



Suven Pharmaceuticals Limited Q4 & FY'20 Earnings Conference Call June 19, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Suven Pharmaceuticals Limited Q4 & FY'20 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Rishab Barar from CDR India. Thank you. And over to you, sir.

Rishab Barar: Good day, everyone and thank you for joining us on this call to discuss the Q4 FY'20 Earnings for Suven Pharmaceuticals. We have with us Mr. Venkat Jasti – the Chairman and Managing Director; Mr. Venkatraman Sunder – Vice President, Corporate Affairs; Mr. Subba Rao – the CFO, Suven Pharmaceuticals.

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: Hi! Good afternoon to everyone. Thanks for tuning into this call for Q4 & FY2019-20

There is a lot of confusion with the stakeholders with respect to the demerger that has happened on 6th January and people are not clearly understanding is what exactly happened in the demerger and what are the things that are there in Suven Pharma and what are the things that is not true about Suven Life Sciences and a lot of queries have been coming in.

So, I just want to give you a small intro on that. As you know, we have been in this business for long time as Suven Life Sciences where it has both innovation and in the contract research manufacturing services. The innovation consists of the discovery and NCEs and pre-clinical development and clinical development, all that stuff, that is the discovery research and as you know that has a component of expenses only of the time until the success happens, then the monetization can take place. But what happens is all the expenses are being written off on the balance sheet under not demerged and everybody is saying that CRAMS is giving results but with write-off and valuation is not happening. That is why everybody is saying that why not it can be demerged so that it has its separate accounting so that it will not hit the balance sheet and the prices will be much better and valuation will be much better. So, in that process, we have demerged this entity. So the newly formed Suven Pharmaceuticals Limited which has a Process Research and Process Development and Contract Research, Specialty Chemicals, the API, backward integrated formulations and with formulations development and the commercialization, again, Contract Development Manufacturing Operations (CDMO) and other things.

I think they should not have any doubt about what is happening. There should be clarity on what is happening with the demerged entity. Now, the demerged entity has taken place on January 6th. The data which were given in the reserve is not comparable because what we have shown you is only six months data of the previous year because of the appointed date and all the stuff considering. So, that we cannot take into consideration but still if you see compared to the whole profitability of the last year it is much better than what it is. Do not go by the 2019 number what we have given, that is only six months as a total.

So for the quarter ended, what we have is a small top line growth and a small growth in the bottom line also. But on a yearly basis we have about 24% in the top line growth and very-very good growth on the bottom line.

As we said last time, we are not going through the segment results but we are giving the segment results as CRAMS as a whole which is for the quarter is at Rs.91 crore but for the year it is Rs.458 crore, a growth of about 24% on yearly basis.

The second one is the Specialty Chemicals is about Rs.304 crore for this year; this quarter it is Rs.80 crore, a growth of about 41%.

And the Formulations and the Contract Technical Services, all put together, there is a growth of 41% again; Rs.50 crore versus Rs.70 crore. So this is what we have.

We have filed around 11 ANDAs, out of which three are ours; six is with customers, two ANDAs with ANADA's that is New Animal Drug Applications with the customers.

Last time we projected a growth of 20-25% for Q4. I think we have achieved for the year '19-20 and which were as I said gone up by 24%. For the next year, usually we do not give the guidance but everybody is asking a guidance and our guidance is about 10-15% as of now subject to the rider and we do not know what will happen with the COVID situation, the continuing rise in the numbers. As of now everything looks good but as far as the new project acquisitions are concerned that is a slow process, not much is happening because our customers are not meeting and having the strategy sessions and all the stuff. Now that if someone has come in US and Europe, I think we will know only post-September if at all any delays or new projects acquisition will happen or not. But as of today with the existing business that is what it is and all the projects we expect 10-15% growth year-on-year.

I think I will leave at that. And then I look for the questions so that I can answer.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Sir, with regards to the Capex, if you could share some details at Vizag? And when do we expect it to start generating revenue? In terms of the guidance, probably earlier we were looking at somewhere around 20% growth for the current year and as you mentioned in your opening remarks now we have talked about 10-15%, so any specific segments where you feel there is a concern or probably you feel that the growth could be lower and that is why you reduced your guidance? And typically, what are the segments could drive the growth?

Venkat Jasti: As far as the Capex goes for the Vizag plant, that will be finished by the end of the year like January, February timeframe with the validations and all that stuff and in the new year April 2021 revenue generation from that plant. With respect to the growth, I never gave a growth of 20-25% for next year. I said last time when we had

this call in January; it is 20, 25% for the fiscal '20, not the '21. But the reason I gave that 10-15% is standard which we gave you and I gave a rider that the acquisition of the new project is all depending on the strategies followed by the customers and with this COVID not much is happening as far as the new project is concerned. Only the old projects are continuing. And with the continuing trend, we are seeing 10-15% growth. That is what it is.

Rahul Jain: Any particular segment which could outperform which you feel could probably give you a surprise in terms of the growth profile?

Venkat Jasti: Any segment can give us a chance to outperform. We are growing as of now what exists. So there is nothing that shows the near future that it will outperform.

Moderator: Thank you. The next question is from the line of Anand Bhavnani from Unifi Capital. Please go ahead.

Anand Bhavnani: I have three questions: First is about the impact on the projects over the last three months since the shutdown started in various geographies of the world, how have we seen in customer interaction shaping up, if you can give us some sense whether the first half revenue will be impacted while for the full year the guidance is encouraging? Second is we see that our consolidated PAT is a bit high. So it seems there is some benefit I think from a stake of Rs.20-odd crore. So how much of this is like one-time and how much of it is sustainable? And thirdly, in terms of our investments on the balance sheet, there is a Rs.307 crore long-term investments. Can you give us a breakup of how much it is for Rising Pharma and any investments in long-term plan or anything?

Venkatraman Sunder: Let me start with the last question what you said about Rs.245 crore is the investment in Rising Pharma which is what is appearing as investment, you can see that actually. And in relation to the first one which is talking about logistics, yes, during the initial lockout period there were challenges on logistics and that continues, in fact, there are certain challenges that continues. Apart from that, logistics thing actually, yes, we also had some labor issues because labors were not able to allow to come to our facilities. We had challenges there due to which we had to toned down our operations to that extent even though it did not really affect us much but these are the two what you call the COVID-related challenges what we had during the time.

Anand Bhavnani: In terms of projects coming in, that gets affected in terms of our order book pipeline and funnel and if yes, to what extent and how do you see the outlook from here on.

Venkat Jasti: As I was mentioning initially, as of now for all the existing projects, the orders are as per scheduled and going on, I mean, with the delay of maybe a month or so in the deliveries and all because of the COVID-related situation. Only for the new orders which we usually get for the new projects that is in a slow pace and not much is happening there. The effect on that is long-term but not in a short-term manner because the development and supply will take place in the future. So acquisition is the only delay. So it may not affect the balance sheet for this year. But in general if we do not get the new business and the opportunity to do, supply of those products will be lost. But as I said, post-September we will have a clear idea because right now anything is the usual existing products but no new products have been talked about it other than those which are in the pipeline which are in the development.

Anand Bhavnani: Sir, about Rs.21 crore shares of associates, if you can comment whether it is likely to sustain to a certain extent or it is entirely one-off?

Venkat Jasti: It is not one-off. One thing you need to understand is first of all this Rising Pharma it all depends on the type of product they sell in that quarter and the opportunities they

get. It is all the product mix that is going to happen because the first time they are selling and they have a better margin and a lot of that stuff. But anyway those all things are not realized for us and it is only approved for the consolidation phase and I think you can think about averaging to Rs.12-15 crore for the quarter.

Moderator: Thank you. The next question is from the line of Rahul Veera from Abakkus Asset Management. Please go ahead.

Rahul Veera: Sir, just wanted to understand in terms of the CRAMS project. How many Phase-III molecules do we have currently now?

Venkat Jasti: Since last time we have stopped giving you the breakup. Right now we want to give you only on the total CRAMS based activity. And if anything comes into, that will show up, then we can tell but right now we are not giving you the number of projects in each segment.

Rahul Veera: Some of the international reports are showing that due to the pandemic, the R&D expenses have been shifting towards more of COVID-related products. So a lot of the Phase-I molecules, R&D budgets are being getting shifted. Are you seeing the similar trend sir?

Venkat Jasti: No, not really, I mean, the existing projects are as it is, but only the development of new molecules maybe everybody is focusing on those things and it is mainly towards the vaccine type of things where many companies are involved and other companies is repurposing the existing molecule. So, there is no new R&D except the clinical development that is taking place. Even for the vaccines, it is only the developmental activity, not the discovery activity. So no new things are being worked on that basis and nothing is lost in the existing ones. But the new strategies and things they do in the April timeframe onwards is delayed because of this COVID-related activity. That is why I said after the summer only, I think they will go into the strategy for the development of the new molecules and strategizing and prioritizing the molecules for outsourcing and all that stuff.

Rahul Veera: Sir, can you throw some light on the specialty chemicals business sir? Two of our molecules were already commercialized, right. Are we seeing any further commercialization?

Venkat Jasti: Yeah, last time also I said it is '2021 timeframe. So it is on schedule.

Rahul Veera: And sir, out of 11 ANDAs, that we have filed, Rising Pharma will be the marketing partner for US?

Venkat Jasti: No. See, Rising Pharma became our partner only in last year. But these are all developmental things before. Out of the 11, only two will be with the Rising Pharma which we have the contract even before we were a partner and even before this activity took place.

Rahul Veera: Approximately opportunity size for us is 11 ANDA will be largely in the CNS segment only?

Venkat Jasti: No, it has nothing to do with the CNS. We are talking about generic products. It is in various segments. It is therapeutic-agnostic. And I was telling you last time also all our products are only small volume niche products, where not many people are involved and 2 to 4 million is the things per year it can happen for each molecule, not much more than that to happen.

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

Ankit Gupta: Just if you can repeat the segment wise breakup that you gave in your speech?

Venkat Jasti: For the year it is Rs.468 crore in the CRAMS, Rs.304 crore in the Specialty Chemicals, Rs.70 crore in the Formulations and Technical Services.

Ankit Gupta: If we look at the segment wise, we have seen significant jump in the Specialty Chemicals sales from around Rs.216 crore to Rs.304 crore and even Services have jumped from around Rs.50 crore to Rs.70 crore. So what has led to this significant rise in both the segments if you can talk about it? I do understand on the CRAMS side from Rs.380 crore last year to Rs.468 crore this year was largely driven by the commercial CRAMS. If you can comment on that as well?

Venkat Jasti: The Specialty Chemicals that you are talking about is and if you remember a year before we started the second molecule and that has gone for additional quantities. And if you remember, one year we are less on the Specialty Chemicals for the first molecule because it lost its patent in some territory but they could regain it with a combination thing and it has been added there. Both put together there is an increase of about 40% and this will continue for this year also.

Ankit Gupta: We also had two more small molecules which were launched this year, right?

Venkat Jasti: No, it is only two molecules which we launched, and I said two are under development, that will be in '2021 with the current supply situation.

Ankit Gupta: How much revenue can we expect from those new molecules?

Venkat Jasti: These molecules can be Rs.50 crore in that range when it is fully commercialized, not day one.

Ankit Gupta: If you can comment on the other segment services and Pharma CRAMS, they have also seen significant improvement in revenue this year?

Venkat Jasti: Percentage wise higher but the quantity wise it is only Rs.20 crore and it is supply of one of the molecules which we have done and also R&D expenses which were being reimbursed. That is why you see that one. In the CRAMS it is normal; it is a mix and match; one quarter it maybe commercial in the regular. So that is why it will normalize because people are attributing, suppose if I say commercial quantity of Rs.50 crore this year and they are thinking that this will be forever which is not true because it can happen after 18-months or it can happen after 24-months. So that is why we would like to not gain any more dispensation on that. That is why we are giving all pharma CRAMS put together in one group.

Ankit Gupta: This pharma CRAMS revenue are expected to grow next year as well, some 10, 15%?

Venkat Jasti: Yes, about 15%-20%.

Ankit Gupta: On the generic pharma side, we have developed 11 ANDAs. When are they expected to generate revenue?

Venkat Jasti: Yeah, this quarter post- March we have supplied two molecules, just started the shipments and as I said that these are small volume molecules which can give you \$2-4 million revenue per year on the bottom line wise.

Ankit Gupta: How many molecules are we planning to file from ANDA side?

Venkat Jasti: We have about six molecules under development and hope to file two or three this year.

Moderator: Thank you. The next question is from the line of Ankush Agarwal from Stallion Asset. Please go ahead.

Ankush Agarwal: I have a couple of questions. First is on the business side. In the last concall you mentioned that in the CRAMS business we are looking to move ahead from intermediates to API into Formulations and also that in 18-to-20 months we are looking for equal revenues from the CRAMS side from the Specialty Chemicals and from the ANDA side. So if you can give some color on how things are progressing on that side? Secondly, if you can give the data for the CAPEX for this year?

Venkat Jasti: The Formulations in two to three years will be equal to the CRAMS. [please note the correction to this statement below]. That is what I said and that will start happening from 2021 onwards. That is why I said it just happened to start supplies for two of these small molecules and with the other approvals and with the new what we call the filings, we expect revenue generation can grow because here it may not be the top line growth that comes into the picture, it is the bottom line growth because it is a profit share because the sale price versus the product share is completely different, I may be selling at \$1, but my profit share can be \$2. So these things and all we are looking at the value addition here and all our products except for the initial things are on a profit share basis. The profit share can be 25% depending on the molecule to up to 50%. So all this put together in a couple of years from now let us say 2023 timeframe, will certainly be equal to the CRAMS side of the business. So it becomes one-third of the business. That way everything will be one-third, one-third. correction: The formulation revenue will not be one-third of total revenue; the share of net income will be around one-third in 2 to 3 years' time frame]

Ankush Agarwal: So just a clarification. So this \$2-4 million that you give a number, it is the bottom line or the top line?

Venkat Jasti: It is a bottom line.

Ankush Agarwal: \$2-4 million that would be a profit share for each molecule?

Venkat Jasti: Yeah, each molecule.

Ankush Agarwal: Sir, on the CAPEX?

Venkat Jasti: On the CAPEX, out of the Rs.320 crore, we have employee cost already up to Rs.94 crore and already we have spent about Rs.102 crore, Rs.114 crore need to be spent and which we will be spending this year and by the end of the year our CAPEX plan will be completed.

Ankush Agarwal: Sir, just a clarification on the side. Out of Rs.320 crore, around Rs.120 crore was spent in FY'19, Rs.100 crore has been spent in FY'20 and remaining Rs.100 crore would be spent in FY'21, right?

Venkat Jasti: Yes.

Ankush Agarwal: And remaining is largely towards the Vizag plant or Formulations we have completed, right?

Venkat Jasti: One is the regulatory which is already capitalized last month. The second one is the formulations that would be capitalized end of the year. And third one is the CRAMS project in Vizag.

Moderator: Thank you. The next question is from the line of G Vivek from GS Investments. Please go ahead.

G Vivek: Now more clarity is coming for demerger. So I just wanted to know about the few queries. How is the opportunity size for the CDMO and how do we stand in this particular segment versus other established names like Divis, Syngene and any connect we have with the leading names in the pharma who can give us more business? That is the first question. And second question is about Rising Pharma. How much role they have played in good results this year and what is the differentiator being added by them? The company had gone bankrupt, again, taken over by the original promoter and how stable is that business?

Venkat Jasti: We are not competing with anybody as far as the CDMO is concerned. Before anybody is there we are focusing on certain category only in the development of the molecules of NCEs. We have not gone into the generic side of the things of Intermediates and Specialty. We do not want to compete with anybody. It is the customers which we have now. With this specialization what we have including the formulations development and the change in the mindset of the big pharma and with the upgradation from our side, the likelihood of us getting N minus 1 to the API itself, is a possibility and we are working on that direction and it will happen in due course of time. But in general until this pre-COVID, the CDMO activity looks very good. Even now with the existing pipeline and our projections, I mean, the forecast they have given through us everything looks good. Only thing is as a rider, we do not know what the acquisition of the new projects which will have in about six months. After that I think it will normalize. Other than that things are going very well and we hope to achieve at 10% to 15% but 20%-plus going forward with both the Specialty Chemicals chipping in and addition of the formulations and backward integration of the API of those formulations.[in next few years]. With respect to the Rising, I do not know what you are talking about. As you could see in the 10-months itself, we have backed up and company is generating very good profits and it is the management I think that has created the problem, the highly leveraged activities they have done. It is not the owner that got. Aceto Corporation is the owner which gone bankrupt and for which we have got under the bankruptcy court proceeding. As far as we are concerned, we are a silent partner, we are only a financial partner, we are not owning [the whole] any business. And none of the revenues shown until now has anything to do with Rising. This is only Suven's revenue. As I said, we have only two ANDAs with the Rising as of today.

G Vivek: My question is about the opportunity size in CDMO segment and any marketing activity which is giving a visibility, and which make us an edge in this outcome treaty business with sort of CDMO?

Venkat Jasti: CDMO visibility is very good, I mean, I was saying, but how much we are going to guarantee all, because of the developmental pipeline and the success of the molecules in the clinical trial will give us the opportunity. Because I have so many number of projects does not mean that as we are going to generating with the revenue unless they go into the commercial angle. That commercial angle will only take place only based on the success of the clinical trials. So I may be lucky if my three or four molecules may go into commercial. In three, four or five there is nothing else happening. It is not our fault, but it is the success of the molecules that gives us the business. But the CDMO as usual is a very great opportunity and a great margin accrual also will happen in the CDMO business.

Moderator: Thank you. The next question is from the line of Kunal Mehta from Vallum Capital. Please go ahead.

Kunal Mehta: Sir, the major chunk of the ANDAs which we have filed and which we are going to file, this would start commercializing from calendar year '2021, that is correct sir?

Venkat Jasti: Fiscal '21, yes. We just started supplies of small volume this quarter itself

Kunal Mehta: Sir, in FY'21 how many ANDAs will you plan to commercialize?

Venkat Jasti: Three. Right now out of that two has been commercialized.

Kunal Mehta: And next year we would do more than three. That would be fair estimate sir?

Venkat Jasti: Yes, next year we would like to have out of the balance, at least three should go into the commercialization.

Kunal Mehta: The second question I have is you mentioned that you would also be commercializing one more molecule in Specialty Chemicals next year. So, can you just give us an understanding of how do you see the business in the Specialty Chemicals segment going forward other than this specific product which you are going to commercialize, what are the other opportunities we are looking at?

Venkat Jasti: Yeah, we are looking at other opportunities with three more companies and they are all in the very early stages developmental cycles and which will take two to three years before we can say that it is going in the right direction or not. Right now, we only have the developmental things going on other than we commercialized it already. Out of that, one for sure will be in 2021 and the second also can come in 2021 at the far end of it. But other than that we are also working with the customers and that is happening and that will take time before we can generate any revenue.

Moderator: Thank you. We have next question from the line of Rohan Advant from Multi-Act. Please go ahead.

Rohan Advant: Just one thing on the ANDA. You said you have started supplying for two already this year and you plan to supply three this year, right

Venkat Jasti: One more this year.

Rohan Advant: If these ANDAs do \$2-3 on the bottom line, would our bottom line growth possibly be higher than the top line growth in FY'21?

Venkat Jasti: Naturally. I did not say 3 million; I said 2-4 million. You are averaging it out. It can be 2 million also not depending on how it goes into the marketplace. Naturally. The bottom line will be better than the top line because it is a profit sharing.

Moderator: Thank you. The next question is from the line of Ravi Sundaram from Sundaram Family Investments. Please go ahead.

Ravi Sundaram: I just have two questions. The first question is we had borrowed some capital from Suven Life for funding the Rising Pharma acquisition. What is the repayment timeframe for this capital?

Venkatraman Sunder: Basically, this is not just for acquisition of Rising Pharma, the investments whatever it is. It is for the total like there were CAPEX, that was also incurred in the initial

stages this fund was used. We can pay as and when Suven Life Sciences requires. Until then actually we will be paying interest. Instead of borrowing from outside, this is being kept there.

Ravi Sundaram: The reason why I asked this was I follow Suven Life also and they being a discovery business they need capital. So there is no timeframe. We will repay when Suven Life requires, is that what you are saying?

Venkatraman Sunder: Correct, that is what it is.

Ravi Sundaram: It is a general question on your business. Sir, we have both CRAMS and Contract Manufacturing business where it is more IP-protected and our clients IP is very important and we have been a phenomenal job in the last few years. And now that we are getting into the Formulations business where we are filing ANDAs and all, is there a conflict of interest?

Venkat Jasti: Never there is a conflict of interest because these are all the molecules, what do you call the generic space, last year when it becomes generic, at that time we will go into this and do this kind of stuff. And moreover we are not in a blockbuster stage like the other colleagues doing it here. We are doing only small volume where not many people will enter and niche products, that is what we are doing. We do not take anything that is directly confrontational with our customers, which is our strategy.

Ravi Sundaram: Sir, a follow up on this. How are we looking at this Suven Pharma as a business over let us say three to five years? I understand this year we have COVID impact

Venkat Jasti: You have to see the past to gauge the future. I cannot just tell in three years it will be double or anything like that, but the success of the molecules both in the CRAMS and success of some of these formulations, it can give you a very good return and it can happen at a time maybe 30, 40% growth, but otherwise our belief is we assume 10-15% to maximum 20% growth for the next couple of years because long-term I cannot give you because it is all depending on the customers and the success of the molecules in the pipeline.

Moderator: Thank you. The next question is from the line of Jay Modi from Emkay Investment Managers. Please go ahead.

Jay Modi: I just have one question around CRAMS business. So this year we have seen a higher base due to spill over of revenue from 19 to 20 commercial sense. And even in higher base, we have been guiding for around 10-15% growth. So, is this because of newer molecules we expect to be commercialized or is it the business from the base business that we see?

Venkat Jasti: No, the CRAMS business is a mix and match of the value-based projects. Sometimes you may do volume but the value and the bottom line is less and sometimes there is less value, but on the bottom line is better. It is a matter of mix rather than be something else gone up, something like that. But as you know last year we have said there is a commercial thing but regular CRAMS also has grown of that. The commercial, how it will go? We will know only in due course of time.

Jay Modi: And one last question was around ANDA. So we have around 11 filings, correct?

Venkat Jasti: Yes.

Jay Modi: How many numbers of filings have received the approval?

Venkat Jasti: Six.

Jay Modi: So total commercialization by the end of '21 would be around three filings, right?

Venkat Jasti: One is old one, long time ago there is Malathion going on, afterwards two already we started, one more will go for that.

Moderator: Thank you. The next question is from the line of Abdul Puranwala from Anand Rathi. Please go ahead.

Abdul Puranwala: Sir, just a follow up question. When we say that the Formulations business would become one-third of the top line. So sir, on that how would the margin profile be -- would it be similar to what we have currently or any impact there?

Venkat Jasti: I said one-third is a bottom line, not the top line, as I was telling earlier caller also; our bottom line is very-very high in the top line because it is a profit share basis. We sell at the cost plus expenses only, then we will have the profit share. So the sales numbers will be less, but the profit share will be more, so that will be bottom line accretive. So, if not one-third the top line sales.

Abdul Puranwala: This profit share, would it be captured as a portion of share of associates?

Venkat Jasti: No, out of these 11, only two are through Rising. So, we have other customers whom we are in trial. So it has nothing to do with the share of the Rising. It is different. It is not accrued anyway. That is only on a consolidation show. But we are talking about the standalone basis, right. It will be accrued to us.

Moderator: Thank you. The next question is from the line of Jatin from Alpha Capital. Please go ahead.

Jatin: Sir, my first question would be on margin guidance for next year. In the earlier call, you were saying that there could be 40% EBITDA margins but you also said that next year could be higher bottom line than top line. So would you like to comment on the margin guidance?

Venkat Jasti: As of now, I will take this number of 40% EBITDA margins and as you know with the product mix this year which is about 47%, whatever it is. Yeah, it can happen but our general margin guidance is plus-40%.

Jatin: And sir, in this year we generated very good cash flow. So, any plans on some dividend policy or something on that front?

Venkat Jasti: We have done it last year, right. So yeah, once we finish our acquisition, CAPEX is out and all the stuff, we will think about it. When opportunities can happen, then we may go into that direction but right now we have not heard of anything on that dividend policy other than the regular distribution what we are doing.

Jatin: And sir what could be our peak revenue potential for finishing that CAPEX?

Venkat Jasti: This CAPEX I think one has to understand in CRAMS business, it is not directly proportionate to the amount we have invested. The CAPEX we are investing in a couple of ways – one is even get some capacity expansion but at the same time it is mainly for the regulatory requirements either from the regulators or these are finally from the customers point of view. The second one is capacity expansion. These are all not directly correlated with volumes. It is all the opportunities we have. Unless we have the capacity created, new project that comes in, that cannot be taken up, but

the guidance is 15-20% extra revenue can be generated. And depending on the value, sometimes it can be as high as 30%, 35% of the amount we have invested, that can be generated in one year itself.

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

Karthikeyan V: How do you intend to use Rising Pharma's front end capabilities beyond what you already spoke about, just additional thoughts over a longer timeframe?

Venkat Jasti: See, what we are saying is Rising Pharma is a development and distribution company. It has about 40 partners. And every year they develop 10-12 or 15 ANDAs in collaboration with the partners. So some of those which fits into our capabilities we will get the first opportunity to bid for it. We are a silent partner and we are a financial partner. We are also like any other partner but we will get the first right of refusal. If we can do it, we will do it. So we expect two to three projects comes out of the Rising every year. That is what it is. But the main thing is from now onwards we can compensate more on the direction and we do not need to look for a distribution partner somewhere else. So we can develop our own molecules and then we look for the partner but now we have a partner operating who is doing this and we can utilize those services also. That is what I am saying. In next two to three years, the Formulations activities will grow.

Moderator: Thank you. The next question is from the line of Anil Jain from Equipassion Capital. Please go ahead.

Anil Jain: What was our total R&D expense in Suven Pharmaceuticals Limited for the financial year '19-20? And what is our plan for '20-21 on that front?

Venkatraman Sunder: There is nothing called R&D expenses here in Suven Pharmaceuticals balance sheet. Post demerger, now this is purely CRAMS and all the R&D expenses are nothing, but we do for other people. So where we charge this as a material, as employee cost, it is all absorbed in that, there is no separate R&D cost.

Anil Jain: But do you see the COVID impact on our current quarter performance?

Venkat Jasti: As I said, as of now there is no impact and even for the next quarter there will be no impact but only thing is as I was telling you earlier it was the acquisition of the new projects that maybe delayed which will be done some six months later but what will happen three months from now, I do not know, but right now everything looks safe and that is why we have given a positive guidance of 10-15% at least.

Moderator: Thank you. The next question is from the line of Jeevan Patwa from Candyfloss Advisors. Please go ahead.

Jeevan Patwa: The only thing I just wanted to understand like from this year onwards is that we are going to generate a lot of free cash flow from our business and we are typically an IP-led, so we believe in mostly IP-led growth and not in CAPEX-led growth. So how are you going to use this cash flow over say next two, three years, so that is more of a strategy maybe you can give some guidance on that?

Venkat Jasti: First of all, getting the cash flow will be good and when we accrue it then we will think about it but there is no plan as of now, we never delay any planning for this but acquisition of the new technologies is one of the activities, technology-based development and then sourcing of the projects, that is what we are going to try to do

in the future. It is only the acquisition of technologies and based on that is the only projects.

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

Saravanan: Just wanted to understand that Rising Pharma synergy better. So you also mentioned that we have the first right of refusal for any contract manufacturing opportunities arising out of Rising Pharma's development activities, right, they do development of the ANDAs, in that we have the first right for manufacturing, is my understanding correct?

Venkat Jasti: The thing is in the development of the new projects and whatever that fits into our scope and our capabilities, those only things I can take into bid for it. And that is why we said two to three per year out of the 12 certainly can come to us.

Saravanan: Second question is just a financial one. How much debt do we have which is payable to Suven Life Sciences and how much debt to others?

Venkatraman Sunder: The debt payable to Suven Life Sciences is about Rs.91 crore [note correction: total debt payable Suven Life Sciences is Rs. 133 crores (91 crores non-current and 42 crores current) in the balance sheet. Other than that actually it is only the working capital debt which is payable to State Bank of India and then Bank of America, Irondequoit actually, we have about close to Rs.36 crore is the total balance actually, and that is ongoing, it is working capital, it is not payable. And we do not have any term loans at this point of time in our balance sheet.

Moderator: Thank you. The next question is from the line of Anand Singh from Blend Fund. Please go ahead.

Anand Singh: I have two questions: First question is about our overall management bandwidth. In the last call as well we try to understand as we are now growing the business in Suven Pharma, management bandwidth is something which you discussed that you are looking to add, so if you can share any updates on it?

Venkat Jasti: As of now, we are not taking any view to improve to run our business and we are now just streamlining all these things and we are thinking of doing something this year but suddenly this COVID thing has come into the picture. I think it is an ongoing exercise but right now there is nothing else going on.

Anand Singh: And in terms of utilization of the CAPEX that is done in FY'19 and FY'20, what would be the ballpark utilization level that we might see in FY'21?

Venkat Jasti: The plant which we have capitalized Pashamylaram is now being utilized fully. And when we finish the CAPEX thing for both formulations and the CRAMS in Vizag, I think by '2021 we will have made it fully.

Anand Singh: This is just with the Rising Pharma opportunities or manufacturing. Can we assume that some of it will come this year itself in FY'21?

Venkat Jasti: There is a possibility.

Moderator: Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

- Sachin Kasera:** Sir, just one or two data questions. On the debt side, from what I can see on the consol balance sheet that is around Rs.180, 185 crore. You said that Rs.95 crore is payable to Suven Life and rest is all working capital, is that the number you said? In the consolidated balance sheet you have presented that debt is showing is close to around Rs.185 crore and you said Rs.95 crore is to Suven Life and if only remaining Rs.30 crore is working capital, what is the remaining debt sir?
- Venkatraman Sunder:** The amount that is payable to Suven Life Sciences is what is shown as a borrowing. The total non-current liability is about Rs.127 crore, right, consolidated debt, of which Rs.27 crore is deferred tax liabilities, that is what the other one actually is and apart from that there is a working capital. [note correction: Amount payable to Suven Life Sciences is Rs. 133 crores of which Rs.42 crores is current and Rs. 91 crores as non-current]
- Sachin Kasera:** Because sir as per what you have presented to the stock exchange on the table it is showing liabilities of Rs.91.25 crore and Rs.94.03 crore, the two, that is totaling to around Rs.185 crore, anyways. Secondly, sir also on the cash flow from operations, when we see there is a difference of almost Rs.45, 50 crore. So the standalone cash flow from operations is showing Rs.367 crore and the consolidation is showing Rs.416 crore. So this almost Rs.50 crore difference is primarily because of what sir?
- Venkat Jasti:** That is the Rising share which is not accrued to us. It is only shown as our line item because it is apportioned to us because we are a financial partner, it is not sent to us and only we will get when the dividend is paid. But the profit of our 25% is Rs.48 crore, that is added to that, that is what it is, but it is not actual cash.
- Sachin Kasera:** Sir, one question on Rising Pharma. Is there some sort of an arrangement between us and the other partners wherein over a period of time either we can increase or decrease our stake as per mutual convenience of both the partners or whatever is the current percentage holding, that is what it remain static for quite some time?
- Venkat Jasti:** As of now that will remain static that it can depend on the agreement later if they want to give more to us, we can take it. When they are making money, why will they give it to us?
- Sachin Kasera:** And sir, this year we can see some dividend from Rising, now that it has started to book profits?
- Venkat Jasti:** I have not discussed that because just now we got the numbers and in next board meeting we will discuss and hopefully we will ask them, but it is a spearhead developmental company and I think they would like to keep that for the development for the first year. I think next year onwards maybe we can expect something, but not now.
- Moderator:** Thank you. The next question is from the line of Ashish Rathi from Lucky Investments. Please go ahead.
- Ashish Rathi:** Sir, two questions. One is on the capacity utilization side; do we have any sort of supply constraint right now or in the last two months either due to raw material availability or availability of the workforce because of the whole COVID scenario?
- Venkat Jasti:** Yes, everybody got affected a little bit because the delays in the shipments had happened and delays even to clear the goods from the ports has happened and also some workforce did not show up on time and some have a hesitation even in the regular workforce because of the family constraints they are saying not to go to the

work and all that stuff, but over a time it has come back to the normal, in the beginning it affected maybe 10-15% of capacity.

Ashish Rathi: So your annual guidance of 10-15% factors in all this quarter's aberrations, right?

Venkat Jasti: Right.

Ashish Rathi: And second question is the tax rate for the quarter was lower, I think it was around 17% versus the full year average of around 23%. Any reason why it was lower this quarter? And what should be the assumption going forward for the tax rate?

Venkatraman Sunder: Yeah, basically, this quarter it was lower because we already paid some advance taxes that we are trying to enjoy that and also once you capitalize on a depreciation front, you also get a higher depreciation and then we get the benefit of it. That is why then average rate has come down. Otherwise, we expect that rate to be around 25%-plus kind of thing. And possibly when we somehow have our capitalization that happened this year actually, maybe you can see about 200 basis points, could be lower.

Ashish Rathi: So we will assume 24% for FY'21?

Venkatraman Sunder: Correct.

Ashish Rathi: And that will be sort of a number mostly going forward also beyond '21, is it reasonable number to assume?

Venkatraman Sunder: Correct, that will be the calibrated figure for future.

Moderator: Thank you. The next question is from the line of Vaibhav Gogate from Ashmore. Please go ahead.

Vaibhav Gogate: Could you give me some color on the EBITDA margin profile of the Formulations and Technical Services segment?

Venkat Jasti: See, this is all dependent on the value added product or a regular product, but it will be more of 45% to 50%.

Venkataman Sunder: Let me also make one clarifications to it. When you are really talking about formulations, it is not like straightaway formulations in this case, we have value added products where it is a profit sharing basis. Sometimes what will happen is dollar sales can generate about \$2 which is like profit sharing. In that case, EBITDA margin could be about 200% or whatever it is actually. But the only thing is in the value proposition it may be sitting very low because it is just about 2 million to 4 million, that is what is the accretion per product that is what we have discussed about. So you cannot really compare EBITDA for that to overall business and then add it into that profile actually.

Vaibhav Gogate: So out of the three ANDAs that we are commercializing this year, how many would be via Rising Pharma?

Venkat Jasti: Only one.

Moderator: Thank you. The next question is from the line of Vishal Manchanda from Nirmal Bang. Please go ahead.

Vishal Manchanda: Sir, I have a basic question on your CRAMS business. Wanted to understand whether the CRAMS business deals in only API or it also does formulations for the customers?

Venkat Jasti: There is no API as of today, there is no formulations as of today, it is only the penultimate intermediates until now. Never supplied any APIs under CRAMS. The opportunity that what I was telling in the beginning of my conversation. It is a possibility that the same intermediates which we are supplying that can be converted into an API in future. That is what we are looking for.

Vishal Manchanda: And sir, how is the specialty chemicals business different – are they generic APIs?

Venkat Jasti: No, specialty business is not used for the human use. It is for the agro or phytochemicals or whatever it maybe. That is why it is put under specialty chemicals. Whatever is not used for the human consumption is kept under the specialty chemicals.

Vishal Manchanda: But are they patent protected products or these can also be generic products?

Venkat Jasti: Yeah, they are patent protected products. Otherwise it takes time. And one of them now became generic.

Vishal Manchanda: In FY'20?

Venkat Jasti: 18-months ago.

Vishal Manchanda: Is any of the products due for expiry, so can that impact?

Venkat Jasti: That is continuing actually. There is a growth after that. Even though it became generic, the company manages to do a combination product and they could increase. That is why there was a dip in the sales for one year. Then they expanded.

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

Darshit Shah: Sir, my question is on CDMO front. So if we look, there are a lot of players who have got specific units for innovator pharma companies. So does this kind of opportunity even envisage in the future since we are generating a good amount of cash flow? I would like to know your thoughts on that.

Venkat Jasti: Yes, I was telling people earlier one of the questions, what we are trying to do is with your cash flows, trying to go to the technology acquisition and based on the technology acquisition get the project acquisition. So, this is what our thought process is and it is an evolving thing and also it is the customer in place, we think about we are saying rather than getting a technology and not knowing who the customer is going to use. So it is a combination of the requirements on the customer, then acquisition and then progression further.

Darshit Shah: So in future, we may kind of envisage this kind of specific dedicated innovator units opportunity for us?

Venkat Jasti: Possible.

- Darshit Shah:** My second question is on the Suven Life liabilities. Out of the Rs.300 crore liabilities, we have shown Rs.91 crore in the balance sheet. So is it like Rs.180 crore more that is due to Suven Life from us?
- Venkatraman Sunder:** No, Rs.133 crore actually. What happens is like that Rs.91 crore is a long-term and then other one is a current one which is payable within one year is about Rs.42 crore.
- Darshit Shah:** So leftover is Rs.133 crore after this?
- Venkatraman Sunder:** Correct.
- Moderator:** Thank you. The next question is from the line of Cyndrella Carvalho from Centrum Broking. Please go ahead.
- Cyndrella Carvalho:** Sir, just wanted to understand with our strategy of moving from N minus one to the API. We said that we are thinking of converting the existing. But then I just wanted your thought on the overall strategy on this front from the CRAMS side of our business. So some of our existing products which are already commercialized we could move to the forward integration over there as well as from the side of existing our advance pipeline also we would approach our customers and partners and convince them for API level partnership, how should we look at it?
- Venkat Jasti:** As per the customers we always have the next step done at our facilities. And depending on their obligations and depending on their comfort, we are slowly moving into the direction. But to get to the advance, they have to have so many validations and all the stuff is taking place. And now with our more requirements from the customers' point of view for making the API also, we have implemented those. And with this now we are going ahead and asking and it all depends on the customers approach also. It is not that just because you are ready to make the API, does not mean that they are going to give it to you, it is the capabilities and the capacities and the credibility, all these things plays a role and this is what we are intending to do to the forward integration including supplies of the formulations if needed. We are discussing with one customer for their life cycle management who would like to go ahead, and they are evaluating our proposal.
- Cyndrella Carvalho:** Sir, on the Suven Life Sciences, if you could provide some color on SUVN-502 at this present stage and how should we look at it going ahead?
- Venkat Jasti:** As you know, 502 the data for the Phase-II clinical trial is given but it did not meet the end points of the primary indication what we are looking for. But out of this secondary indication, two of them showed very good. For that now we are in the process of prioritizing which indication we should go into. We are going with the key few opinion leaders on that based on the things and in a month or two hopefully we will finalize indication. Based on that indication, then we will go into the protocol development and all that stuff and finally submitting to a Phase-II proof-of-concept for that indication sometime in the first quarter of next year. The development is still going on.
- Moderator:** Thank you. The next question is from the line of B T Vidyanathan, individual investor. Please go ahead.
- B T Vidyanathan:** I had got an article regarding Barclays being appointed as an investment advisor for a stake sale of the company following the CRAMS demerger, is that true and if it is then what is the progress of that particular thing?

Venkat Jasti: There are so many things that are going on in the market which we do not want to comment on. We are only making it to the demerger entity so that customers who are interested in the innovation will go to the Suven Life and customers who are interested in the CRAMS side come into this thing.

B T Vidyanathan: Second question is regarding 3031 Phase-II trial, does this COVID situation has got any impact on it and how many patients still now have been registered?

Venkat Jasti: Yes, it has an impact because of the COVID, because everybody is not coming to the clinics and the clinics are not open for the customers also. Since March it is stopped and now only it restarted the enrolment; up to now, one-third of the population has been enrolled.

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

Ranvir Singh: Just on formulations side, you said that one more molecule we are likely to add next year and that one would be through Rising or from existing two; one is already marketed by Rising?

Venkat Jasti: They are not from Rising. Only one out of the three will be for Rising.

Ranvir Singh: And that Rs.70 crore revenue what we have got, \$10 million kind of revenue, so \$2-3 million kind of profit what you are saying from existing we have in this year, that is what you are saying and similar we will be looking at next year also?

Venkat Jasti: I think this is in fiscal '19-20 other than the existing Malathion and all that stuff, but only this year two have started out of the three ANDA. It will be this year, not last year, last year nothing is commercialized.

Ranvir Singh: That Rs.70 crore is entirely from Malathion?

Venkat Jasti: No, also formulations and technical services.

Ranvir Singh: On CRAMS side, now you are not giving the breakup project wise, but if you could give some sense that how many molecules are likely to move to the commercial stage and whether we have any chance to do some backend work post commercialization?

Venkat Jasti: Nothing in the next six months is going to commercial.

Moderator: Thank you. The next question is from the line of Rahul Picha from Multi-Act. Please go ahead.

Rahul Picha: Sir, we have four molecules under commercial supplies right now. So over the next two, three years what kind of scalability potential is there with these four molecules in context of the end market opportunity?

Venkat Jasti: See, it all depends on how the molecule performs there and I cannot tell because it is not our molecule and we do not have this thing, but we expect the repeat business can happen every 18-months as that has happened before. And depending on how it performs the quantum will increase. Right now we cannot tell any numbers on that. That is why we are not giving this dissection of these things because it is very difficult to give molecule wise. That is why we are only giving you opposite growth potential.

Rahul Picha: And sir on the two additional specialty chemicals molecules which you said could come up in calendar year '2021 and you said it could contribute Rs.50 crore to revenues. So is that Rs.50 crore combined or per molecule?

Venkat Jasti: I said it can be up to Rs.50 when it is fully commercialized, not day one.

Rahul Picha: So that is both the molecules combined?

Venkat Jasti: No, roughly each molecule, the opportunity I was explaining.

Moderator: Thank you. The next question is from the line of Tushar Bohra from MK Ventures. Please go ahead.

Tushar Bohra: A couple of points. Your gross block today is in the vicinity of about Rs.400 crore, right? The current balance sheet mentions that.

Venkatraman Sunder: Yes.

Tushar Bohra: Once the new molecule gets commercialized, what will be the gross block after that?

Venkatraman Sunder: It is going to be another Rs.200 crore addition.

Tushar Bohra: And the existing gross block, I think some of it commercialized only last year, so what would be the utilization of the current block?

Venkat Jasti: Whatever we have it is 100% utilized.

Tushar Bohra: We are essentially saying that we are doing more than 50%, 60% gross block expansion if I look on FY'19 as a base and parallelly we are also indicating increase in API or moving towards API CRAMS and maybe even formulations. So are we looking to aggressively grow this business now compared to what we were doing say maybe three to four years back?

Venkat Jasti: What we are saying is first of all this demerger is to have a focus customer base that is taking place because of the value creation that is needed because R&D expenses for the innovation products where there is no guarantee being written off earlier, is taken out of the picture. We are always looking for the aggressive growth. Because we are in the CRAMS side of business, we are only looking at the success of the molecules based growth. Now what we are saying is with whatever the expansions we are doing with compliance meeting the requirements of the customers and the regulatory aspects put together, there is a possibility with the change in the mindset of the global customers. Whatever we are doing the N minus one type of activity can be converted into a forward integration. That is what we are pitching for. I think that will happen in a couple of years from now.

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

Sarvesh Gupta: Sir, first thing is on your CAPEX point again because this is a significant CAPEX and you said that the driver for such a large CAPEX is only from a customer point of view or the opportunity that we are seeing, so have we got any quasi assurance from any of our customers informal, if not formal, that this incremental capacity would be taken up for certain projects or if you can throw some color as to what has been our thinking behind this CAPEX?

- Venkat Jasti:** See, it is a chicken or egg. If you do not have the capacity, you do not get the business. But the capacity you created is based on the interactions with the customers and the future requirements. That is what we do. As I was mentioning earlier, not all the capacities only just for the capacity expansion. As far as we are concerned, it is directly correlated to the capacity. Whatever we are creating is regulatory compliance like OEL facility where there should not be any touch by the individuals, everything is automation and closed circuit things which will cost us 40-50% more than the regular capacity creation. So these kind of things will happen when the product comes into picture. The projects are in early stages development labs while they come into the commercial angle; you need to have this capacity. You cannot wait until that commercial things happen. But until the time we will be using that facility as a regular facility even though we may not be utilizing it for the particular purpose it was built for. So always the capacity can be utilized and the valuation will come in when the projects appropriate for requirement comes in, the valuation will be much higher. So these are all as I said it is a chicken or egg, you need to have the capacity created and of course the capacity created is based on interactions with the customers what we do.
- Moderator:** Thank you. The next question is from the line of Jinal Sheth from Awriga Capital Advisors. Please go ahead.
- Jinal Sheth:** In the last call you had mentioned that you were looking to hire a new COO for the CRAMS business. Is there any update on that?
- Venkat Jasti:** Yes, we are not able to hire anybody as of now. By the time the demerger took place, the COVID thing has come in and everything got delayed a little bit but we are in the look out.
- Moderator:** Thank you. The next question is from the line of Sajal Kapoor, investor. Please go ahead.
- Sajal Kapoor:** Firstly, given our industry leading EBITDA margin, I guess this is due to the fact that majority of our innovators in business pipeline is in clinical phases, could be Phase-III, Phase-II and that sort of thing where we currently supply low volumes but command a very high margin due to our chemistry and technology understanding. So, when we get more molecules migrating from let us say Phase-III to commercial and that could be over a period of time, the margins will gradually normalize to something in the range of let us say mid-30s which is where the likes of Divis Lab, etc., operate in. Can you just help me out please?
- Venkat Jasti:** You are partly right and even at the commercial stage, sometimes the margins can be much better because of the continuous production takes place where as in the CRAMS and all, it is all campaign-based production and costs are more even margins are high. When it commercializes, the value goes down by one-third I know that but at the same time you have a continuous manufacturing and also the possibility of technology enhancement when you do the scale up and that takes place. Margin guidance will remain. That is why this mix and match of the guidance is plus-40 at this level. Yes, but nothing less than 35 will happen as you rightly said. It is a possibility that if the volumes are higher and you have to give better discount or whatever it is when the more commercial products come into picture. But right now it looks at plus-40 level.
- Sajal Kapoor:** Secondly, on the CRO, CDMO integration, my understanding is that currently we are not touching anything on the CRO side and the innovators managing the CRO operations and when they file the IND, they get the approval, they do the tech transfer with Suven Pharma. So we take over in the CDMO space. We do nothing on the CRO and that is all managed by the innovators. So is that correct? The other part is

I heard that we are not doing any R&D spend because that is all sitting under Suven Life which is a separate entity now. But how come we are filing our ANDAs out of those 11 some are owned by Suven Pharma? So we must be doing some R&D to do the dossier and the research etc., right?

Venkat Jasti: Yes, we are not making that as R&D investment. We are charging on the cost because we are going with the customer and we have arrangements where they contribute something on the other side of the activity and we are contributing something here and everything is charged off. We are not taking this as an R&D expense.

Moderator: Thank you. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: First one was on Rising Pharma. Would it be possible to share the revenues for this quarter?

Venkat Jasti: Rising Pharma is a private limited company and we are a financial partner, we have nothing to do with the operations and we are not allowed to disclose the numbers other than what our share of the profit which is given to us which we are consolidating, that is all we can tell.

Pallavi Deshpande: Secondly, on Suven Life, just wanted to again clarify, how much is yet to be given to them and how much have been utilized of the Rs.300 crore?

Venkatraman Sunder: Balance due is about Rs.133 crore.

Moderator: Thank you. We have the last question from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: Just one clarification. I think three of the molecules that we had commercialized in our CRAMS business was in 2014 and it was an eight year contract. So has that contract been extended, or does it run out eight years or what is the update on that?

Venkat Jasti: There is no contract for any supplies. This is after Phase-II we are supplying and if the molecules goes into commercialization, you will be a part and parcel of supply chain as two or three customers that they have. So there will not be any contract. Depending on how we are doing it, whether we are doing a good job on the cost, on the quality and the supplies and the capabilities and capacities, you get the opportunity to give 30-45% of the capacity they wanted it. Other than that, unless you pay out, other than you lose out, as long as the molecule is still there in the patent period you will get some part of the business, it maybe 25% or 35% or 45%. So there is nothing like a contract written because they will not change other than these two or three sources. We have our own competitor in the sense that if you are not able to supply on time or supply a quality product, then you lose out. Other than that there is no written contract for this.

Samarth Singh: And those three molecules, is the patent expiring in anytime soon?

Venkat Jasti: No, till '2025.

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

Venkat Jasti: Thanks, everyone for tuning on for this conference call and I hope I have explained the demerger process and now it is clear that only Suven Life Sciences has the

innovation part of it, but Suven Pharma which is the main, for the conference call here, it is the activity where we do the contract research and the contract development. And adding to that with both in the human consumption and also the non-human consumption which is under specialty chemicals and we have been adding the formulations development, now the ANDA filing with backward integration of API plus the ANDA, not a pure ANDA like a generic ANDA and this will eventually give on a profit sharing model better bottom line also in future. And hoping that the COVID situation will settle soon and as of now there is no adverse impact, I mean, there may be little delay that is happening...some disruptions and the things happening, except that the acquisition of the new projects were delayed by at least six months. Otherwise, things are looking good and we hope to perform better than what we have been doing now with this focused approach and no riders on the R&D front for the innovation. Thanks again for tuning in and looking forward to talk to you during next quarter.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Suven Pharmaceuticals Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Please note: *We have edited the language, made minor corrections, without changing much of the content, wherever appropriate, to bring better clarity.*