



Suven Life Sciences & Suven Pharmaceuticals Q3 & 9M FY20 Earnings Conference Call February 14, 2020

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 & 9M FY20 Earnings Conference Call for Suven Life Sciences & Suven Pharmaceuticals. 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rishab Barar from CDR India. Thank you and over to you sir.

Rishab Barar: Good day, everyone, and thank you for joining us on this call to discuss the Q3 & 9M FY20 Earnings for Suven Life Sciences and Suven Pharmaceuticals. We have with us Mr. Venkat Jasti – the Chairman & Managing Director; Mr. Venkatraman Sunder – Vice President (Corporate Affairs); Mr. Subba Rao – the CFO, Suven Pharmaceuticals; and Mr. Mohan Kumar – CFO, Suven Life Sciences.

Before we begin, I would like to mention that some statements made in today’s discussion maybe 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. Thank you everyone, for tuning into this new avatar of Suven Life Sciences and Suven Pharma. As you know, we metamorphosed from the Suven Pharmaceuticals into Suven Life Sciences way back in 2003. Now we have returned again to Suven Pharmaceuticals and Suven Life Sciences in two different divisions. In this call, Suven Life Sciences will have a very short presentation in the sense it is only the drug discovery and development. And as you know, it is only the revenue burning segment of the business which we now has been separated out from the revenue generating CRAMS business, so that different clients deal can align based on their risk appetite.

I will start with Suven Life Sciences and then come to Suven Pharmaceuticals later since we do not have any forum as it is not a listed company. We will be doing the call together this time, but next time onwards it will be a separate call.

Suven Life Sciences, as you know we have a big disappointment with respect to the SUVN-502 which we thought based on the safety profile that is very good. We have 568 patients based on the drug, but unfortunately it did not make the final end point for the desired protocol which we have worked out. If the product project is not dead, even though we could not monetize it because of the results were not



good. But the secondary end points, which we are seeing and now we are dissecting the data have, some positive implication and some other indications. We will be getting this sorted out within the next 45 days to 60 days and then based on that we would like to go to the agency, that there will be a process to go for a separate clinical trial for separate indications. So that is as far as SUVN-502 is concerned.

With respect to the SUVN-G3031 narcolepsy, that is excessive daytime sleepiness, the trial is in Phase II proof of concept, trial is undergoing and we have about close to 20% of the patients that are enrolled. Originally, we expected the trial will end before the end of this fiscal year but looks like it will now go on and may end in FY21 March time frame of next year.

With respect to the third compound which is SUVN-D4010, we are now in the final stages of finalizing the indications for which we need to go for a clinical trial and that should be within another two months' time. We will also finalize that and then find prepare for the Phase II clinical trial.

So the other projects are ongoing and progressing well. We have 14 molecules as of now in the pipeline and the monetizing opportunity can happen and for this, the revenue generation is very meager in the sense it is only the technical services which we do report as part of the erstwhile when we are reporting the contract and taking the services, some of this is also part of the drug discovery that we used and support for some of our customers. That will be the only thing that will be there hence not much revenue but it is burning only. So the possibility of monetizing can happen, the earliest will be in the second or third quarter of 2021 based on the outcome of the SUVN-G3031. Based on positive results [if any] we can monetize it.

People have many questions on "how are you funding?" Until now, Suven CRAMS business is funding this, as you know we have some cash with us that will take us forward for the next 18 months. But we have many things planned for the continuation of funding for this activity. Now that it is pure play, the discovery program and the people who have appetite to align with us, mostly the strategic players can come into the picture based on the pipeline we have, that is one way of looking at it other than the monetization. And the second thing is even asset based bringing in partners that is also a possibility for which we have not started any activity yet as it is just happened with bifurcation. And the third thing, if both are not happening, we need to set up a management team in place in USA and in 2.5 years from now we would like to go into the US IPO for Suven Neurosciences which is a wholly owned subsidiary of Suven Life Sciences. So these are the plans with which we are progressing. Hopefully something will happen, one of those 3 or 4 activities which we are thinking can happen to sustaining this one. Hence, there will not be revenues to report. It is only updates based mainly on the progress of the compounds until and unless the monetization happen other than the activities that we are working on. So as and when there is activity, you will certainly know about it. I will leave at that with Suven Life Sciences.

Moving on to Suven Pharmaceuticals, it has now been demerged from Suven Life Sciences. Many of our shareholders and funds who has said, "Why are you only restricting yourself to certain part of the activity and why not expand your activity?" We are slowly creating the infrastructure to make it into that level, and as it is a new company, it will not be just the CRAMS. Even in CRAMS not just the intermediates we will be moving into the API also., Now globally the trend is expand the horizon that means offerings from certain players who are long-term vendors of the global pharma. We can not only go from the CRAMS side of the business, or from intermediates to the API but even formulation for every staging



for virtual companies and also combination for the local markets for the multinational companies at [different] regions rather.

So in relation to that we also have specialty chemicals that also we are expanding as we are telling you. And it is everything that you knew that we have a niche ANDA portfolio just started and now that it is also going to be our focus area. So, the volume of business that will be generated will be more or less 3 parts, equally it will happen within a period of 18 months from now.

So with that now our focus is to expand our horizon and making it a full-fledged pharmaceutical solutions provider. So from now onwards, there will not be any segmental reporting like our colleagues in the industry. It will be overall pharmaceutical performance and that is how we want to do it from now onwards. With respect to the fourth quarter possibility, as we had said last year before the concall, 15% to 20% growth will happen during the year. So, as you know it is not quarter-on-quarter basis, if you see in that sense this quarter is less than the last quarter. But overall, we are close to the last year turnover and that the fourth quarter will be similar to the third quarter that is at 5% [more or less]. So overall we will be giving a 20% to 22% growth compared to last year.

And answering questions that a lot of people were asking as to “Will there be an impact with effect to Chinese raw materials?” Yes, it will have an impact because some of the purchase order which we have placed and raw materials that are lying in the shipyard hubs is not being shifted out. We will not know until I hope another 10 days so as to what is exactly the situation. We will have some disturbances, but if the coronavirus thing goes down, then it will not be much of a problem, otherwise we are not able to gauge what level of disruption can happen. But right now we are okay but 10 days from now we don't know. This quarter we are okay, but from the next quarter we cannot exactly give you any indication. It is a 50%-50% chance that we may not have any problems or may have problems, whichever way you look at it. So this is an indication for you to look at.

And finally, on Suven Pharmaceuticals Limited listing, for that we have done our job, we have submitted everything to the stock exchanges, and we are awaiting their feedback. Whatever other requirements that needs to be done and queries that needs to be answered within 24 hours. So it is between SEBI and the stock exchange when that will happen. So, many people were asking, “When is it going to be listed?” If it was in our hands I would have told you but it is not in our hands.

That's it from my end. I would now like to answer your questions. Thank you again.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Anand Singh from Unifi Capital. Please go ahead.

Anand Singh:

I have three questions. The first is that there were some media report stating that you are planning to sell the CRAMS business, if you could comment as to if these rumors are true? Second question is about CAPEX in the CRAMS business, you indicated that the ambit of activities within the CRAMS business would be widened. So if you can give us a broad sense of quantum of CAPEX over next 1.5-2 years and thirdly with respect to the CRAMS business, as we are planning to increase the activity, what is the plan for the management bandwidth expansion, are we planning to add more top C level executives to take this newer initiative forward?

- Venkat Jasti:** Yes, with respect to the media report this is not the first time it has come almost three or few months ago, these rounds keep going on. So, whenever people see fund managers coming in and as there are so many advisors coming to our offices, they tend to put one to one and think that we are planning on something. As I said for Suven Life Sciences, we have planned out what it will be. So we are not going to comment anything on the rumors. The rumors are rumors. When it happens, we will certainly let the stock exchanges and you'll know beforehand. . With respect to the CAPEX, as you know we have been working on this CAPEX since the appointed date as of October 1st 2018. Since that time onwards in order for us to expand our horizon, the CAPEX is being spent, additional block is being built in speciality chemicals, which will be operational by the end of the year and we have done OEL facility in Pashamylaram which has come into operations now and also we are expanding with our formulation manufacturing side and which will come into the picture before the end of the year too. By the time it is finished, we should have one or two ANDAs approved, so that we can produce and sell those things too. So this is the way it is happening. With respect to the broad banding the management team, yes, so we are looking for a senior executive, at the COO level and this will be made hopefully within the next 3 to 4 months, it can happen.
- Anand Singh:** One accounting query. What would be the book value in absolute crore of Suven Life Sciences at the end of December 2019?
- Sunder Venkatraman:** The book value for Suven Life Sciences, if you really look at it actually, when the net asset was separated out and demerged it was Rs. 457 crore. From that money we have spent close to about another Rs. 100 crore since then. Hence, the balance will be the total net worth as of now that is what it is.
- Anand Singh:** Okay, so about Rs. 350 crore is the total net worth?
- Sunder Venkatraman:** Yes. [As specified, this is the post conference call update. Book value as on 31 Dec 2019 on a standalone basis: Suven Life Sciences – INR 390 crores and Suven Pharmaceuticals – INR 806 crores].
- Moderator:** Thank you. The next question is from the line of Aditya Khemka from DSP Mutual Fund. Please go ahead.
- Aditya Khemka:** So the question is pertaining to Suven Pharma, if I look at the gross margins of the Suven Pharma business, , as we have almost 6 quarters of data, the gross margin tend to change from 66% to 78%-79% sort of a range, why is there such a wide variability in gross margins from quarter-to-quarter?
- Venkat Jasti:** As you know we do not have a stock and sale item and we do not do the same item day in and day out. We are in a mix and match kind of business depending on the nature of the product and the values keep changing, high value low volume product and low value high volume product hence it's a mix. So this keeps changing. So we cannot guide because it does not having the same products maintained, so that there will not be any change in the gross margins. So this keeps changing depending on the specialty of the product, the stage where it is and the complexity of the product, and priced differently.
- Aditya Khemka:** And secondly, you used to give your breakup of revenues on base CRAMS, specialty chemical, commercial products, CTS services, could we have that breakup for the current quarter as well please?



Venkat Jasti: As I said in the initial remarks, we are dispensing away in this new avatar because now we are going into various activities and since the numbers are not giving meaningful results, we are dispensing away with that. We are going to give you total revenue based activity.

Aditya Khemka: Fair enough. And on your cost side, so you do not report any R&D expenses for those in the CRAMS business to develop the intermediates or the API, whatever cost you incurred which is more or like R&D only, but that cost is included in other expenses now?

Venkat Jasti: No. Actually, if you remember all the time except the human cost where we have weighted reduction, all the raw material cost is already charged to the CRAMS projects. Only the human cost we did not charge, that we have taken into the 35(2AB), that is why you are seeing the R&D. Since the R&D weighted average reduction will not happen in this one, it has stayed with Suven Life Sciences. This human cost is also being added to the regular employee cost other than the R&D cost, that is already different. So, all the R&D expenses which is other than the development of our ANDAs where the R&D can be capitalized when it matures.

Aditya Khemka: Understood. And our income from associates is largely related to the Shore Pharma holding of Rising Pharma holdings?

Venkat Jasti: Yes.

Aditya Khemka: And if I see the number from the income from associates, again quarter-to-quarter, I think first quarter was Rs. 17 crore, second quarter is Rs. 4 crore and the third quarter is Rs. 6 crore. So it is again a very variable number. Why such a variability in that earning revenue stream as well?

Venkat Jasti: In the first quarter, it is mainly because of the inventory gain acquired from bankruptcy code and then afterwards we expected this closer, as we needed to bring back the businesses. So you need to give us another couple of quarters before you see a ramp up of our margins.

Aditya Khemka: Right. And our stake in Shore Pharma is 30%?

Venkat Jasti: 25%, Rising Pharma Holdings, Inc.

Aditya Khemka: And one last question. What is your capital expenditure budget for the full year of FY20 and FY21 for Suven Pharma?

Sunder Venkatraman: The capital expenditure total is about Rs. 320 crore, of which we already spent about Rs.160 crore and the balance of Rs. 160 crore will be spent most likely by this year.

Aditya Khemka: So Rs. 150 crore is already incurred in FY20 and you will close the FY20 closer to Rs. 175-180 crore?

Sunder Venkatraman: Yes. [almost]

Aditya Khemka: And then the following year, we will be doing another Rs. 125-Rs. 150 crore?

Sunder Venkatraman: No. Out of Rs. 320 crore, we have already spent about Rs. 160 crore as of now and before the end of this year, we will be spending the balance amount.

Aditya Khemka: And then FY21 that is next year, how much will be your CAPEX per se totally?

Venkat Jasti: As of now, other than the replacement CAPEX of Rs. 50 crore, nothing is planned.

Aditya Khemka: Nothing new planned. So where is the capacity utilization today in terms of the business?

Venkat Jasti: Capacity utilization is always 100% because it is a mix and match kind of a product, so not all the equipment are utilizable at the same time, but only whatever is available, but it cannot be used for full product unless we have a single product going day in and day out. Then the capacity utilization will be more easier to tap. But here we are seeing some 6 to 7 products changed on month to month basis, it is very difficult. At any given point of time, it is 100% occupied in the sense not physically but otherwise it is occupied.

Aditya Khemka: And sir in your opening remarks, you made a comment about the fourth quarter outlook for Suven Pharma. I just could not hear you very clearly, could you repeat that first?

Venkat Jasti: It will be in the same range as third quarter. It is 5% to 10% this way or that way as of now. Last minute, we do not know when the last shipments will go out depending on the one or two raw materials that is supposed to come out soon.

Moderator: Thank you. Next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: My question is when we go into the manufacturing of generic products, would this not lead to a conflict with our CRAMS customers, the innovators because they are pretty guarded about doing business with generic companies. So your thoughts on this?

Venkat Jasti: There is nothing like that, we are not going and competing with their own product or anything of that sort. As I said, niche ANDAs is what we are going to do which is at the far end of the things. Our ANDAs is what we are doing and is working on with the innovators. And what we are trying to do with the generics is not going to conflict that. That is our understanding from 5 years with the way we will be working on this and nobody has any questions that is why we are moving forward. Everyone knows about that as a manufacturer, some of them are auditing our formulations, our future opportunities for them to outsource the manufacturing and whatever development.

Ashish Kacholia: And sir what do you see as the growth over next 2-3 years for the Suven Pharma business?

Venkat Jasti: We are now heading into the new direction. Right now, it is a 15%-20% growth, but the activities in the ANDA and given our infrastructure coming into picture, I think FY21 onwards it will be better growth. Right now, for the next year it will be 15%-20% growth.

Ashish Kacholia: And what do you see as the margin profile given that we are now going to have a generics component in our business? Will the gross margins and the EBITDA margins come off sharply because we were one of the highest margin companies in the sector?

Venkat Jasti: Yes, because we are not going to sell it to somebody else and it is only on the rapid sharing basis the margin profile will be similar to what we are enjoying now.

Moderator: Thank you. We take the next question from the line of Ankush Agrawal from Stallion Asset Management. Please go ahead.

Ankush Agrawal: Just a couple of questions. Firstly, can you give the number on the debt and cash status on Suven Pharma and Suven Life Sciences as well? Secondly, in the recent interview you had mentioned that post the demerger, you will be looking for a strategic investor for the CRAMS side of the business as well. So can you give some color on that side.

Sunder Venkatraman: As far as debt of the CRAMS business is concerned, actually it is the working capital what we have right now, that is about Rs.32-Rs.35 crore. Other than that, we do not have any long-term debt in Suven Pharmaceuticals. Suven Life Sciences, we do not have any debt other than a small debt of what we have taken from DST it is about Rs. 2.5 crore that is a very minor one. What was the other question you had?

Ankush Agrawal: Cash on Suven Pharma as well as on Suven Life Sciences?

Sunder Venkatraman: Suven Life Sciences, we have a good amount of cash, it is about Rs.180 crore and Suven Pharmaceuticals, we have close to about Rs. 213 crore. [please note update on this: The cash with Suven Life Sciences as on 31 Dec 2019 – INR 150 crores]

Ankush Agrawal: Alright. And secondly on the strategic investor for the CRAMS side of the business?

Venkat Jasti: What I said is when somebody asked me why is this figure like that? I said it is some strategic investor that wants to come in, they do not want to come in a mixed bag, where expenses are being done unless it is only R&D that is what I said. So, the possibility of attracting strategic investor in demerger will be helpful, but I didn't say that we are going to look for a strategic investor. If they come in, we will certainly evaluate.

Ankush Agrawal: And sir if I can just squeeze it one more question. Can you give some color on the status of Rising Pharma. How the business is doing over there?

Venkat Jasti: In the first 8 months, we are making profits, so it must be doing good. So I think things will go into the right direction.

Moderator: Thank you. We take the next question from the line of Ranvir Singh from Sunidhi Securities. Please go ahead.

Ranvir Singh: My question relates to this revenue we see in Suven Life Sciences, can you help me reconcile it, which part of business is actually coming in this Suven Life Sciences?

Venkat Jasti: The revenue in Suven Life Sciences is comprised of two parts, one is the contract technical services and the other one is the interest income on the cash that has been kept for the Suven Life Sciences.

Ranvir Singh: So erstwhile, what we used to report under technical services is coming in this Suven Life Sciences?

Venkat Jasti: Not all of that, but part of it.

Ranvir Singh: And from drug discovery services also a part of it is coming in this?

Venkat Jasti: That is what it is, both are the same. Technical services are part of the drug discovery services.

Ranvir Singh: The number in 2018 has been around Rs. 49 crore in drug discovery services as reported.

Venkat Jasti: No, that is the contract technical services, all put together.

Sunder Venkatraman: 2018 when you are talking about, it is a combined entity when it was having it actually. And now of course the separation if you really look at it actually, it is different.

Venkat Jasti: It will have both. Both companies will have the same services offering depending on the nature of the product, nature of the equipment it used and who is the customer and either it goes to Suven Pharma or it goes to the Suven Life Sciences.

Ranvir Singh: Okay. So, Rs. 50 crore roughly we reported under services segment last year in FY19.

Venkat Jasti: The drug discovery is less than Rs. 5 crore all the time.

Ranvir Singh: Should I take this roughly 50% of it is in this Suven Life Sciences?

Sunder Venkatraman: No. It is more actually.

Venkat Jasti: Suven Life Sciences it is not very nominal like Rs. 5 - Rs. 6 crore a year.

Ranvir Singh: And that Rs. 5 crore is coming from services only, those technical services only?

Venkat Jasti: Right.

Ranvir Singh: Okay, fine. And when we list this Suven Pharma, then we will be reporting the CRAMS and the commercial supplies separately right?

Venkat Jasti: No. We are reporting as a single segment.

Ranvir Singh: Okay, fine. And when we are expecting to get it listed?

Venkat Jasti: We have submitted all our documents. It is all in the NSE, BSE and the SEBI which has to give us the clearance.

Moderator: Thank you. We take the next question from the line of Dipan Mehta from Excelsior Equities. Please go ahead.

Dipan Mehta: My question is relating to Rising Pharma, so if you could refresh our memory, what is Suven Pharma's holding in Rising Pharma?

- Venkat Jasti:** 25%.
- Dipan Mehta:** Okay. And will there be any related party transaction between Rising Pharma and Suven Pharma when you eventually start getting into the generic space because they have a very stronger generic space from what I understand.
- Venkat Jasti:** Yes. There will be because we already have some developmental agreements with Rising Pharma even before we bought into this company. Now that this has come into the picture anything new because once the ANDAs developed and market through them, then this will be a related party transaction and when that comes in, it will be reported.
- Dipan Mehta:** Okay. And last question sir, is regarding related party transaction between Suven Pharma and Suven Life Sciences, if you could just highlight those delayed file transactions and has Suven Pharma given any guarantees or I mean in the event of Suven Life Sciences, balance sheet deteriorating for the risk it takes, is there any fallback or any liability coming on to Suven Pharmaceuticals because of that?
- Venkat Jasti:** For everybody's clarity it has nothing to do with or between the two companies. They are two independent companies. Even if there are no guarantees given by Suven Life Sciences, as a matter of fact, Suven Life Sciences is born out of Suven Pharma. The related transactions will have two different kinds. One, the facilities we are going to lease it out, because all these facilities except one piece of land and small building has gone to Suven Life Sciences. All other infrastructure like manufacturing sites and R&D sites everything has gone to the Suven Pharma. So, there is a lease agreement in place for the space that is leased out to Suven Life Sciences effective January 9th, 2020 that is a related party transaction. In addition to that, there are certain activities conducted by the Suven Life Sciences or Suven Pharma based on their equipment availability. We don't want to do anything with the laboratory equipment, so that we will be on arm's length basis. Similarly, Suven Life Sciences will be doing some activities like formulation, manufacturing for them and all those kind of stuff for the Life Sciences on a pre-agreed terms and conditions and this will be a related party transaction. These services are for one to each other that will be recorded and also the lease agreement will be recorded.
- Dipan Mehta:** Sir, there will be significant related party transaction between the two companies because of manufacturing and sharing of premises, sharing of laboratory equipment.
- Venkat Jasti:** Yes. Significantly there are two parts, as I said. Lease is a one part, that is a regular ongoing thing and the services is a second part. Services, you don't need all the time and manufacturing because unless there is success requirement will not come into the picture. Only if specific equipment which Life Sciences have and pharma doesn't have, they will use their equipment and whatever the Life Sciences are charging other customers, it will be given at a special pricing arrangement. Similarly, Suven Pharma will be doing the same as specified and it will be related party transactions. If you say the number of activities that maybe 15 per month.
- Dipan Mehta:** Okay. So, any timeline for Suven Pharma listing, is it weeks or months or quarters and what is the merchant bankers saying?
- Venkat Jasti:** I think if somebody from the business can go to SEBI and the stock exchanges and ask as we are waiting since long time for this, that would be great because I cannot do anything but request them. I can only wait what else can I do.

Moderator: Thank you. We take the next question from the line of Rohan Adwan from Multi Act. Please go ahead.

Rohan Adwan: Sir, my first question was on the interest expense that we have recorded in Suven Pharma of Rs. 7.6 crore. What does that pertain to?

Sunder Venkatraman: We have a debt and working capital at Suven Pharma,.

Rohan Adwan: Sir, but debt amount that you gave was quite low, around Rs. 32 crore? So Rs. 7.6 crore of interest, how is that, I couldn't add up.

Venkat Jasti: When the merger took place, there was some cash they allocated for Suven Life Sciences and the cash is still with Suven Pharma which is obligated to Suven Life Sciences and that has to be given a certain percentage of which is agreed between the boards. That is the one which is the bulk of the interest cost.

Rohan Adwan: Okay. Sir, what interest is being charged and how much is that cash sir?

Venkat Jasti: It is 8%.

Rohan Adwan: Okay, on Rs. 180 crore-Rs. 200 crore?

Venkat Jasti: Yeah.

Sunder Venkatraman: It will not be like Rs. 180-Rs. 200 crore, it is on average diminishing balances.

Rohan Adwan: Okay. And my second question is, you just said that you are not giving the commercial breakup separately but in the past what we have understood is that in a year where you have commercial supplies that have grown very fast, it is difficult to grow from that base in the next year. But you are also saying FY21 you think you can do 15%-20%. So, I just wanted to understand, this has been a very good commercial year for you at least based on the first 6 months and your guidance then that will do Rs. 180 crore. So, in spite of that headwind, you think FY21 we can grow at 15%-20%?

Venkat Jasti: That is what our gut feeling is and as and when the changes happen, we will certainly inform you. But as of today we do not have full visibility or the retroactive, what you call the results, still this is what our guidance would be.

Rohan Adwan: Sir lastly on Shore Pharma, our profit from associate which is Rs. 6.4 crore this quarter which would mean Rs. 25 crore for the full company. So, what revenues would be this profit generated on and what is that percentage and where you can take this to in the next 12 months to 24 months?

Venkat Jasti: See, I cannot take that company to somewhere else. I am not running that company. As I said, we are all investing in that firm. And the distribution of the company, it will be only 8% to 10% maximum profit margin.

Rohan Adwan: So, sir this Rs. 25 crore would be on what revenue?

Venkat Jasti: So, this is a private company. The revenue share is given to us. We are not getting this into our balance sheet. It is only reporting requirement. Only when they distribute as a dividend, then we will get into our books.

- Rohan Adwan:** Just one thing I wanted to understand, you gave cash of Suven Life of Rs. 213 crore and Rs. 180 crore for Suven Pharma. As our cash was Rs. 300 crore in the beginning of the year and we have spent \$35 million on Suven Shore acquisition and we still seem to have Rs. 400 crore of cash roughly. So, I could not understand that.
- Sunder Venkatraman:** No, we don't have Rs. 400 crore, there is a liability for Suven Pharma to pay to Suven Life Sciences, that is still there so when you really net it off, it will be reduced.
- Moderator:** Thank you. We take the next question from the line of Amar Mourya from Alf Accurate Advisors. Please go ahead.
- Amar Mourya:** Sir, firstly on the CAPEX, sir this Rs. 230 crore CAPEX which we are doing, this will be for the specialty or for the intermediates or for the API and how much the capacity will increase from what level to what level?
- Venkat Jasti:** As far as capacity is concerned, it is not estimated because this is multiple products, so they cannot have a capacity. What we are selling in capacity is in terms of the add to volumes. And these activities are not only for the intermediates and specialty chemicals, but also for formulation and API all put together.
- Amar Mourya:** Okay. So basically, this Rs. 320 crore will expand your capacity by 50% and how do we see the utilization in this front?
- Venkat Jasti:** I am not looking into the capacity. We are only increasing the reactor capacities, not for the product capacity. Product capacity, I can tell if I am making a generic product day in, day out. If I am increasing from 10 tonnes to 15 tonnes I can tell, but when I am getting a product from outside and which is only 500 kilos and may need big reactors 10 of them which we will be using only for 3 months, 2 months, one quarter, whatever it is. It is highly impossible for us to give you a capacity based activity. What we can calculate is the reactors which we are putting in and that are about 300 kiloliters capacity reactors.
- Amar Mourya:** Okay. So basically what I can understand here is that, in your case yours would be a batch production. So then in that case, how much of this Rs. 320 crore can generate a fixed asset turnover ratio, peak in the asset turnover?
- Venkat Jasti:** If you see for last 15 years, you can never be able to gauge what will be the turnover ratios come to the capacities what we have. It is only the value that comes out of this. I may be doing only \$10 value product out of this, but I may be making \$6 out of that for one product and \$3 out of that products. I am not looking at the volume of the business, but it is the value of the business and this number of mix and match product that I can take at any given point of time, so that my customer will be serviced. When the commercial happens, then actually you will expand further one more line and if you put full block.
- Amar Mourya:** Okay. Sir, basically sir your commercial, is it fair to understand then in that case your commercial supply capacity is fully occupied at 100%?
- Venkat Jasti:** No. As you know commercial comes and goes. One product comes this month and for 18 months there will not be anything, that time we will be doing the mix and match of product. So there is nothing like a commercial product and a dedicated product. Other than the specialty chemical, nothing is dedicated. Everything is mix and match.

Amar Mourya: Okay. Then sir, specialty chemical do you have the room to grow for the next year, in terms of the capacities?

Venkat Jasti: Yeah, if we get a business, certainly.

Amar Mourya: Okay. So basically sir, what I was trying to understand, I think other participant had also asked, this 20% growth revenue guidance which you are giving, I mean since our business is like this, we never have a visibility in terms of that. So what gives you a confidence of this 20% guidance or 15% guidance for the next year?

Venkat Jasti: First of all, you are asking the same question, everybody is asking me some kind of guidance and I am giving you guidance based on my past performance and the gut feeling what we have and the number of projects that are there, it is the possibility that can happen. Sometimes it may not happen also, but this is in general comment I am giving you because of the expanded activities we are doing, I used to tell you that 10 to 15%, but I have now gone on record saying now 15% to 20% because of the expanded activities, expanded capacities that too after one year from now.

Amar Mourya: Okay, perfect and sir, one last one. What would be the tax rate for the next year, for Suven Pharma?

Sunder Venkatraman: The new tax rate i.e. 25%.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir, just wanted to know what is growth for our revenue this quarter because you know you give a guidance of Rs. 180 crore of commercial CRAMS for the full year and in H1 we have done close to Rs. 140 crore. So there is Rs. 40 crore incremental revenue from commercial plants for Q3 and Q4. So just if you could give us a broad highlight of what led to higher growth in revenue this quarter, specialty chemical, regular or commercial CRAMS?

Sunder Venkatraman: Again, you are coming back to the same thing asking for segmental information which we said we are dispensing away.

Venkat Jasti: In general, all the activities have contributed. Compared to last quarter, it is less now. That is why this aberration is coming, because when I say something, then you are going to make this based on this and that.

Sunder Venkatraman: It is just an estimate.

Venkat Jasti: That is why we are doing a total revenue based activity.

Ankit Gupta: But will you give us a breakup of the number of molecules which were in phase 1, phase 2 and phase 3?

Venkat Jasti: That does not give you any value because we are not giving you, if you see out of the total, you take out all these commercial and specialty and all, it is not giving you that much value which is number of products that they had. Moreover, as we go forward with the number of activities increasing, the number of that will be, when the other number increases. So that is why we are not giving you that part.



- Ankit Gupta:** Sir, one question on commercial CRAMS like we have 4 molecules which were under commercial stage. So have we got any more molecules in commercial stage now or we have one molecule in phase 2, so any movement in that which is driving the growth for the company?
- Venkat Jasti:** Not at this time.
- Moderator:** Thank you. We take the next question from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.
- Rahul Veera:** Sir, just wanted to understand what is the long term strategy for Rising Pharma, like 3 years project down the line?
- Venkat Jasti:** I want to give an end to this question, I just said this is an investment we have done. We are not running that business that is a private company. I cannot give this thing, I can only report whatever their shares come to us and I can only take the money whenever the dividend is given to us. So I hope people will refrain from asking me about the way how do I do the business with the Rising Pharma and I cannot do anything with that because somebody is doing it, I am not active part of it. So I think it is clear to everyone that we are not running that business.
- Rahul Veera:** No, my question was from a different perspective, after 3 years, 4 years we want to hive-up these investments, what was the strategy for this one?
- Venkat Jasti:** First of all, as I said I am actively going into the ANDAs and then we have a partner who can distribute it to you and which you can have a preference to distribution. And for anything now when the value comes in, maybe it all depends on how the value proposition comes and whether the continued supply and distribution agreement will be beneficial to us or getting out and making 3-4 products is better to evaluate as and when it comes. It is only 8-9 months and we need to give some more time before that. We have not planned anything as of today.
- Moderator:** Thank you. Next question is from the line of Sachin Kasera from Lucky Investment. Please go ahead.
- Sachin Kasera:** Sir, I understand that you mentioned that from now you will not be sharing the segmental information but just for our understanding, is it that the margin profile, especially the gross margin is same across all the 3-4 products because if you don't get any sense on that, then we could get wrong decision in terms of how the margin profile will move. So, one if you could just tell us that all of them have a similar margin profile. And secondly, that you get in next year, which segment is going to drive, it is going to be more driven by specialty or the new ANDAs or by commercial CRAMS or by the normal?
- Venkat Jasti:** It is one and the same. I shall give you the bifurcations and the minute details. But as I said, the margin profiles as we explained also the margin profile will be in the same range as the present one, and when I said 15% to 20% growth and next year 20% plus growth, this is based on the total activity and again has no meaning whether it has come from this one or that one at this time and we will evaluate that as the time goes by.
- Sunder Venkatraman:** And it also changes on quarter-to-quarter basis as in one quarter, specialty chemicals may be high and then the other quarter CRAMS may be high, one quarter commercial may be high, so it keeps changing. But overall for annual business, we are able to maintain the growth perspective. That is the reason

individual quarter wise is not going to give any meaningful information to anyone, so that is the reason we are dispensing with that policy.

Sachin Kasera: So will you be seeing that on an annual basis, or will you be stopping even on the annual basis?

Sunder Venkatraman: No, in the annual basis also we are not going to give the split.

Sachin Kasera: And sir, just on the API, there was a mention that we will also look to get into API, so this Rs. 320 crore CAPEX also includes the investment for API or that is something that is especially for that.

Venkat Jasti: When we say API, it is not a bulk activity of API that we can go for marketing. These are the niche APIs which will be supplying to ourselves by the backward integration and for our customers who are now in the CRAMS business, the outflow is coming because of the long-term relationships we have. They are also moving us on to 'n' minus 3 into the API itself. These are the purpose, so the volumes will not be that high. The same equipment can take care of that because it is all in the campaign based activity, not for a big growth where you create capacities and challenge, it is not that kind of thing what we are thinking, it is value based APIs.

Sachin Kasera: And sir, just one question on dividend. Now that R&D is separated and this is the cash yielding business, so are we looking at some sort of dividend payout policy, I could see that you have given Rs. Rs. 2.5 special dividend also in the interim, if you could give us something on that it will be very helpful?

Venkat Jasti: As of now, the original dividend of 250% or 150% has given and INR 2.5 is given because people who stuck with us, as we are not yet listed and has not got any benefits. I thought they will be happy to have this cash when it comes out but as you rightly said, as and when the revenue is generated and not spent, then you know what will happen. It will likely to be distributed but right now we have not taken [any decision]. This is the very first, so we will wait until we are listed.

Moderator: Thank you. We take the next question from the line of Saravanan Viswanathan from Unifi Capital. Please go ahead.

S. Viswanathan: Sir, there are two synergies that you had mentioned that would come from Rising Pharma investment, one they will be our distribution partner for our ANDAs that is clear, also from a longer-term perspective because we are working with various entity, some of the CRAMS business also could come to Suven. That is also something we can expect over the mid to long term?

Venkat Jasti: Yes, that will happen.

S. Viswanathan: And in taxation you had mentioned 25% for the standalone company. On a consolidated basis, how would it be for the next year?

Sunder Venkatraman: In the case of consolidated also, it is going to be same, as there is no revenue generation; I think that is coming in a real way.

Moderator: Thank you. We take the next question from the line of Aditi Amit Sahuja from Easy tax. Please go ahead.

Aditu Amit Sahuja: I would like to ask one question regarding SUVN-502, what is the way ahead?



- Venkat Jasti:** As I have mentioned in my early remarks, we did not meet the primary end point but the data that indicates secondary end points are very promising. And now we are dissecting the total data for the secondary end points and we will regrow with that key opinion leaders and then ascertain the two other indications are. Out of which one we will prioritize it and go to the agency, the FDA and then file for the IND, so it may take another 2 to 3 months before we can arrive at which indication to go for and after that another 2 to 3 months before whether we want to go for that. As of now, it looks like promising that we go for another indication for a proof of concept study.
- Aditi Amit Sahuja:** And one more question, the ANDAs we will go in which company?
- Sunder Venkatraman:** Suven Pharmaceuticals.
- Moderator:** Thank you. We take the next question from the line of Kunal Mehta from Vallum Capital. Please go ahead.
- Kunal Mehta:** Sir, I wanted to understand which are the projects we have in terms of phase 1, phase 2, phase 3 and commercial for the CRAMS business? What is the number of projects?
- Venkat Jasti:** As I have mentioned in earlier remarks, when I talked to other people also that it is a new business opportunity with the Suven Pharmaceuticals. We are expanding our horizons and we are doing away with the segmental reporting.
- Sunder Venkatraman:** And also, the individual information of the number of projects which is not giving a meaningful information to the people.
- Kunal Mehta:** And sir, would you disclose the number of projects you have added this year, even that you have not disclosed?
- Venkat Jasti:** It is going to be all the revenue based activity only we are going to report.
- Kunal Mehta:** And sir, the second question is that I wanted to understand in terms of our ANDA pipeline, can you just give us the understanding of the pipeline which you are trying to build for your formulation business in terms of the number of ANDAs, how much have you filed and how much you are going to file and what sort of ANDAs are going to be in these therapies?
- Venkat Jasti:** Therapies, we are therapeutic agnostic. These are only specific ANDAs, small volume and we are not many people will be there. Right now, as of now, we have 9 filed, out of that two are active, I mean one is you know that was long time ago, we filed that one and 9 files out of the three are Suven, 6 are with the customers. Out of that, two more we have filed for ANADA that is Abbreviated Animal New Drug Application similar to ANDAs. So total 11 right now. In addition to that, we have about 10 more in the developmental stage for now and we will increase that number to another 10 eventually. Slowly, we are building up.
- Moderator:** Thank you. We take the next question from the line of Purvi Shah from Kotak Securities. Please go ahead.
- Purvi Shah:** Sir, this is regarding SUVN-502, as sir explained how we plan to take it ahead, so just wanted to know that we will be filing this again for the new indication and the entire phase 2 would have to be conducted completely?



- Venkat Jasti:** Yes, depending on the indication, the number of people that is undergoing the therapy, proof of concept depends because Alzheimer's is one which requires a longer duration and the highest number of people like what we have done 568, but when we go to other indication where the duration may be 18 months or two years but the number of individuals may be less like 120 or something like that. We need to arrive at that as yet. It will not be a big thing like before. It will be done almost 30% to 40% of the cost of SUVN-502 trial which has happened.
- Purvi Shah:** And the other one if you could just highlight more on the raw material sourcing as we have said that there could be some issues going forward in case if the supplies do not resume in time from China. So one is, how much are we dependent on them and do we have a second qualified source from where we can start sourcing in case if the current situation escalates?
- Venkat Jasti:** In terms of the volume, the dependence on the volume is less than 10% from China but even 1% can change the whole dynamics because it is one single rawmaterial so that the whole project will go to standstill. So it will have a huge impact, but as far as the second sourcing is concerned, we tried to have from the beginning we tried to have second sources. Amidst that, we also try to do, if it is a critical which is going to be commercial or specialty chemicals, we are also trying to backward integrate it to ourselves, even though the cost is a little bit more but if it comes back just for the security sake we will be doing that. All these activities that the company is going on but there will be certain disruptions can happen as of now next four to five days I don't see anything but next week, we will know because raw materials which are supposed to come in the March 2020 timeframe has not started yet. Right now, we are OK. As I said in the early conversation that it is likely not only for our company, but for all the companies, it is depending on the severity because raw materials are waiting at the port and has not yet left, that is our problem. Some of the companies they said they have started manufacturing already, so that is positive. And I think by Monday we will have a better picture because next week they are supposed to fully open the country.
- Purvi Shah:** Sir, just to take a little further as you already said in the opening remarks that for Q4 at least, we do not have issue, but do we have other plan, I understand that we are monitoring the situation and by Monday we will know what will happen. But just in case if things are not working the way we want, what would be the plan to mitigate the escalation in the raw material cost?
- Venkat Jasti:** We are working with our customers themselves, asking them to see whether they can find any other source in addition to our own findings and also couple of products we are backward integrating ourselves and we will start to manufacture that starting April itself if needed. Contingency plans are being worked out. This is what every day we are sending a contingency plan to our customers. It is not only a job for us, but for every customer who is receiving raw material because they are also facing the same problem.
- Purvi Shah:** Sir, in terms of percentage, how much could the cost escalates in case of delays?
- Venkat Jasti:** Right now, I am not sure yet because we didn't get to the second sources in place or even in the backward integration we have not completely done yet. But it can be at least minimum 10%, if any disruption happens that is the estimate.
- Sunder Venkatraman:** But we have enough margin to absorb.
- Venkat Jasti:** But at the same time, it will come down any way not only for us, others also.

Moderator: Thank you. We take the next question from the line of Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah: Sir, I have just one question on the R&D expense. In the earlier calls, we said 30% of the R&D expense will be allocated to Suven Pharma, so roughly around some Rs. 60 crore we expect around Rs. 18 crore will be allocated to Suven Pharma, so sir, can you just let me know because in future, I don't find any R&D expense in Suven Pharma, so are there any other heads in the P&L statement?

Venkat Jasti: No, see as if you remember when we said 20% to 30% of the R&D expenses are from the Suven Pharma, we clearly mentioned that at that time it is only the people's cost. Now since we do not have 35(a) (b) in Suven Pharma, we are now charging after the people's expenses directly.

Sunder Venkatraman: It is part of the materials cost, it is part of the people overheads and is allocated straight away, so there is no separation into R&D cost.

Darshit Shah: It was reported under employee benefit of expenses and manufacturing part?

Sunder Venkatraman: Yes, it is a part of it.

Darshit Shah: And sir, second question on ANDA. Earlier you had mentioned that next year onwards, probably we will be launching ANDAs, roughly \$15-\$20 billion is the profitability we are looking from those ANDAs. So can you share some more light on that? How many ANDAs you plan to launch next year and what could be the profitability on those?

Venkat Jasti: As of now, we have filed 11 ANDAs and most of them are under review and we don't know when we will get these exactly and we expect something to come in the third quarter of this year itself, the earnings calendar year and then the bulk will be approved sometime in 2021 and after that, another 10 are under development and 10 more are under evaluation.

Darshit Shah: And sir, the profitability you said would be somewhere \$15 to \$20 million, would that be right?

Venkat Jasti: I said the volume of business for each ANDA will be \$2 to \$3 million, volume means that is the profitability.

Moderator: Thank you. We take the next question from the line of Sahuja Aditi from Invest Research. Please go ahead.

Sahuja Aditi: What is the book value of Suven Life Sciences and Suven Pharma if I can get as on 31st December 2019?

Sunder Venkatraman: We will update you on that actually.

Sahuja Aditi: And what can be the expected date for the listing if you can for Suven Pharma?

Venkat Jasti: We have fulfilled all our requirements in the stock exchanges and SEBI to give us information, so it is not in our hands. So whenever they give approval, I think it will be listed. I don't have any clue on that.



Moderator: Thank you. We take the next question from the line of Ashish Rathi from Lucky Investment. Please go ahead.

Ashish Rathi: Sir, when was the last inspection that happened for our keys plants by the FDA and the regulated markets for the huge NPA or whatever is the regulated market?

Venkat Jasti: November.

Ashish Rathi: So November it happened, so we have Vizag facility, we have Pashamylaram facility and?

Venkat Jasti: Only Pashamylaram is registered.

Ashish Rathi: And the New Jersey facility?

Venkat Jasti: All over it is same and is under construction and only Pashamylaram is registered. Regulated intermediates and formulations, everything is in place, altogether.

Ashish Rathi: And that was inspected in November 2019 and cleared?

Venkat Jasti: Yes, but not the new generic, this is for existing generic facility, R&D sector with pilot plant. New Jersey is under construction.

Ashish Rathi: Sir, on the asset side, the Jeedimetla block will go to Suven Life, is that correct?

Venkat Jasti: All assets excluding 1 acre land and one small shed belongs to Suven Pharma. Only that 1 acre of land and one small shed belongs to Suven Life Sciences where the animal facility is situated.

Ashish Rathi: Sir, another we wanted to ask on specific to ANDA filing in Iron sucrose filing, what is the status on that?

Venkat Jasti: Not yet filed.

Ashish Rathi: You haven't filed it and there is a Taro product you had mentioned last time around that it was Rs. 5.6 crore in the 9 months last year in terms of royalty and it was expected to come down significantly this year?

Venkat Jasti: Yes, we are not giving you segmental revenue or product revenues.

Ashish Rathi: Surely, but just a trajectory wise, have they come down significantly this year? I mean dependence has reduced.

Venkat Jasti: Yes.

Ashish Rathi: And sir G-3031, what is the current market size for the addressable indications for the two indications?

Venkat Jasti: There are multiple indications, the combination is huge. There is no limit because there is no drug available, but the other one is the excessive daytime sleepiness where one of the products is more than a billion dollar, the other product is more than \$250 million and it is a medical need. It is all depending on the nature of the product. I think it is a good size of the business, not as big as Alzheimer's.

Ashish Rathi: Sir, sleep disorder, you said one product is more than a billion dollar and the other more than \$200 million, which are these products sir?

Sunder Venkatraman: Xyrem by Jazz Pharmaceuticals, the other one is Pitolisant from a European company.

Moderator: Thank you. Next question is from the line of Ankush Agrawal from Stallion Asset Management. Please go ahead.

Ankush Agrawal: Sir, can you just tell me the rationale for holding on this Rs. 180 crore of cash in our books and giving interest on that money to Suven Life Sciences indirectly?

Venkat Jasti: We are getting 8%, where we get less than 8%, from Suven Pharma and if I put it in the market, I will not get more than 6%. So as far as the situation goes it is a standard practice. If it is as per the arm's length and there is no undercutting or anything like that. It is a win-win for both of them.

Ankush Agrawal: So instead of borrowing from the market, since Suven Life Sciences doesn't need the money right now, you are using that money for yourself right?

Venkat Jasti: That is right.

Moderator: Thank you. Next question is from the line of Rohan Adwan from Multi Act. Please go ahead.

Rahul: Sir, Rahul here. My question is on the outlook that you shared for the next year, you expect 15-20% kind of growth and why you won't be sharing the inter-segmental breakup going forward? Do you expect the margins to be maintained next year?

Venkat Jasti: Yes, margins as you know, we are saying EBITDA margins of around 40%. There will be outlier like this quarter or last quarter, there will be up and down but on average that is around 40% EBITDA margins, we are still maintaining them.

Rahul: So next year on the year as a whole you expect to maintain the margins that we had this year?

Venkat Jasti: I didn't say what we had this year, I said as an average of 40% of EBITDA margins.

Moderator: Thank you. Next question is from the line of Afzal Mohammed, Individual Investor. Please go ahead.

Afzal Mohammed: Sir, what is the status of the G-3031?

Venkat Jasti: It is undergoing the phase-2 proof of concept clinical trial, 20% of the patients have been enrolled and it is going slower than what we thought. The trial will be done by March 2021. Therefore, based on the outcome only then we can go for the monetization opportunity.

Afzal Mohammed: How many molecules do you currently have in the preclinical and the clinical stages?

Venkat Jasti: 4 in the clinical stage, 10 in the pre-clinical.

Afzal Mohammed: And the most advanced one in the clinical stage is G-3031?

Venkat Jasti: As of now it is SUVN-3031, after that it will be SUVN-502 and if I go for a second indication the next one will be SUVN-4010.

Afzal Mohammed: So which molecule gives you the most confidence among all three?

Venkat Jasti: Everything gives me the confidence, but the results only tells me what will happen. So in this business 0 to 1, there are no second thoughts about it. Without the confidence you don't go forward, we have the confidence on every molecule with different indications. Only the time will tell how the molecules fare. Unfortunately, 502 did not make it otherwise it would have been doing very well.

Afzal Mohammed: So, the price discovery of Suven Life Sciences was pretty much on the lower side, so probably people don't understand biotech in India. This is only for biotech which is the new molecule in India. Would you like to spread the awareness about the potential of the molecule, how industry should value it, as the price is still on the much lower side, it is below book value as a matter of fact despite having good amount of cash?

Venkat Jasti: That is the valuation I cannot tell you because that is not the way I work because it is under valuation. I am not working on that, I am looking at the success of the molecules and success will give the valuation. And in India, the drug discovery will not give the valuation that is why we have done this demerger. So that we can have people who has the appetite and risk averseness and risk taking ability will be the ones that will be aligned with this company and those people who want revenue generation will go to the Suven Pharma. That is what it is.

Afzal Mohammed: I am just asking if you can make the investor presentation, there you can discuss the potential of this molecule that will get investors some idea how to proceed with it?

Venkat Jasti: First, it has to make into the next level before you get to that because everybody knows it was all given and any molecule you talk about in P&L it will be a turnover of a million dollar at an average. It may or may not make it, that it is very difficult but say if something and somebody buys a bill on that, it will be on my head. I will be responsible. So I don't want to say anything but what we will tell you which molecules that is in the markets and which are the comparative molecules. As we said in the 3031 and the other molecules which we can compare with others that were just launched we can compare with. So it is a long way to go. We cannot jump the ship right away.

Afzal Mohammed: Sir, one last question, what percentage of Suven Pharma's revenue will be from Rising Pharma, what I mean is what percentage of?

Venkat Jasti: There are no revenues, in standalone you don't get anything.

Afzal Mohammed: I am asking about API and some intermediates you might be having some major part of it?

Venkat Jasti: Right now, nothing, but we will be getting back with that because in the start from there and all the customers they have, they are doing it. Whatever the new ones that are coming in, whatever the customers you can add to do it that will be insourcing to Suven and then only you will know. From now onwards, related party

transactions is coming in to the picture so you will be knowing, we also will be knowing, we are all learning in the process.

Moderator: Thank you. Next question is from the line of Saravanan from Unifi Capital. Please go ahead.

S. Viswanathan: You had mentioned the relation between Life Sciences and Pharma would be on lease as well as provision of services, correct?

Venkat Jasti: Right.

S. Viswanathan: So all the agreements have been done in that regard?

Venkat Jasti: Yes.

S. Viswanathan: And this Rs. 180 crore cash is part of the scheme of arrangement that Suven Pharma has over a period of time that would be repaid to Suven Life Sciences?

Venkat Jasti: Yes.

S. Viswanathan: Is there supposed to be an interest component in this?

Venkat Jasti: Yes.

S. Viswanathan: So the interest component would be backdated from 1st October 2018?

Venkat Jasti: April 2019.

S. Viswanathan: So basically in the current financial year?

Venkat Jasti: That is right.

S. Viswanathan: The related debit is already there in the 9 months numbers?

Venkat Jasti: Yes.

S. Viswanathan: Sir, just wanted to understand with regards to the related party transaction, what is the maximum revenue potential for Suven Life Sciences by providing services to Suven Pharma?

Venkat Jasti: It will be more or less netted off because some of them are Suven Life Sciences doing to Suven Pharma and Suven Pharma is to Suven Life Sciences. It will not be much reportable; it may come into the numbers but not much activity because we are utilizing the capabilities and other things without incurring the CAPEX here because it was there always.

S. Viswanathan: So primarily the money now Suven Life Sciences has is the Rs. 180 crore plus and the Rs. 8-Rs. 10 crore interest rate that will keep coming and in fact it will keep falling at 180 crore as that gets used up?

Venkat Jasti: That is right.



- S. Viswanathan:** So by your estimate, by what time would Suven Life Sciences need to raise more money to be able to do all the activities that it wishes to do, ballpark in my sense is within next 12 months you will have to raise money, otherwise about 15 to 18 months, you will run out of the money completely, so is that assessment correct and if you can give us some sense of it?
- Venkat Jasti:** Yes, you are right. We will do it within one year from now we need to have new sources of income either from the salient partner coming in the monetization and the IPO or whatever it is.
- S. Viswanathan:** And the book value of Suven Life Sciences, we discussed it is around Rs. 350 crore so out of which Rs. 180 crore is residual cash, so Rs. 170 crore is may be the equipment and the land, so this Rs 170 crore of book value is the fair value or the market value could be higher than this Rs. 170 crore?
- Management:** See, it keeps changing, so we will report it once it gets completed, by 31st March 2020 we will know exactly the total value.
- S. Viswanathan:** And the COO, you had mentioned you would be finalizing within the next 3 months? Is that right for Suven Pharma?
- Management:** We are in the lookout and yes it will be finalized.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments.
- Venkat Jasti:** Thank you everyone for tuning in and it is a new beginning in Suven group of companies or used to be group of companies and now a single company as Suven Life Sciences, as I said its revenue burning exercise with intellectual property creation and uncertain outcomes and the people who have the risk appetite will be the right partners for us, mainly looking, but there will be strategic partners. And in the Suven Pharma, we are increasing our bandwidth by forward integrating it to various activity to service the pharmaceutical sector and for that, we are creating the infrastructure and also we are expanding our activities into the ANDAs and hope this will give us good growth potential in the next 2 to 3 years from now certainly and I thank all the people who has invested in us and being patient with us. Thanks once again and hope to talk to you in 3 months' time.
- Moderator:** Thank you. On behalf of Suven Life Sciences and Suven Pharmaceuticals that concludes this conference. Thank you all for joining us, you may now disconnect your lines.
- Please note:** *We have edited the language, made minor correction (including updates), without changing much of the content, wherever appropriate, to bring better clarity.*