earlier. So I understand that a few projects must be entering and a few projects must be exiting. So on an average we see that we are not going beyond 114 or 113. So wanted to understand for the business our optimum capacity or new projects we are not able to really scale up this number of projects in each of phases or going forward what is going to be the scenario?
- VenkatJasti:** It is not limited to the capacity, we can take more number of projects. The fate of the molecules that were in the Phase-II last year it was 52, they came down to 48. So 4 of them gone and so value addition will be going down, similarly whereas 57 of the Phase-I has gone up to 64 but Phase-III has remained at 1 only. Number of molecules can be done more but it is the stage at which the customers molecule moves or stays in the business if they were to come to the question. The number of projects added during the year actually is 28, even though you see only increases compared to last year is 110, the actual number of molecules added is 28, 22 has been at various phases dropped out, that is what happened, otherwise we would have taken more.
- Ranvir Singh:** Normally, we understand that number of projects increases in later phase, EBITDA margin normally did, so this quarter I believe that Phase-II has reduced, we received higher number of projects in Phase-I actually. So is that reflecting of the current margin?
- VenkatJasti:** No, it cannot be directly correlated about the number of molecules we are working, even though they are all active, does not mean that we are working on all of them in the same year, they are not dead, that is why they are active, but number of molecules working maybe 8 or 9 attempts, we do not know, the mix keeps changing, sometimes one value added product is equivalent to four of the regular products. So I cannot give you direct correlation. Naturally, one can assume that more number of molecules actually you will have more volume of the business and value, but at the same time mix and match has a bearing on the value and volumes.
- Ranvir Singh:** The Specialty Chemicals business you said this quarter is Rs.23 crore?
- VenkatJasti:** This quarter is Rs.88 crore.
- Ranvir Singh:** Specialty Chemicals business what was the revenue last quarter and previous quarter?
- VenkatJasti:** Last quarter is Rs.49 crore, before that also Rs.49 crore and the first quarter is about Rs.37 crore.
- Ranvir Singh:** This Rs.30 crore order which we have received, I understand every quarter may not see the similar kind of revenues. So just whether there is a possibility of certain quarter being completely dry and few quarters orders coming or only the amount which will be fluctuating from Rs.30 crore it maybe Rs.40 crore or Rs.20 crore?
- VenkatJasti:** It is only when we actually supply, because receiving order does not mean supply in this month, it may be small quantity, can grow, but next quarter or something or

the following quarter because they give you order one time but the delivery schedules would be given based on the requirement.

**Moderator:** The next question is from the line of AmanVij from Astute Investment Management.

**AmanVij:** I had a question basically on the NCE division. So out of the around Rs.200 crore which you raised for QIP how much has already been spent?

**Venkatraman Sunder:** It is about Rs.28 crore that is what is spent as of now.

**AmanVij:** You said you will be spending around 10 million ?

**Venkatraman Sunder:** This year, yes.

**AmanVij:** Are you also planning to use some of these for Phase-I of 4010?

**VenkatJasti:** All coming from the regular internal accruals.

**AmanVij:** Phase-I normally cost around \$15 million or is that much lesser?

**VenkatJasti:** No, it is around \$2-3 million.

**Moderator:** The next question is from the line of Purvi Shah from Sharekhan.

**Purvi Shah:** My question pertains to Malathion ANDA. How much is the sales that we have received from that and for the year?

**Venkatraman Sunder:** Malathion sales we have not been segregated in the CRAMS as of now, the royalty figure we have which is about \$2 million.

**Purvi Shah:** That would be under the CRAMS?

**Venkatraman Sunder:** Yes.

**Purvi Shah:** So Rs.467 crore would include \$2 million of royalty and the Specialty Chemicals would be Rs.223 crore for the year?

**Venkatraman Sunder:** Yes.

**Purvi Shah:** So going forward where do we see this Malathion royalty and the sales moving?

**VenkatJasti:** It will be in the same range, it is a age old product, it will not go that much.

**Purvi Shah:** I could not hear the amount that is spent on 502 till date?

**Venkatraman Sunder:** Rs.28.15 crore up to March '16.

**Purvi Shah:** Till date what is it?

**Venkatraman Sunder:** It is not more, we have billed another maybe a close to a million dollar, that need to be spent, but this year '16-17 we will be spending about another \$10 million towards 502.

- Purvi Shah:** From the beginning till date what is the amount?
- Venkatraman Sunder:** Actual spend is about Rs.28 crore and another 1 million to be spent.
- Moderator:** The next question is from the line of Sameer Desai from Fincorp.
- Sameer Desai:** I just want to check up with you for SUVN-502. I think you have three options to monetize it the way I understand – one is upfront payment, second could be listing of a subsidiary in the NASDAQ and probably a third one could be a joint venture partnership with either a strategic party or a financial partner. Which are the three options which you would be more keen moving towards going forward in the next 1-1.5-years?
- VenkatJasti:** If I have these three options readily available, I would take any one of them, but none of these are available.
- Sameer Desai:** What is the timeframe for SUV502?
- VenkatJasti:** No-no, 502 only what I am saying is in central nervous system diseases, nobody wants to either partner with you or license the compound before it finishes Phase-II which is the proof-of concept. That is why it is not an option at the same time to go for a listing as you need data. So whichever way you look at it will be post the data all these scenarios would be possible. What is my preference at that time would be is a combination of the both, like joint venture partnerships where the big guy will take over the development and we get the up fronts and milestones and the royalties. That is the way we look at it. So right now there is no possibility unless the data comes positive.
- Sameer Desai:** How confident are you about the data coming positive going forward?
- VenkatJasti:** I will be 110% positive otherwise for a small company like us will not have ventured into spending \$25 million on the one compound, but also where we are situated in the world scenario we are the #3 in the segment and there is no drug available for Alzheimer's since 2001. So it is difficult to tell how the things will happen but as far as the tissues, data and all these things are concerned, we are very confident.
- Sameer Desai:** Maybe by this year-end December we can get some idea?
- VenkatJasti:** This is a double blind study, it only happens only third quarter next year.
- Moderator:** The next question is a follow up question from the line of Dheeresh Pathak from Goldman Sachs.
- Dheeresh Pathak:** The continuous supply for three commercial molecules, you said only one has come in which you called out as Rs.30 crore. Why has the other two not come in and is there a particular issue or is just a matter of time?
- VenkatJasti:** No, there will be two to three years gap after we supply the initial prelaunch quantities. The reason is after prelaunch they make their own APIs and the formulations, then they submit ANDA and then they go into the market. After going to market also to pick up the sales, that has to go into the formulary, nowadays in a global scenario, the volumes growth are formulary. So all these things takes time and sometimes what happens is the expectations of the sales are so high, they take more than the requirement. All this add and out of the three, two are doing very well and for one of them we have received and second one as I was telling it

may be receiving before the end of the year, third one is going a very small amount to start with, but it is going slow.

**Dheeresh Pathak:** Because earlier in my notes when I refer, I think you had highlighted that FY'16 we might see repeat orders on an ongoing basis, but FY'16 we have not seen anything. So I was just wondering that compared to earlier expectations do you think it is a fair assessment that it has been stretched out?

**VenkatJasti:** I clearly mentioned when they have given us the guidance based on the amount they have bought they are expecting the growth to be much faster and repeat business will be there, but since they have taken more quantity and also since it takes time, they have done only in one territory, other territory they are still registering because regulatory requirements are so high nowadays, it is taking time. So there will be a gap. That is why I am expecting second one to come before the end of the year.

**Dheeresh Pathak:** The other question was this year R&D spend is about Rs.63 crore. Of which how much has been spent on 502 and how much is the...

**VenkatJasti:** We have not spent anything, that is not in the Rs.63 crore, that is how for the compounds which are developed, the development candidate which is the 502 is in SUVEN-Inc which is a separate company now, that is where we are spending the money.

**Dheeresh Pathak:** So it is not visible in the standalone numbers, but how much have you spent in this year on 502?

**VenkatJasti:** Rs.28 crore.

**Dheeresh Pathak:** So in your consol numbers, the total R&D is Rs.60 plus 28 crore, is it?

**Venkatraman Sunder:** Rs.91 crore.

**Dheeresh Pathak:** Cumulatively now the spend on 502 is now much?

**VenkatJasti:** In the beginning we do not separate it out, only when it starts Phase-I onwards we will do the numbers separately molecule wise, before that it goes into the mix in the regular R&D expense which we report year-on-year basis.

**Moderator:** The next question is from the line of Suresh Shah from Potentiality Unlimited.

**Suresh Shah:** I have two pertinent questions regarding our long-term consistency in business as well as scalability of our business. Currently, we are doing about \$35 million each in Specialty Chemicals and CRAMS. Where we are placed is where we see others as big guys and us as small guys, what is the potential and in over what period of timeframe we could really have some business plans whereby we can not only grow but even maintain that kind of a growth over a longer period of timeframe and what kind of a business ideas if you can share with me?

**VenkatJasti:** No, at this time we are not changing our business strategy because we are going into only growth based not on the volume growth. What we are looking is the growth in the number of projects, run the innovators coming in and also the growth in the movement from the stage to stage which gives us the value based proposition and also volumes. I think as you could see three years ago we were doing around Rs.200-250 crore. But the question you are saying how fast you can grow. If the business comes we grow double in one year. So after that it is a status

quo for a couple of years. Now we expect 10-15% growth and the same thing which happened three years ago can also happen if the molecules which are in the Phase-II and Phase-III moves much faster, so the volumes can go much better. As far as the infrastructure is concerned, we have enough infrastructures to double the volume; also if needed on the value based projects rather than the volume based activity.

**Suresh Shah:** I am just asking for the visibility in terms of what kind of ramp up that we could have in the next two or three years?

**VenkatJasti:** As I was saying before, I cannot give you guidance more than 3-months or 6-months, I am just giving you guidance of 15% growth on a year-on-year basis but there are some positives always adding to that and that will be added to the growth pattern. "Is this sustainable?" Yes, that it is sustainable. Maybe there will be a dip once in 3-4-years but otherwise it will be a growth of 10-15%.

**Moderator:** The next question is from the line of Vaidyanathan B T who is an individual investor.

**Vaidyanathan B T:** Is there any USFDA or European FDA which is due or inspections due on any of your plants? Does the Vizag plant also have FDA rating, in the sense USFDA or something or you still have to go through the process?

**VenkatJasti:** Vizag plant is only the Specialty Chemicals we are making and there is no requirement of FDA. When we start the next block, that will be a pharmaceutical intermediate, then the requirements will go up to the FDA and it meets all the requirements because we have taken care of all the requirements, not only one unit, all the units. Since maintenance is too much of a thing we have only taken the Unit-III where is a more of value added product goes as an FDA, our FDA inspection is over, we are waiting for the report to come in. There is no office action initiated, there are small observations for which we have justified and we are expecting the EIA report.

**Vaidyanathan B T:** This is for the Pashamylaram unit?

**VenkatJasti:** Yes.

**Vaidyanathan B T:** So the observations were there or it is just a minor observation?

**VenkatJasti:** Observations are always there and we have to justify because they just go through and list the observations, we have to submit them immediately within 15-days which we have submitted them and we are waiting for their answers, and as far as we are concerned we have taken care of it, nothing is pending from our side.

**Moderator:** The next question is a follow up question from the line of AmanVij from Astute Investment Management.

**AmanVij:** You talked about that you being #3 in the CNS division. So can you name the #1 and #2 player?

**VenkatJasti:** I did not say I am the #3 in the CNS business, I said our molecule is #3 in the line because there is one molecule of GSK which has gone to Rovant International and it is in the Phase-III, second molecule is Lundbeck molecule which has gone to Japanese company in Phase-III. So there the Lundbeck and GSK are one and two in the sequence of activity where they are in ahead of us. So we are #3 in the

same because we have same molecule but different chemical structure. So we are two years behind them, that way we are #3.

- AmanVij:** They got into Phase-III just now or two years back?
- VenkatJasti:** They are already into Phase-III, one of them is one year ago, the second one has just started and we are in still Phase-II as you know.
- AmanVij:** Although product patents that we see all this information on BSE, so could you throw some highlight on say to understand more that how much of these are in process of getting commercialized or what is the importance of all these products patents? Are there any patents from markets like US as well?
- VenkatJasti:** Whatever we have been telling, these are all the global patents for all our molecules which are in development. There is a chicken or egg. If you do not have the patents say for example and you do spend all this money, you cannot commercialize, because somebody else will do it, so this is a necessary evil, you have to have this patent in place in order for your molecule to be launched on the successful completion of the clinical trials. So Phase-II SUVN-502 is a lead molecule of all the molecules we have. Earliest opportunity to monetization will be sometime post the results of the Phase-II which is a fag end of 2017. So there is no question of any monetization at this time and there is no question just because you have patent it has no value whatsoever unless the molecule passes all the stages of clinical trials goes into the market and for that in order for us to stay in the business you need to have the patent, otherwise somebody will come in and then you will not have any chance.
- AmanVij:** That I understand, my question was that when you file all these patents for 27 you mentioned, so am I correct to analyze it as we have around 27-products in line maybe it is in Phase-I and it would not get commercialized for even next 8-10-years?
- VenkatJasti:** As I said 27 inventions but right now we have 13 lead molecules, for some other 14 we have not even prioritized yet.
- Moderator:** The next question is from the line of Krishna Kiran from Spark Capital.
- Krishna Kiran:** My question is regarding SUVN-502 which is in Phase-II trials in the US. As far as I understand it is in the stage of patient recruitment and we are targeting around 500 patients. So can you give an update on how the patient recruitment has progressed – is it in line with our expectations or has there been any delays in patient recruitment?
- VenkatJasti:** We are two months behind schedule, in the sense because the availability of the patients takes time and right now we have enrolled 10% of the required numbers as I was telling you in the initial remarks, now the speed has picked up and we hope to close the gap of enrolling these patients, the enrolment period is up to January or February of next year originally to start up.
- Krishna Kiran:** Our plan is to do trials on SUVN-502 in combination with Memantine or Donpezil, right?
- VenkatJasti:** It is a combination of both.

- Krishna Kiran:** The other two candidates which are ahead of us in terms of clinical trial timelines, the GSK candidate as well as the Lundbeck one, so are they also in combination with Donepezil and Memantine or their standalone drugs ?
- VenkatJasti:** That is where the differentiation comes. As you know the Donepezil and Memantine now have become generic. Now, it is a combination therapies going on in the existing patients using both. This is becoming a standard of care. On top of this, when you use SUVN-502 it is a synergistic effect without any side-effects. The other two compounds at this point of time go on top of for whatever reason only on top of Donepezil, they are not on top of Memantine. Added to that we have the biggest advantage is the safety profile of the molecule. Timeline wise they are two years ahead of us.
- Krishna Kiran:** The SUVN-502 spending for next year you have guided at around \$10 million, right?
- VenkatJasti:** Yes.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to the management of Suven Life Sciences for closing comments. Over to you.
- VenkatJasti:** Thank you, everyone for listening to us and giving us the guidance and queries. We hope we will continue to do better than what we were doing earlier because things are moving a little bit better compared to last year. Talk to you in three months' time.
- Moderator:** Thank you very much, members of the management. Ladies and Gentlemen, on behalf of Suven life Sciences that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.