

CSD/BSE&NSE/CC/2024-25
June 04, 2024

To
The Manager
Department of Corporate Services
BSE Limited
25th Floor, P. J. Towers,
Dalal Street, Mumbai - 400 001

To
The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 543064

Scrip Symbol: SUVENPHAR

Dear Sir/Madam,

Sub: Transcript of the earnings conference call for the quarter and year ended March 31, 2024

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Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and year ended March 31, 2024 conducted after the meeting of Board of Directors held on May 30, 2024.

The above information has been uploaded on the Company's website at <https://suvanpharm.com/financial-info/>

This is for your information and record.

Thanking You,
Yours faithfully,
For Suven Pharmaceuticals Limited

K. Hanumantha Rao
Company Secretary

Encl: as above

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Suven Pharmaceuticals Limited Q4 FY'24 Earnings Conference Call May 30, 2024

Cyndrella Carvalho: Good evening everyone. I welcome everyone to our Full Year FY'24 Earnings Conference Call. Let me take this opportunity to introduce you to our management team present here with me today; Mr. Annaswamy Vaidheesh, Executive Chairman; Dr. V Prasada Raju, Managing Director; Dr. Sudhir Kumar Singh, Chief Executive Officer and Mr. Himanshu Agarwal, Chief Financial Officer. Let's dwell into the key highlights of our progress during the quarter and then we will open the floor for Q&A. Over to you, Mr. Vaidheesh.

A. Vaidheesh: Thank you. Good evening everyone. We extend a warm welcome to all of you on our Q4 FY'24 Earnings Conference Call. In the course of the last eight months, we have set up the business well for both mid and long-term growth. Key highlights of the progress made include, we augmented the team and processes across commercial, R&D operations in M&A. We assess the strengths and gaps in the business, which has formed the basis for the strategic roadmap we have laid out for Suven. Extensive customer interactions across multiple forums to strengthen the relationship and elevate us to the strategic partner of choice for customers. Also glad to inform that we had a successful completion of FDA audit at our Pashamylaram facility and other regulatory agency audits along with multiple customer audits and outlining the strategy for the platform and working towards building the pipeline.

FY'24 was a perfect storm with a global slowdown, Ag-Chem destocking, COVID flush-out and commodity pricing. However, we think most of the headwinds are behind us fully other than Ag-Chem destocking. We feel very confident about accelerating the journey given the positive macro tailwinds, the capabilities that we have built and the gap filling we have done so far will continue to do going forward.

I will now hand over to Dr. Prasada, our Managing Director for his thoughts.

Dr. Prasada Raju: Thank you, Vaidheesh. Good evening to everyone. We have a positive outlook for FY'25 and mid-term to long-term growth. We derive confidence from the favourable industry environment lifted by the increase in the clinical pipeline and China Plus One dynamics. This is evidenced by the uptick in RFQs and inquiries for laterals and commercial products from both existing and new customer relationships. Our team has been proactive, demonstrating our unwavering commitment to building robust client relationships and expanding our market reach.



This proactive engagement with our key customers is a testament to our customer-centric approach, which we believe will lead to a significant growth from both existing and new relationships. On Pharma CDMO, we have grown 9.4% year-on-year ex-COVID-based and expect to accelerate that further going forward. We have now 13 intermediates and seven molecules in Phase III compared to 10 intermediates and five molecules as per our last conversation, we had post-merger announcement update.

Similarly, our RFQ inflow and conversion is more than doubled compared to the previous years. Our strategic intent on lateral wins and commercial molecules under patents is not just a plan but a reality. This shift in focus is already translating into more inquiries, indicating more robust and healthier pipeline.

We are confident that this strategic intent will make us more relevant and closer to our partners, business initiatives enable us to offer our expanded services, leveraging our proven delivery capabilities. The increased inquiries for commercial molecules which are under patent further reinforce our positive outlook and potential for accelerated future growth.

On Specialty Chemicals CDMO, as mentioned earlier, we have recrafted our spec chem service line as a new strategic business unit with a much higher focus in-line with our customer expectations and business needs, we have started investing in people who are domain experts, including operating partners, moving towards dedicated facilities and initiatives towards driving continuous improvements, including automation and EHS best practices. The spec chem softness, as our Chairman has mentioned, continues with expected for recovery in second quarter of FY'25.

Let me hand over this to Dr. Sudhir for latest updates on key initiatives. Thank you.

Dr. Sudhir Singh:

Thanks Dr. Prasada. As Dr. Prasada has mentioned, we have continued to meet our customers multiple times. The feedback has been very positive about Suven's capabilities and we feel good about the strategic nature of the release. Encouragingly, discussions with three major innovators companies recently initiated are moving forward in a positive direction.

On the ESG front, we eagerly anticipate the release of Suven's ESG report in the coming quarter, reaffirming our commitment to sustainable business practices. We are pleased to announce that our Pashamylaram Unit 3 site has been awarded the EHS Excellence Award by the CII, which serves as the testament of our dedication to maintaining standards in environmental health and safety practices.

Additionally, during the quarter, we were honoured with an International Safety Award from the British Safety Council for the same, recently USFDA-cleared unit.

Our new Genome Valley R&D Centre has been inaugurated recently with the presence of Senior Executives from a leading global pharmaceutical company. The new block in Suryapet is undergoing validations, on-track for commissioning.

Handing the call to Himanshu Agarwal, our CFO to update you on the financial performance.



Himanshu Agarwal:

Thank you, Sudhir. In FY'24, Suven generated a free cash flow of INR307 crores and now our cash and bank balance at the end of the year stood at INR824 crores. Overall, the company revenue declined by 21.6% for the full year; however, adjusting for the COVID, as well as Ag-chem, the business has grown at 16.2% in the current year. Even the pharma segment, adjusting for the COVID base has grown at 9.4%. While we are experiencing certain inventory destocking in the pharma CDMO which is leading to order delays, we view this as temporary in nature.

Our reported EBITDA margin for FY'24 stood at 39.4%, reflecting the investment that we're making in the business aimed at steering Suven towards growth. If we adjust the one-time cost in FY'24 of 211 million, which includes the one-time inventory adjustment of INR134 million, which I had talked about in the previous quarter, the ESOP charges of 20 million, the M&A expenses and other costs of approximately 57 million, our adjusted EBITDA margins for the full year stands at 41.4% and the adjusted PAT margins stand at 30.4%.

In terms of the update on the proposed merger with Cohance, we have received approvals from the stock exchange and we are currently awaiting approvals from SEBI before we approach NCLT. We understand from Cohance's investor presentation that has been updated on the Cohance's website, that Cohance's has achieved an adjusted EBITDA margins of 31.2% with an absolute revenue of INR1,341 crores. The Cohance business has grown at a CAGR of 13% over the last five years. The CDMO business of Cohance has continued its growth streak with a full year CAGR of 30% and a year-on-year growth of CDMO at 20%.

I would now like to hand it over to Dr. Prasada for his comments on Cohance business performance as has been mentioned in the Cohance's investor presentation, which is updated on their website.

Dr. Prasada Raju:

Thank you, Himanshu. As per our review of the Cohance's investor presentation, we understand that on the progress in the ADC segment, the ADC platform continues to grow significantly by its commercial products, therapy expansion and market registrations. Several other new products continue to be in developmental phase with innovator customers.

Cohance is also expanding its R&D pipeline of new designer payloads and adjacent payloads, which are in advanced stage of development, which organically will enable the expansion of payload market coverage. On the non-ADC CDMO, one product is progressing well in Phase 3.

In the API plus business, the down cycle seems to be behind us and Cohance expects to return to healthy growth rates through market and customer expansion, supported with new product introductions. Ending March of 2024, five new product validations have been successfully completed by Cohance.

Overall, while this year has been muted, given the macro, we continue to be excited about growing the combined platform by our CDMO focus. We expect to see growth both in revenue and EBITDA for full year of '25, with growth accelerating in FY'26. At a combined platform level, we look forward



to doubling the business over next five years organically and adding further growth traction from M&A opportunities over similar timeframe.

As mentioned, we anticipate growth in the second half of FY'25 and Suven closing the financial year with good year-on-year growth, both on revenue and EBITDA. Further growth acceleration expected from FY'26 onwards.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Good evening and thanks for the opportunity. My first question is on your comments that you are seeing increased traction because of China plus one dynamics. Now is there an acceleration in this, in the fourth quarter after discussions on the Biosecure Act or you have seen this solid traction throughout FY'24?

Dr. Prasada Raju: Jatin, throughout the FY'24 we have been hearing but we started getting the positive signal more from Q4FY'24 onwards.

Jatin Chawla: Got it. That's very useful. And these RFQs that you are receiving, are they largely from the large pharma players or also the smaller and the biotech firms?

Dr. Prasada Raju: Jatin, we are primarily with large Biopharmaceutical companies and we are with large innovative firms only. No small bio-techs or medium bio-techs.

Jatin Chawla: Got it. And as we look to kind of further build this platform out, are you looking to target some of the smaller biotech firms in that space or would you largely focus on the larger pharma players only?

Dr. Prasada Raju: Our primary priority is to form with our existing large pharma companies. Step two, we prefer to add few more large pharma companies. Step three, based on the nature of the product and unique therapy we might selectively take an opportunistic call on some of the biotech firms. Today we are primarily focused on first two phases.

Jatin Chawla: And on the pharma CDMO side, is there any way you could split the revenues into development and commercial because commercial tends to be more sticky so one at least gets a sense of what is recurring in nature?

Himanshu Agarwal: Our business is more on the commercial side. However, as you would understand this is the proprietary financial information and we would not be really comfortable giving a split of this information.

Jatin Chawla: Got it, no problems. But just one last question on the Ag Chem side, what is giving you the confidence that you will see a recovery in the second half of the financial year? Are you seeing anything on the ground which is suggesting that or is this just you're expecting a normal cyclical recovery?



Dr. Prasada Raju: Based on the interactions from the customer whatever signals that we've picked up made us to believe this.

Jatin Chawla: Okay. And on the Spec Chem side, on the Suven kind of stand-alone, any increase in the number of molecules that has happened or likely in the next 12 to 18 months?

Dr. Prasada Raju: That's the view that we have it, Jatin. And just to add to the point, after a long gap we have also started getting new RFQs also in the Spec Chem space. These are all the two evidences that we have.

Jatin Chawla: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Saurabh Kapadia from Sundaram Mutual Fund. Please go ahead.

Saurabh Kapadia: Yes, my question was you're talking about doubling of the revenue in next five years. So what kind of investment are you looking in terms of capex to have that kind of a revenue?

Dr. Prasada Raju: With the current view we have up to 1.5x to 1.6x, whatever the current investments that we have already committed, we don't seem to be requiring any additional capex, Saurabh. However, one and a half, two years down the line again we calibrate whatever is needed for the future expansion. Otherwise, enough capacity is already available to have at least 1.5x to 1.6x.

Saurabh Kapadia: Okay. And secondly, in terms of new RFQ what you are getting, is it for the existing chemistry of Suven or this is new chemistry maybe of Cohance and how we are looking at in terms of chemistry-wise new molecules what you are developing?

Dr. Prasada Raju: This is predominantly with the proven chemistry and scale-up capabilities as an organization we have it for several years. It is just the question of having more traction of more number of RFQs inflow to us. And of course, it is not just a number of RFQ inflow, Saurabh. There a very encouraging conversion is also happening.

Saurabh Kapadia: Okay. And in order to solve this new molecules, do we need to invest more on R&D side? Will our capex on the investment in R&D go up?

Dr. Prasada Raju: So if you can recollect our previous calls that was the first decision we have taken when we took the charge in September of last year and we have decided to invest in R&D. As we are speaking as Dr. Sudhir has mentioned, it has become real and we have a state-of-art R&D facility that spans across 25,000 plus of square feet in Genome Valley. It is operational already. R&D scientists as you understand it is based on the need we keep adding the resources as well. In the budget itself we have added a few resources already. It has been very well thought through.

Saurabh Kapadia: Okay. And lastly in terms of margins how we should look at. For FY'25 you mentioned there will be growth or standalone entity, but how should we look at the margins for next year?

Himanshu Agarwal: Saurabh, we have shared the margins in terms of what we have kind of delivered during this year. I think there are two aspects that we have to consider. As we said that we are expecting to grow the business in FY'25. So therefore, we will have a base effect of higher revenue coming in. Obviously, the cost is not going to grow in-line with the revenue growth. So we do expect the margins to grow from what we have reported in the current year.

Saurabh Kapadia: Okay, fine. Thank you.

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

Vainatheyan: I would like to know whether along with the acquisition of Suven Pharma; Casper Pharma is also being acquired by Advent, am I right?

Dr. Prasada Raju: If you really look at the chronology of the events, Casper acquisition has happened by Suven prior to Advent acquisition of Suven, that's how it has to be looked at.

Vainatheyan: Was that a part of the Advent acquisition also or was it not, was my query actually?

Dr. Prasada Raju: Yes, that is also included. It came along with the Suven acquisition because Casper is an integral part of Suven.

Vainatheyan: Then I have a question associated with because Mr. Jasti had told us around INR300 crores, INR350 crores, you would be deriving it over a period of three years after the acquisition of Casper. Any progress has been made on that front?

Dr. Prasada Raju: So currently we are focusing on product filings and approvals as we are speaking today and combined at a overall formulation level we have 22 plus ANDAs already approved. Seven of them are coming from Casper another four are under pending for approval. As you understand, this business takes time. In the next one, one and a half we see the complete uptake of the revenue.

Vainatheyan: Okay. Thank you. And this doubling of revenue is it a combined Cohance with Suven? You combined this one and then you double it up or is it only you're talking of the Suven revenue which is being doubled in the next 4 to 5 years please?

Dr. Prasada Raju: Base is at a combined level.

Vainatheyan: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Ritu Kumari from LK Investment. Please go ahead.

Ritu Kumari: I just wanted to know what is the M&A focus that we have? What are the gaps that you think we need to fill? Can you please elaborate on the M&A strategy? Thank you.

Dr. Prasada Raju: During our last calls also, we did mention this. Our primary intent is to ensure the Suven growth has to be accelerated. To do that, we have recognized some opportunities of technology platforms as we speak, we are constantly scouting for a meaningful technology platforms which will enable the Suven's growth journey.

Ritu Kumari: Okay, noted. Thank you so much.

Moderator: Thank you. The next question is from the line of Rashmi Shetty from Dolat Capital. Please go ahead.

Rashmi Shetty: Yes, good evening and thanks for the opportunity. On your API segment, while I understand that FY'24 the API sales fell over compared to FY'23 that is what I'm seeing from your presentation. I just want the split what was the rate variance versus the volume. Most of the other peers are also talking about that there was a negative rate variance in FY'24 in high double digits. However, the volume growth was pretty high. So, if you can give about the Suven it would be helpful, Suven plus Cohance?

Dr. Prasada Raju: You are talking about rate variance?

Rashmi Shetty: Yes. So I'm just talking on the pricing front in the API segment. If I'm correct that whether the pricing for FY'24 versus FY'23, if we compare what was the decline in the pricing and what was the volume growth in FY'24 over FY'23, only in your API segment?

Dr. Prasada Raju: Okay. I'll just try to simplify. We see close to around 4% to 5% not beyond because it's across various products the price correction has happened up to a 4% to 5% level, broadly.

Rashmi Shetty: And on an average what was your volume growth?

Dr. Prasada Raju: Volume growth, again, it's a factor of customer and market. We might not be able to corroborate that, but definitely price level for our select range of molecules around 4% to 5% of correction has happened.

Rashmi Shetty: Got it, sir. So this 4 to 5% you are talking mainly at the value growth or just on the pricing front?

Dr. Prasada Raju: Pricing.

Rashmi Shetty: And sir how do you see this in FY'25, whether the pricing will remain here only at the stabilized levels or you feel that the pricing will go up in the second half of FY'25? Anything you want to talk related to the APIs in FY'25 for your business?

Dr. Prasada Raju: Rashmi, if you look at the broad industry prospects you might be seeing a lot of pricing pressure for commodity APIs. As you understand the Cohance portfolio is a little curated and niche. It doesn't have so much of a pricing pressure. However, what we see coming here is going to be other way around. There can be a possible pricing appreciation and in general the pricing is also a factor of markets and as we are speaking our market expansion is on the more pharma emerging markets,

where the pricing will be much better than what it is today. Combination of both we feel the price appreciation will be better than the current baseline what we have.

Rashmi Shetty: Okay, got it, sir. And the second question is on the comments which you made that there are increased inquiries in the CDMO segment, especially which you have seen in Q4FY'24. Are the inquiries related to more developmental projects which are in earlier phases or is it more related to Phase 2 and Phase 3 pipeline?

Dr. Prasada Raju: It is a combination of both, but more importantly very exciting laterals have actually come in and some of them are Phase 2 and beyond.

Rashmi Shetty: Got it, sir. And one last question, if I may? In the CDMO segment earlier we said that we are actually reviving the clientele of Suven Pharma. So how many new clients you have already revived and how many new are getting added, any clarity if you can give on that part?

Dr. Prasada Raju: So our current objective is, Rashmi to farm with existing customers. However, during our last call also we did mention, one of the relationship is becoming more strategic partnership, more number of RFQs are coming that's the view that we have.

Rashmi Shetty: Okay, sir. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Chirag Dagali from DSP Mutual Fund. Please go ahead.

Chirag Dagali: Yes. Thank you for the opportunity. Like you have given in your presentation pipeline, Phase 3 pipeline for the intermediates for Suven. Similarly, can you share for Cohance as well?

Dr. Prasada Raju: So we haven't covered this as such because it's at a different broader base of the business. But we will share that in the coming quarters.

Chirag Dagali: Understood. So the kind of traction that we are seeing in the Suven business, your Phase 3 pipeline is almost doubled, right? If I just look at the number of intermediates from 6 in FY'23 to 13, similar traction have we seen in the Cohance CDMO piece as well?

Dr. Prasada Raju: Absolutely. There are two parts to it. One is on the non-ADC as well as ADC space as well. More specifically on ADC space, it's almost double. Two commercial, two more new products have come in. We are slightly constrained with the obligations of the innovators. Otherwise, you must have picked up. We are also working on a few designer payloads exclusive to a few clients. And we are also expanding to a new payload business, which is an adjacency of coming from topoisomerase to tubulin isomerase.

Otherwise, work is happening. We see the same traction all across the platform. Just to be a prospect, as you understand, between last year to current year, the number of clinical products in pipeline have



increased by 16% standing at 22,600 approximately, which has also been seen by the industry. That's an additional insight for you.

Chirag Dagali: And in terms of reaching out to clients, are we now reaching out to clients as a merged entity or that is still pending? We are still reaching out separately. There's some color around operationally. Is the merger happening or do we wait for the legal merger to happen before we reach out...?

Dr. Prasada Raju: So currently a conscious positioning is happening, Chirag. And as we are speaking, some of the competencies of the mutual benefits from Suven to Cohance and Cohance to Suven. Customer also wanted to do that. So consciously, the cross-pollination is already started.

Chirag Dagali: Understood. And, sir, on the agrochemical piece, while you said that, things should improve. You know, the way, how do we think about, we are at multi-year low as far as the current year, current run rate for the second piece is concerned. And this is coming on the back consecutively of a very high base. So the earlier peak for us to reach that peak, was there any one-off in that earlier peak that it will be difficult for us to reach that peak back?

Some color around, some inventory thing that earlier peak, etc etc. Just how do we think about growth of this low base that we are witnessing in FY'24? Is it going to be a more linear recovery or is it going to be a non-linear recovery? Just how are you thinking about this?

Dr. Prasada Raju: There are two comments, Chirag. It's a very valid point. If you look at the journey from FY '22 now, the base started from INR309 crores and the peak was seen up to INR533 crores. If you look at the composition, dominance of one or two products are there, which is getting nullified with multiple number of products. Today, the pipeline is better, which is one important factor. Second, whatever the big product has a bit of challenges of destocking and having a little bit of adverse impacts on the overall uptake of the product, it is also coming to a normalcy.

So combination of the situation has become normal, coupled with wider basket of products makes us to believe that it will come back to the growth trajectory. And we are having a very close, engaged conversations with our partners. And we also have decided that it is not just one more service line item for us. It has to be a separate strategic business unit we are also getting one more senior leader who can actually take up this business as a BU head. And all these things are actually giving more confidence to our partners also to see us as a part of the new product pipeline as well.

Chirag Dagali: Perfect. Thank you so much for that. Just the last bit on the merger, while you indicated 12 to 15 months from February, 2024, when you announced, in terms of the big milestones, is it just time that it is going to take? Are there any specific issues that you witnessed in consummating the merger?

Dr. Prasada Raju: As of now, it's on track, Chirag. However, I would request Himanshu to elaborate anything.

Himanshu Agarwal: We are progressing in line with what we had estimated. And I think we don't sense that the estimated timelines is going to overrun. But having said that, it is a regulated environment and we do need

regulatory approval. And there is all initiative and full steam ahead in terms of getting the merger approval.

We are more keener than anybody else to get the merger and get the synergies because that's, as you recollect during the merger presentation, also we had mentioned the entire drive for merger is because the customers are seeking it. And I think you also asked the question about how we are approaching the customer. So yes, we are very keen in terms of progressing the merger and we are quite confident that we should be able to reach in the stipulated time that we have mentioned.

Chirag Dagali: Understood. Thank you so much for that. Those were my questions. I also want to just leave a comment. Thank you for indicating the consolidated pro forma numbers for us how they look and providing a five-year history for that. Very helpful, goes a long way in our decision. Thank you, sir.

Moderator: Thank you. The next question is from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: Thank you and good evening. In the fourth quarter, gross margins have improved, but your EBITDA margins are down. So barring the impact of the option expenses and employee cost, what is the reason for the increase in employee cost and the other expenses? And is that something which will possibly even out or is it something which we should assume will be the trend for the next four quarters?

Himanshu Agarwal: We don't look at our business on a quarter-to-quarter basis. As you understand that we are a lumpy business and the fact is that it's best to look at our business on a yearly basis because it's basically a long-term business. Having said that, I wouldn't really read on the Q4 margins. I would kind of draw your attention back to the FY'24 margins. And I think what I said in a previous response also that we are growing the business and our expectation is that the growth will be faster than the expense growth.

I think Dr. Prasada has also mentioned in various communications that we are investing in the business and we continue to invest in the business because, for example, we talked about a strategic business unit being converted for spec-chem and that will require investment because I think that's the way we expect that the customers is designing of the business and the focus that we require in the business. And so, yes, the employee cost will increase.

We are expanding and adding high-quality manpower, which is so very required for this business. I think we've already talked in the previous conversations also about a very strong commercial engine being made and that comes with a cost. So, yes, I think the net answer at a summary level is that margins will remain healthy and we continue to invest in our business for a progressive growth.

S Ramesh: Okay, so if you look at the history over the last five years, after '21, you're kind of, grown for two years and then your numbers have gone back to where you were, let's say, '21. So, apart from the headwinds most of the industry has faced in FY'24, is there any company-specific or client-specific factors which has actually dampened your performance in '24? And what is the timeframe over which one can expect that growth phase to come back, say, if you take a 2, 3 year view?

And secondly, what is the reason for the sharp increase in net debt to EBITDA between FY'23 and '24 for Suven, key ratios as per the FY'27? And when do you see net debt to EBITDA ratio being brought back to something reasonable?

Himanshu Agarwal: I think three points, Ramesh. One, we have in various earlier conversations mentioned about the COVID sale and I think the COVID sale has had a huge base effect. And we talked about the Ag Chem stocking and the impact of the destocking that we are facing in the business that's an industry-wide phenomenon which is there. So I think that's part one to the question that you have. The other part which is there is, we did mention that we have around INR800 plus crores of cash in the balance sheet. So that's the other aspect that has to be covered in terms of when you're looking at the various ratios.

S Ramesh: No, I'm just looking at the net debt to EBITDA ratio given in slide 27. So that must be adjusted for the cash, right? So it's increased from 0.7x-1.8x, this is net cash, okay. So normally we put, so this is a net cash ratio. So I stand corrected.

Dr. Prasada Raju: That's correct.

S Ramesh: Because normally we state positive figure as net debt. Okay, fair enough. So if you look at the overall product mix, will CDMO remain the dominant segment or will you see some increase in spectrum Agro Chem in the next 2, 3 years? How do you see that? And how do you see the return ratio in the acquired entity Cohance catching up with the Suven ratios because Cohance seems to have lower return ratio. So how do you see that improving in the next 2, 3 years?

Dr. Prasada Raju: Let's again, dissect the subject. You have multiple questions. I think what we need to first understand is that for us, we are creating Spec Chem as a strategy business unit. The direction and the need for creation of a Spec Chem as a strategy business unit is, because we do believe into that business unit. And therefore, we would continue to invest for growth in that. We, during our merger exercise we had mentioned that we are creating multiple engines of growth. And therefore, all engines of growth will eventually fire.

And in our commentary today, we have said that other than Ag Chem destocking, we are not sensing that any BU will not fire. So all these BU's is firing and we are expecting and experiencing -- expect the growth to come in FY'25 onwards.

S Ramesh: Yes, and on Cohance how do you see their balance sheet ratios improving?

Dr. Prasada Raju: These are 2 very different business. I would say that it would be almost like comparing apples-and-oranges. So we want - I think it's a very, very different business. So I mean, I would assume that both the businesses will improve but not that; A, will reach to B or B will reach to A.

S Ramesh: Okay, fair enough. Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Gagan Thareja from Ask Investment Managers. Please go ahead.

Gagan Thareja: The first question is, while you've given the profit contribution from Cohance is it also possible to give the operating cash flow and the fee cash flow contribution from Cohance for the year?

Himanshu Agarwal: Gagan, I believe it is there in the presentation. Can I request you to please look at the presentation? We are also analysing the data from there. I think we can send it across later. I don't have an offhand recollection on which page it is. {P.S. - The data for Cohance Lifesciences that we have analysed and published is sourced from the Cohance Lifesciences website. The link to the FY24 investor presentation is shared below on completion of the transcript}

Gagan Thareja: Okay, because I was unable to find any cash flow contributions related to Cohance. What I could find was that the net working capital on Cohance has increased and so also it would seem for Suven, if you could give some idea of, how to think about working capital for the year or year's ahead?

Himanshu Agarwal: Yes, see on a working capital basis, there is work as we speak on the working capital that is actively being done by Cohance management, that's what we have and learned from Cohance management. I believe that the ratios will improve over the period.

Gagan Thareja: Can you enumerate it? I presume Cohance this year was 180 or 180 plus days of working capital. What sort of cash conversion cycle are you sort of looking at after improvement, perhaps next year and thereafter?

Himanshu Agarwal: I would not be comfortable at this point of time to indicate a number, I think, let's wait for six months to see as to what numbers are delivered by the business.

Gagan Thareja: And you indicated that over the next five years, you think the combined entity can double on the top line. Is it possible to segregate the growth outlook for Suven separately and Cohance separately? When you say doubling in five years, you're essentially talking of a 15% CAGR. Do both businesses grow at the same pace or do they grow at separate paces?

Dr. Prasada Raju: We expect similar growth ratios between both Cohance and Suven. The reason being, Gagan, the pipeline of Suven as well as Cohance and the right inputs to deliver the growth has been factored. One of the important aspects is we have multiple engines of growth. All multiple engines of growth will have to grow disproportionately to what we have it today. Hence, this is what the belief that we have.

And predominantly it is led by CDMO from both sides. If you look at it the gross contribution of Cohance business close to 42%, while the five-year CAGR is 13% revenue, CDMO growth is more than 30% plus. So these all things make us to believe that the both growth engines will continue to propel.

Gagan Thareja: Okay, if I refer back to your previous quarter's transcript, you indicated that there might be Q1 to Q2 of softness and then growth will recover. So while you give a 3, 4, 5 years guidance of 15% CAGR,



from an immediate one year perspective, are we still looking at growth to be sort of below the mid-term guidance that you've given and then recover thereafter?

Dr. Prasada Raju: So second half onwards, the recovery is going to be seen in both the businesses, Gagan. Because there are enough evidences, as you understand, there is a lag in each of the businesses and based on the view that we have, second part of the year onwards, the degrowth challenges are behind us. It is only just growth is fully back to us and full-year basis, there will not be any challenge. And second half is the real evidence that we can see.

Gagan Thareja: Okay. And again, referring back to previous quarters' call transcript, the merged entity pro forma operating margin would be mid-30s and you indicated that you would be in an investment phase, in a team building phase for some time to come which would mean that margins would probably dip before they sort of inch up again and improve. Is that still the case? And you feel that or perhaps the next couple of years because you'll be in a team building phase, the margins might sort of take some sort of an erosion before they come back again?

Himanshu Agarwal: Well, the right way is to look at, given the growth aspiration, we have indicated mid-35s or mid-30s is what we've indicated as the long-term margin for the business, we would want to stand by to that statement that's the direction that we should look at.

Gagan Thareja: Yes, that's the long term, but how does it pan out over the next year, two-year, three-year timeframe? You first come below the mid-30s and then go back up towards mid-30?

Himanshu Agarwal: We are not expecting that to happen.

Gagan Thareja: Okay, so it will sustain at where it is right through, is what you're saying?

Himanshu Agarwal: Long term, we will be mid-30s.

Gagan Thareja: You are mid-30s already, right on a pro forma basis?

Himanshu Agarwal: Yes, so we will sustain it around that.

Gagan Thareja: The final question from my side and this is for Vaidheesh. Vaidheesh, you have a very storied past in Glaxo. Just trying to sort of get your inputs on -- that business was a branded generic business and you would have, you're a seasoned professional there. You bring superb insights from that market. I'm just trying to sort of understand how will those insights aid the growth of a CDMO business merged entity over the next four - five years. How do you sort of bring to bear your experiences in this market?

A. Vaidheesh: Yes, thanks very much. I appreciate your sentiment. See, first and foremost, the end of the day, every business has certain, business models and insights, as long as we stay close to customers, we understand how to serve them, how to prepare yourself to deal with the customer needs. Business, every business, whether it's a branded generic or whether it is CDMO business. I personally believe

that Suven and also the combined entity is well poised for a good growth because of the fact that phenomenal understanding of customer insights is going into serving them.

So being an innovator company, since I had experience, an innovator company likes the idea of, doing the right things, doing world-class processes. Suven as well as Cohance is well suited to serve the needs of the innovators or the global MNCs. So that is the most exciting part, I would say.

Dr. Prasada Raju: Gagan, just to close that loop with the first point, what you mentioned, we expect to see a full year basis, we will continue to grow and there are enough signs for this acceleration. And this acceleration is much better in 25, 26. That's the view that we have it on the ground.

Gagan Thareja: Thanks, that's helpful.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question. I would now like to hand the conference over to the management for closing comments.

Cyndrella Carvalho: Thank you everyone for joining us today and your valuable input. We look forward to our future interaction. Thank you and good night everyone.

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

The Cohance Lifesciences – Investor presentation link from website

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