

CSD/BSE&NSE/CC/2022-23
June 8, 2022

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 Analyst / Institutional Investor Meeting

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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 Analyst / Institutional Investor Meeting held on June 1, 2022.

The above information has been uploaded on the Company's website at <https://www.suvenpharm.com/index.php/news-events>

This is for your information and record.

Thanking You,
Yours faithfully,
For **Suven Pharmaceuticals Limited**



K Hanumantha Rao
Company Secretary

Encl: as above

Suven Pharmaceuticals Limited



“Suven Pharma Conference Call”

June 01, 2022



- Questionnaire:** Thank you very much Sir for this and Sir just I mean we probably already got this question many times but like this whole foray and now a bigger commitment to generics and ANDA manufacturing, just trying to understand like because the current setup will be more of a contract manufacturing sort of set up right, for Casper, so?
- Company Speaker:** No.
- Questionnaire:** So, you will take the risk of pricing.
- Company Speaker:** No, not the risk of pricing. It is not contract manufacturing. It is profit share. So, we will be supplying the cost-plus basis and then we will be getting some profit share on the products and all the R&D projects of Rising pharma will come exclusively to Casper Pharma for the next seven years.
- Questionnaire:** Okay and all the R&D?
- Company Speaker:** All the R&D projects of Rising Pharma.
- Questionnaire:** You indicated some 15 or 17 ANDAs right?
- Company Speaker:** They have 15 under development. Two of them are already filed and we are expecting the FDA audit within three months. Then commercialization takes place. Then the additional filings are happening.
- Questionnaire:** So you were mentioning that all the projects will come exclusively to you?
- Company Speaker:** To Casper yes. Rising R&D projects, see Rising has some 15 odd customers. Their products we sold through the distribution and profit-sharing basis but Rising has their own R&D and no manufacturing, so this is a phase they have a contract for seven years on exclusive basis to set all their R&D projects for tech transfer will be done by Casper and filing will be done by Casper and sold at cost plus basis like any other aspect and we will make profit sharing with the molecules.
- Questionnaire:** So Rising is more of a sales and market?
- Company Speaker:** It is purely sales and marketing.
- Questionnaire:** But they have their own R&D as well?
- Company Speaker:** Yes, they have R&D. They have so many customers so they will give them so many products they are identifying some projects on their own and we will be doing in their own

facility and for that they have the contract already last year itself before we got this, we do not have Casper Pharma at that time.

Questionnaire: Just coming back and you are like businesses doing well? It is very profitable so just trying to understand from a strategic standpoint why this foray into?

Company Speaker: When we started our ANDA business back in 2016-2017, it was a lovely business because when we do the combination, at the time, we have our own innovation that we need to do the R&D for the formulation, for the phase one and phase two molecules formulation and we have capacities and capabilities, we were not able to utilize this, so we want to go to do a leverage exercise by doing the formulations not a blockbusters like others, we only go after the low brand, where volume is 40 to 50 million average. If we do 3 to 4 million in the generic space and not many people will fight for that. When we started this, we started with Taro taking their own molecule with that and then lifestyle extension and lifestyle management for them on a royalty basis. After that we are choosing products which fits into the basket and aligning it with the customer's selling on cost plus basis with profit share. It is not going to be huge amounts of money but it will give you bottom line attrition because of the profit share and the reason is leverage exercise we do so the Casper Pharma we took it because we have bonus of pricing we took last year 25% share. We sold that to a big PU fund, HID partners who owns 60%. The Casper Pharma is owned by one of the partners of Rising Pharma at that time and so the HID came into the picture. As I said they have an exclusive arrangements for the R&D projects comprising may be exclusively manufacturing, supply and cost-plus basis plus profit sharing like any other customer is existing. HID said since you are a minority partner and since you are in India we feel comfortable you take over and have this thing and it is an exceptional revenue generation and guaranteed business from pricing portfolio and distribution. So, again it is a leverage but at the same time it is a guarantee. Like I choose a molecule look for a partner. I have five or six partners like that. Here they are doing everything and this is a seven-year contract and if the prices will be paid for this book value only. If I have to start building a new facility it takes a year to get all these things and the cost has also doubled now a days especially in the area where the facility is located so with that it is a...

Questionnaire: Does this sort of because you are currently doing intermediate so does this sort of work has a technology demonstrate it to your partners that you can do full API and formulation?

Company Speaker: Yes that is a different thing. We have been working with our innovators to have a forward integration of these projects or even India and we have approached them and because of our long-term relationship and they are inclined to look into that direction because now like before they also want to cut down the number of players they want to work in whatever the areas also the basket of offerings should be expanded. That is the reason why. We also not only in the molecules which we are in the pipeline we are also saying that why cannot we do the life cycle management of your own molecule existing already and if it is going into

generic, I can make API for you because it will give tech transfer and I can make the formulations of certain regions also. For that we are inclined. As a matter of fact, that has happened in late 2019. Unfortunately, things did not move because of the COVID and hope that things will start sometime next year, but it will take three to four years before you see any opportunity to bid on it.

Questionnaire: Is this the first time we are trying to do something like this?

Company Speaker: No, we have been asking for it but the mindset has to changed know. They are now inclined but you know this thing has come in picture.

Questionnaire: Why is the change in inclination now?

Company Speaker: As I said like you see seven years ago Pharma they also cut down that. If you see Pfizer they used to be in 20 something. Now they are hardly in four. The rest of them are not doing, they are licensing right. Similarly, they also cut down the number of things they are working with so it is a seamless transition from phase to phase and also less project management. It is a huge project management for them. So in that process they are choosing some of the partners to expand their offerings or outsourcing whatever you can call it, offerings on their side also. In the process we have been short listed as a preferred supplier based on all the yearly evaluations in the last five to six years it is happening. So, in the process we are also saying that you know us. You know us, you know our capability and you know our commitment all the stuff why cannot we do it and do nicely yes. It is still a learning curve and the people who are involved now are largely the people who are going to do the next steps. They are the head of the departments so they have to do this. I can give you an example. We are doing one R&D project which matured in phase one, two, three and even finally launched and when we did that project we did in a private plant in the R&D centre. For them to move and approve to the other side of our own, because volumes I cannot do at the same facility as it is a small facility, it took three years for them to approve us, so you see in the business was given first of all change in management system and then change in due diligence and all that stuff. Unfortunately, there was Covid and things stopped. Now we are hoping that it will move next year onwards and it will take three to four years before you see. It may be faster but conservatively earlier than that. Yes, we are interested in growing and they are aligned to that. This is where the formulation also came in the picture. They are also looking for the life cycle management they want in South East Asia. They still continue to do production and it is like partner if they chose me to do the formulation including India.

Questionnaire: But like till now the API has been done in house right generally for the products that you are supplying intermediate minus one and minus two?

Company Speaker: They are all by themselves only. They may have one or two outsourcing partners, but not many. But when it becomes to the generic the concept or let us call it life cycle management that is where people like us will be coming. The other thing is exiting ones itself since they have the things and whatever we are looking for doing forward integration for formulation, but API.

Questionnaire: Because that is the other phase that you are trying to do in the CDMO side, I mean like we have certain successes there or do you think it will take time?

Company Speaker: That is why I am saying they are inclined, but the decisions have to take place.

Questionnaire: But the API is again more from a life cycle management and not?

Company Speaker: No I am talking about, for the API we have been supplying as the phase two level or phase three level, there itself I said why not I supply the API itself rather than sometimes they outsource to people like Lansa in Europe. Most of them they are in house. Usually the volumes are unlike the olden days not thousands of tons, it is only 10 tons, 5 tons, 8 tons hypotense molecules, but since some of them are in Europe and since we are capable and since we are there since they know us and cost basis also much better comparatively and as a backup. That is why it is interesting for them. That is the way we approach. Unless they have a mindset no matter what you do they say no.

Questionnaire: Sir since we are discussing the dynamics for the CDMO market, we are seeing some other players like Laurus, etc., doing very aggressive targets on the CDMO side so do we see ourselves in competition with some of those players or is our strategy very different from what they are trying to do?

Company Speaker: I do not know what others are saying and how aggressive they are going. I cannot go aggressive because our business model itself which says it is a success of the molecule and use of derivative with acquisition of number of molecules. Just acquisition of the phase one molecules does not give you any revenue. It is just stop and go 0 to 1 right after and generics, generic intermediates so with some of these other players are all a mix of all. They are coming into this fold truly so they need some guidance based on other like may be if they have huge pipeline of generic, API and all those stuff. So we are exclusively in the MC based intermediates and we are no stock and sale item for us like other people have we do not have. These are all intermediates right now but the MC based intermediates only.

Questionnaire: I mean obviously these people if they had to build a pipeline like you starting phase one and that will take a long time?

Company Speaker: Not necessarily, let me give one example. We are the ones who started this business model way back in 1995 during our IPO. Since we were not interested in doing generic we had to

innovate a business model go into supply chain of the innovators. The mindset of our knowing fully well the first flow is supply and last flow is supply is only the reason why we got inroads into the not otherwise and at that time no IP, a very small company and all those stuff. In 2001 one success for us, after that 10 years nothing. Success means commercialization. If you see for example they started in 2001 or so but in 2003, 2004 timeframe we had four molecules which they were in pipeline luckily they got into commercialization that is the difference. Capacity wise he is number one no doubt about it, whatever he does, he does in a global scale, how am I to tell not to go in generics so this is the success of the molecules and gives success. So it has had its problems. You do not lose money at any given point of time but at the same time the opportunity got is lost, in generic you get some kind of revenue projection here is zero to 1 and even this one there will be ups and downs to this but recently you see for the track record I mean we have in last five years traction is good, we are able to do things and this time the only problem we have is we do not have visibility more than six months because we read out the data only in users. The customers have to go forward and going forward on that then only they will tell us get ready or not, so this is only problem we have so that is the main problem. We cannot give a guidance and we cannot engage us.

Questionnaire:

Basically where I am coming from is that I am beyond the relationship is there a barrier to increase the business.

Company Speaker:

Today if I will start over again I do not think I will get into anywhere to get the relationship and longevity and commitments and the capacities and the productiveness. We do not have business development, we have only foreign standard we do not have a business development team and that is what I am saying if I am going to service activity like FD and all the stuff I can put people when the delivery this but if is a delivery based activity very rarely you get a new one, it is only the relationships and their understanding of us. This difference in the models DB versus us that you said they had better visibility and bigger scale, how does that affect our capital allocation we do not have exact visibility but we do have certain plans.

Company Speaker:

If you see our capital allocation is very minuscule we are seeing some numbers now but if you see it is bunched up now that is all because of the old facility needs to be refurbished and replaced and the reallocation of the R&D center of the inner ring road and outer ring road of 1/3 is by capacity expansion. That capacity expansion also not purely capacity expansion it also requires some of the customers requirement for some kind of automation or some kind of technology to do all stuff. We have to do proactively but there is nothing like I just keep building because some people keep building because they generic and intermediate and API we do not have any stock and sale items per se, everything is one on one so it has to be customer driven and success based so our capital allocation is very minuscule comparatively and sometimes you can recover back even in one year itself.

Questionnaire: Just coming back to question just trying to understand that if somebody is going in for a phase three commercialization then would they look at us versus DB versus Laures is that how.

Company Speaker: That is completely wrong in the sense when we tell you say for example one big pharma is there, if they want to outsource phase one level or phase two level maximum phase two after that nobody will do, if they come to Suven they do not go to anybody in India, may be China and Europe if they go to Laures they do not come to us. They map out and they see and secondly you have think in big pharma there are so many heads not all of them knows Suven and experience. If somebody already with Laures and they came to this big company they are more likely to go Laures than Suven even though we are listed as one of the suppliers so they do not compete and secondly at phase three can they change source no. Usually they have two to three sources minimum for each, when they start at phase two level which means actually going to patients. They cannot change the sources. If they have three sources they can use all of them or use only one of them it does not matter or at least two of them does not matter that means we cannot change source if we change the source, impurity profile changes and it will affect the product so they have to do rational ability studies, it will cost you hell lot of money, so they do not go for phase three, they will go when it becomes non regulatory for us and commercialization at later if it is early stage then they may go for it otherwise it is more or less same. So currently we have five phase three and 35 in phase two, 77 in phase one.

Questionnaire: So the five phase three number has not changed but we had this COVID molecule, so the COVID molecule came separately.

Company Speaker: It was one of the five.

Questionnaire: It was one of the five because you had mentioned that the three molecules were in pain, RA and oncology and you mentioned that something was in repurpose for COVID.

Company Speaker: When they repurposed it then we were there. The molecule we were working but we have gone to some other reason but suddenly they moved it and they successfully launched it but one more thing on this one you cannot take this brand trade even though it is commercial. It is not going to be day in and day out product you can say it is one off, they come but after that it is not like other than RA molecule.

Questionnaire: So would you be having 10% to 15% growth guidance for FY2023.

Company Speaker: It is a blended growth on the pharma side,

Questionnaire: On the pharma side right that would include significant COVID contribution.

- Company Speaker:** Not necessarily usually we are blended. We cannot take even the commercialized molecules into this because it is number one customer base actually nothing happens because specifically business is not there so it is an overall growth put together in phase one, phase two and also the product mix and the commercial also.
- Questionnaire:** So broadly would you be able to share like how much is coming from commercial versus.
- Company Speaker:** No it does not give any trade indication. Just now I told you it does not give you a trade indication so we have refrained from giving you those number because it gives your wrong impression and calculation.
- Question:** No because where I am coming is from is that I hope the under development is sort of like streamlined that is not going to decline but in the commercial as the molecules go up patent can decline.
- Company Speaker:** Not necessarily the moment from phase two to phase three basically these are value creation not only commercial sometimes they must give more revenue than the commercial itself. Out of the five molecules one of the molecules is our monthly order based on their marketing projection they have shown some good quantity since the time it has not penetrated to market. It gets something percentage wise but not a guaranteed income so you cannot put together into perspective so that is why we have a blended growth based on the visibility we have.
- Questionnaire:** So we had one molecule moving into phase 3 because COVID has moved into commercialization so we have got one more moving into phase 3 that would be the right way to understand it.
- Company Speaker:** Yes.
- Questionnaire:** Where I am coming from is like you mentioned that women's health molecule has not done well and COVID of course is more of one of opportunity so what I understand is couple of your molecules for couple of block buster or one billion dollar plus runs so as we go off patent somewhere in FY2026 time frame do we have enough pipeline to be able to offset some of that.
- Company Speaker:** This mix and match is always there. We are not going only on one molecule and it is not year on year revenue I mean could be patient and if we go to blended growth that we are giving and naturally that will go down something else has to come that is based on the past experience for the last 10 years and especially in the last 5 years. The track is much better.
- Questionnaire:** How is the competitive landscape with some of the big players like Laurus?

- Company Speaker:** No definitely I think that is a mixed conception. The customer decides where we go in the LC business not other businesses but LC business I cannot go and campaign for it. If I know somebody give me all your projects no. They will choose customer based on our previous experience.
- Questionnaire:** So your business development effort do not have?
- Company Speaker:** It is only the project management which acts as a business development. They are only taking the rights.
- Questionnaire:** So even Laurus would have like a zero-business development.
- Company Speaker:** Not necessarily the have combination team where they have services, they have generics, they have API and they have faculties also so they put all efforts which is what, we do not know but they are doing good and nothing wrong with it.
- Questionnaire:** Because where we are coming from is also that you are trying to get into API while some players like Laurus is starting volumes that decommercialize so they will not really follow that whole LC development road map like you have.
- Company Speaker:** I think the question here is API I think is generically used. API means it is not that I have do not have the capability to do API. I do API but my backward integration of generic molecule right. What I am saying is API the LC I want to go and forward integrate which is not many people do, they do generic but whereas the other companies doing mainly the API for the generics and all those things may be one or two specialty small volume may be they are doing I do not know but LC space very less is being outsourced. It is not that we are not have capability we have lot of capabilities it is only because of the IP situation they we do not want to.
- Questionnaire:** But there would be lot of common client between us and Laurus in anyways similar.
- Company Speaker:** Finally in this business which division goes where. Where their focus is that is what comes.



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Company Speaker: 2009 is almost here but the COVID-19 transition in 2019. Yes, we are looking, so I do not have to come here then they have taken the company.

Questionnaire: They enjoyed very well. Sir and why does this news of companies for sale is coming Suven Pharma.

Company Speaker: I am not say 2019 you give me a good brands see people come there, when they come then I say I am more into this standard and really for any day while sleeping also then they said okay I will give a good price but they want a 50%, I mean, 60% why not I take my all these peoples and does not handle in giving things which was retained why not for everything there is a price you cannot say, you cannot say yes.

Unknown Speaker: Money control the small percentage I think it is a major regulator which I got to.

Questionnaire: So are we seeing a huge growth in the number of products you have already.

Company Speaker: Hopefully, we will, but if you see the last five to eight years unlike we have too many projects but I think that is why they are seeing this transition and I maybe even want but we will know.



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Company Speaker: It is under development and everything as I said it will be at the end of 2023-2024 it will be launched, these values will be \$7 to \$8 to \$10 million so what we have guided, in our guidance and it comes to the pharma clients since it is depending on success their molecule into clinical trials we will not be knowing which are in the clinical trials unless the customer knows about it, usually we have extended liability other than right, they do not have neither we do so based on that we cannot leave the guidance but at same time we said it can be 10% to 15% growth we expect on that seeing last five years. There is a possibility suddenly it can double in one year, because the molecules in the pipeline which moves to the next stage and even to commercial angle suddenly these ramp up can happen, but that happened once in 2014, 2015, after that it is normal growth of 20%, 25% which is happening, so that is a challenge we have to guide you on whatever, we do not know our sales, but based on the trends and we have 10% to 15% guarantee, but outside 23% there is a likelihood of downside also sometimes it can happen because the repeat business may not come, because the penetration may not be good enough so things can happen at that time. Similarly in the business, because since it became big volume product, became generic it will have some price pressure even though volumes are still there so based on that even though there is a growth potential on the other side all in all we say it is a flat growth for now may be positive 5%, but right now it says around flat growth. With respect to the formulations and I said this is a leverage exercise as the numbers are less whatever we have launched at big volumes and now it is less than 8% to 10% of the total sales, so couple of years from now it will ramp up right now, so that is in general what the trends are all about.

Questionnaire: No so much more guidance point of view I think it would be useful for us to understand just structure of this industry, our understanding is that intermediate form small part of the drugs cost probably 2% to 3% so...

Company Speaker: Even the drug cost which is now 2% to 3% revenues, good olden days give us some correlation between the sales versus the cost of drug. Now there is million-dollar sales but cost is very less and out of that the intermediate are not much so it can never tell I have couple of molecules which are billion of sales, but when it comes to value it is less only, but valuation as you could see from EBITDA that is creating much higher, but not volumes wise.

Questionnaire: Just from that point of view, how scalable of this business if even for a billion-dollar sales product, your contract

Company Speaker: The sales of the product, but scalable yes, the reason is I tell you why, what we do is now campaign based suppose if the product is very good take off my campaign is one month, I will do in four months campaign, because the capacity is not a problem giving that it could be balancing equipment, it will not do it more than four months, we usually have more than six months time from the customer end, so scalable is not the problem. Here the challenge is success of molecule, one at the clinical phase, second at the penetration in the market, these are the two factors that we see things, so it is success of molecule nothing else, because in the business it is 0 to 1, there is no in between, but when it makes it is not guarantee like generic where you make 100 tons and sell what happens is you repeat business every 12 to 18 months, because they do one campaign a

year and nowadays the volumes are very less, like Ibuprofen and Naproxen as we begin the thousands of metric tons they used to make, now if we have we thought those new molecules, if we sell globally we can make a ton it is a great number, but it is much more costly, because the R&D...

Questionnaire: What is meant by campaign?

Company Speaker: Campaign is I do the same product day in, day out, but every month I change five or six products and these things will not repeat until two or three years from now, only when it is successful then repeat the business come then I do the campaign, it is not the day in, day out. If it is generic I will be making the same product day in, day out and sell with my own sales force or whatever, as I said I do not have marketing team, I do not have stock and sale item, everything is in collaboration especially in the NC based activity, it is success of the molecules. Sometimes what happens is may be in the supply chain of the innovators, the molecules can become in one year as a large molecules, it is not that, capability is not the question, success of the molecules give us revenues and repeat businesses.

Questionnaire: As the industry sort of start shifting towards biologic what shift was towards generic the goal now disrupt towards biologic, some bio-similar, what does that mean for you?

Company Speaker: Same for nothing, all of the needs you will not be doing any CRAMS side in the biological side, but not all the biologics need to be done biological. They need some chemistry activity also then they can come back to us, but clinically new infrastructure in the biologic, pure biologics is not our skills, not our infrastructure, we do not have people and long gestation, we are not thinking in that direction whatever in the CRAMS itself we have enough scope, the success, and the number of molecules which big companies outsource. There used to be huge portfolio for the big pharma, now they cut down their portfolio and focusing on very few areas, but at the same time the traction is much better. Here molecules, but the same indication if they are outsourcing one to DB, one to me, one to somebody else and whoever they were okay one of them the outsource choose to go into the next level and they achieve that molecule even though they know started from our side I am not getting the opportunity. Now what they doing is, they are going after only one molecule and they are seeing the logical into it, when they sales only they are going to next level. In that process seamless transition that means if it is successfully in phase 1, move to phase 2, success in phase 2, move to phase 3 similarly going to launch happening that way you see the better traction and better success.

Questionnaire: Is there any in your business US FDA what rules in terms of API...

Company Speaker: Since I am not in the APIs, there is no particular requirement FDA, but at the same time, the customer nominates the intermediate during they filing with FDA, at the stage onwards it is regulatory intermediate that means if it is regulatory intermediate, the FDA can come and audit for your systems not for the product this is only requirement, but since we have formulation and backward integration in APIs USFDA comes and audits us. It is not a product approach for the customers, it is facility.

- Questionnaire:** What has the tractor called the USFDA in recent years you have seen...
- Company Speaker:** Eight times we have audited since 2001 and you get what you called which are procedural in nature and we answer them and we get back within three months and we are supposed to have any day. Because 2019 is the last inspection done. Suppose when it is January two to three years.
- Questionnaire:** Unlike the formulation player which the business shuts down if the USFDA says there is a ban. In your business, there is no specific?
- Company Speaker:** It can happen, I am also in the formulations now.
- Questionnaire:** 7%, 8% end of sales?
- Company Speaker:** Sales has approval, it is not the volume, they do not give the volume. If you are not meeting the GNP requirements whether it is a dollar sale or billion-dollar side does not matter to them, they want to ban it, they will ban it, it is going into that, mainly the facility if the one that counts as there it will be fair enough, our customer also comes and helps us. We have no problem on that.
- Questionnaire:** What do you worry about in the business?
- Company Speaker:** There are number of things that you cannot control, the worry is not able to guide, because we do not have the visibility ourselves, let say we get challenge for us to talk to the customer, our investors whatever you can call it. The thing is we hope that successfully happen because you do not lose money, but at the same time except 2001 to 2011, there is no molecule, we have done more than 400 project during that period nothing else move to the commercial, so that things can also happen, but at the same time 2010 to 2014 three molecules at once happen and doubled our turnover, so things can happen. That is where it is, but as the relationship grows, projects grows and it will even out at least you will get that 15% growth if not more which we will see it for the last five, six years because of that. As I said it is always possibility if molecules in phase 3 now, because of the COVID, it has all got delayed, enrollment, they have all come up in one-year, next year may be suddenly there may be positive suddenly you may have three molecules things may happen, but it cannot count until the cheque is in the bank.
- Questionnaire:** Are there any similarity between your business and what **inaudible 12:46**?
- Company Speaker:** We are doing part of things, they also do this part, we do this exclusively and even the service offering they have, FDEs and all that stuff you know that, so generics also they have, biologic services also they have.
- Questionnaire:** In terms of the products you work with 100 odd projects at a time, how many end customers as they split among, is there any concentration?
- Company Speaker:** We have total of 50 customers, but finally there are 20 customers bulk of it 80%.
- Questionnaire:** And has this number changed materially over time, what is the number?

- Company Speaker:** The numbers 10, 15 this way or that way will be there, but in terms of the value today number one customer that means we sell \$1 million and 18 months and next year you may have had zero value does not mean it keep changing. There are four, five consistently on the top 10. They may number one to five keep changing but more or less they are.
- Questionnaire:** Structurally are you seeing any sort of benefits in a more we are from China for example, I am not sure how involved the Chinese where in this part of the innovate supply chains?
- Company Speaker:** Exactly you said the answer also because there are four or five players in China and they are same I think they are same; they are not much difference I do not see not yet especially, but possibly in the API and generics, which I do not have much knowledge about.
- Questionnaire:** I just wanted to understand a little more detail about how do you price your contracts, what are they linked to?
- Company Speaker:** We have R&D pricing to start with naturally there is no guarantee right. At certain stage they say 10 kilos in phase 1 molecule, this is the price we say right, say \$100 then next level it goes may be \$80 then \$70 finally commercial it will be \$50, so we agree for the number, sometime they say this is the molecule and if anything goes from here it will be 20, 27 or 28 launch at the time I may require about 100 metric tons of the product out of that you will get one-third of the sale, for example, what is the cost for today per kilo, this is one way. The other way is at that time I want this price for commercial, we will give both ways, some negotiations takes place at least not less than 3.4, 4x to start with price.
- Questionnaire:** 3.4, 4x of...
- Company Speaker:** Raw material.
- Questionnaire:** And these are take or place does not matter if they say I do not need this 10 kilos?
- Company Speaker:** Because they also not guarantee so that they do not mind paying this kind of R&D pricing but it comes a little, \$1 to \$2.5 anyway it is there.
- Questionnaire:** Thank you so much.
- Company Speaker:** Thank you.
- Questionnaire:** Okay.



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Questionnaire: I think we can start up with the questions. Sir if you can throw some light on the formulation side some of the aspects like obviously some of the concerns, not concern but now always we also talk to peers and understand. So why a 35% PAT margin company wants to go on something which is on the formulation side something which obviously can be get much lower relatively on a relative basis so obviously growth has to be there and given that why the growth is still so moderate at an overall level. So if you can throw some light and...

Company Speaker: Growth I am saying I mean top line or bottom line but at the same time top line can be three times and bottom line can be still less than three times for the industry wise since it happens see as far as the formulation is concerned just before this meeting some people are asking me why are we into generics once and you say this margin go entirely affected the other side the segment the generics at least the areas I am choosing has at least 25% margin whereas in generics pure generics that I grow like API and all the stuff you see I can make three times the turnover but less than whatever I will make now can happen so for everything there is a reason first of all it is a my mindset not going into run rate that is something we can change the same thing which we may not like it but if I do not like it I do not do it this is a cash situation.

Questionnaire: So outside the financials part I want to understand so if you can give what is the total Capex plan of formulations over the next three, four years, three years possibly. Secondly which are the segments which we are looking at in terms of formulations, thirdly given our chemistry domain expertise which we are obviously we had understand that you will not go for the normal product cycle but if you can throw some light on what kind of therapeutic segment, what kind of Capex and are we going to be backward integrated even in those formulations or are we going to outsource the intermediate API part on that side is it going to be the same so if you can give some of these operational understanding little longer-term three to four years.

Company Speaker: As far as the formulations are concerned and started way back in 2016-2015 timeframe it is the capability that we have at that time when we have the license also together but doing our own formulations for the clinical trial is the reason why we started, then the capacity and capabilities are being wasted because I do not have do molecules and then cease, so I have to do the leverage exercise then I went to small innovators for the lifecycle management of their products that means ANDA on behalf of the and using them on R&D basis then we changed that small volume and the commercial volume brand value molecules like \$30-\$40 million there is not many people will come into picture where I can be having only one more source or whatever it is so you would have some bottom line attrition you can say profit changes we do not have any stock and sale items we do not have marketing setup, we already in the one with the customer and we are only the profit share basis and the profit share will be at least 25% and the reason why we are now going into the new things because once is the leverages exercise, the second is we have an existing opportunity where it has a seven year contract for all the projects of that particular company being also outsourced to them and exclusively but scale up big batches and ANDA filing and supplying on cost plus basis plus profit share which is guarantee that means there will

be some sustainable things if I have my own then that is a different ballgame of what kind of markets will chose it. So one side yes it is going to be blended margins will be less the other the actual numbers will go up on the bottom line that is the reason why we have chosen, had to chose the other one also the bottom line with go up but now we will see healthy growth of I mean not healthy level of 25% in the other areas and also as I said it is in my mind set of doing things on exclusive basis, one on one basis, so I do not do a stock and sale item basis. These are some of the reasons we have to do some healthy way if you said some enhances the base because we have a business model it is a stock on book as you know it is 0 to 1 and it becomes the commercial so anyway it has and there is a things to use desire straight-line and until becomes a commercial product so there will not be anything so you need to expand and where you want to expand you want to have some kind of a visibility by the next four to five years where we do not lose money and our Capex you are talking about in any aspect you say compared with any other company the amount of money we will spent on the Capex is very less and the whatever we are spending here the Casper we brought today if I have to build it takes three years and if I have to build the same thing it will cost me double. So that is the seven year contract and ready for inspections in the next three, four months that means we will see an opportunity I am going go in maybe 10 Crores for next four months after that some revenue started doing then the more filings we have 15 are there. So in couple of years from now we are really things and it is a guarantee if somebody will be doing their own product we have been going for the marketing. So this is the reason why we have done it to that.

Questionnaire: The therapeutic and.

Company Speaker: Oh! Therapeutic agnostic in CRAMS also therapeutic agnostic is CRAMS similarly here overall standard dosage forms.

Questionnaire: So this product Sir I mean found or I mean research by us or...

Company Speaker: No, all these Casper products will be their R&D but others in our Suven facility that is ours.

Questionnaire: But given that you said you only work in tandem with a client.

Company Speaker: No, we could see when we choose a product when we start the development already a partner be there identified see first of all if I know this product I will do this and tomorrow I develop everything I spend whatever money tomorrow nobody is there to sell, what is the use so when I say it is so then we go into the partnership mode then only develop and so is it is on our name or their name remain, if their name they will be paying some upfront money, our name profit share basis so all those thing will be there. Coming to the backward integration except the few 90% I have brought especially developed in Suven will be backward integrating because the volume on the API is going to be very less and getting a support from the API supplier will be difficult so that we are doing but when it comes to the molecules at the Casper we will be doing for the rising pharma there also 50% will be backward integrated the rest of them all out some of their active so if we will get our existing sources are there for them will continue with them.

Questionnaire: And for our own formulations Capex amount.

Company Speaker: It has already done, we do not have right now, for next three years, actually in terms of about 80 Crores we have done. Over years we do not see...

Questionnaire: So Sir was that Casper acquired.

Company Speaker: You know we are a part of Rising Pharma that company has got the HIG partner which is \$40 million company 60% they have taken, I got my money there that is about \$16 million equivalent of stock. This Casper Pharma is owned by erstwhile Rising Pharma partner that time they have a contract for the next seven years actually eight years, one year was gone seven years to do all the rising R&D projects will be tech transferred and scaled and the profit share basis when this thing is come, we will use in US the HIG remain committed since this is already existing, you are in India you have the capability and we are comfortable to leaving with you so that we have comfortable that we can deliver the goods and the access to buy it. So we wanted it at book value that is the reason why we got, it comes with the products and ready for the inspection and some money generation, not immediately but in a two years' time it will have good revenue potential.

Questionnaire: Sir now Rising Pharma we did not make much, we invested \$35 million back in 2019 and

Company Speaker: How much we are supposed to make tell me in 18 months.

Questionnaire: No, so we bought it on a base value right we have got the...

Company Speaker: So you are not seeing what the residual value we have and what is the long-term prospects it has where any HIG partners five years from now they may be 4x maybe that time I will get more money meanwhile some dividend like issue can happen see when you are a silent partner, as we are telling we were never an active partner it is only for the leverage, it is only the value creation, it is only for the front ending all these things will be taken into consideration. So if that to make there and the money basic that you invest money today and you will make money in the month end you do the same still we did the same thing it is only about the business reasons not to make money alone I mean if we have to get money no doubt about it but if I say four, five years I think by 4x right now we will made at 1.7x plus another \$5 million in dividends, it will be that is 2x.

Questionnaire: Rising Pharma was almost all the retrospect value...

Company Speaker: It is a bankruptcy company so we do get back our money. If you go on debating on what I do and what I do, I do not need to be here somebody can run my business. The thing is you do not take everything into black and white. You see in the long-term prospects. We are not investing in a stock market there to make money we are here for a business it will continued actually that is where the business will get now the Casper thing otherwise I would not have taken that whether I make money or not that only time will tell how does it but the amount of money I spent is how much 150 Crores, I cannot build a single block in my existing facility I got a 30 acre of land in the GMR report SEZ and 60 year lease and plus 1.3 million capacity and ready to go for the inspection so if you had start all over again it will take three years for you to come to that level

and that will be cost. So only time will tell but as you said one thing is your diluting the market, this is a balancing act we are into if I do not do it there is no growth only this one and this is a stop and go and it is not a guarantee and thirdly it is that is my mentality not to go selling spree which I do not do.

Questionnaire: Sir previously you were guiding that because of the UK intermediates capacities under-utilized because it is more of a short-term project still we have and formulator and the SBO kind of muted as your capacity is much broader there.

Company Speaker: No, I never said that.

Speaker: No, Gopal ji have got mentioned it.

Company Speaker: No, when you will ask me what is the capacity utilization I say every time you ask me that question I say 100% but we are actually comes and sees it, it is only 60% to 70% of the occupation of the reactors the reason is if we campaign it I cannot utilize the all the equipment but whatever the remaining equipment use for that particular product for that month it is not enough to start on that product by the time it would be balancing equipment the product reserve and when we go to the so this is what we have made and it is a capacity utilization but nothing to do with the formulations, formulation what I said is, it is a leverage exercise which I have created this infrastructure for my innovation where I do not have more than one or two products and I will not utilizing the capacities or capabilities so I have to do the leverage it is the leverage not going after the blockbusters I choose those molecules it is a less brand value, it is a small brand value where generic value is much less so number of people filing with ANDAs will be less but we still be acquire some 0.5 million to 1 million to 2 million maximum on a product basis that is the reason but never utilize the capacity at hand.

Questionnaire: So probably by leveraging the existing capacity is what we have...

Company Speaker: Yes, we are seeing even now I said leverage exercise of it.

Questionnaire: So in formulation and do we have any kind of FTA prioritize opportunities or...

Company Speaker: In Suven yes, mainly NDDS we are working on some patches and some new technologies and that will be long-term and also some specialty kind of products, components are completely different that API manufacturing itself it requires some months it is very high value service.

Questionnaire: No, but in our generic business that in the pipeline.

Company Speaker: We have in the pipeline Casper I do not know the products are now again go with it whatever they have there we do not choose.

Questionnaire: Are they in phase of...

Company Speaker: The development and filings.

- Questionnaire:** Yes, filing.
- Company Speaker:** Yes, they are filed two and they are filing another five, six in the next three, four months.
- Questionnaire:** No for FTFs and all they have how many of them, which were FTF opportunities.
- Company Speaker:** In Casper.
- Questionnaire:** No, in Suven.
- Company Speaker:** Oh! Suven we have 15 molecules in pipeline.
- Speaker:** No FTF opportunities first to file.
- Company Speaker:** First to file as I said NDDs. As I said we do not go out to the blockbusters we do not go after the things where it puts you in courts.
- Questionnaire:** Now the Casper facility is mainly for HIG only or would you be offering that to your innovative client.
- Company Speaker:** See we request from them is it has to be exclusively taken care of their products they do not have the products I can do whatever I want but at the same time tomorrow I should not say when they bring a product I do not have a capacity I should not say. I think the facility is there, they have the confident that they will give enough product so that I do not have any facility capacity I may have to kept where they said is by 2023 itself we have had to start putting money I said if you bring new product why not that is the thing.
- Questionnaire:** And in terms of timeline for the approvals how are you looking at the...
- Company Speaker:** If the inspection take place of the two products they can be approved immediately.
- Questionnaire:** Inspection is when sir.
- Company Speaker:** I think within the next quarter.
- Questionnaire:** So the 600 Crores Capex that we have announced we talk about we will be spending some money to bring in some new technology and we will work on that if you can elaborate something.
- Company Speaker:** The 400 Crores is for the replacement Capex in a sense one facility in a way back maybe filed is you need to appraise that, that is not a capacity expansion but it will be technologically upgradation and automation and regulatory compliances will take place because old products and the old facility all that what you do it will not meet all requirement and it will cost more than we have already done the second one is 200 Crores, so the 200 Crores is for the our R&D center, we have inside the ring road. The GO is that we all need to move out and when we do not know I

think the minute the pharma city opens up they will ask us to get out so we proactively taken this into consideration to allocate 200 Crores for reallocation for building and not for equipments or whatever it is. The other is about 50 Crores is for the technological upgradation if there is something like a new chemistry which you want and we have an 150 Crores is for additional block with this that somewhere in next year but it should be better that it is only it is a capacity that we will add otherwise it is all depending and success of the molecules and something comes in rather than a campaign basis maybe as long as a campaign then we will need additional capacity that will use it in this business you need to be proactive in creating it, it is unlike in a generic whereas you held provision I am going to do this much in next year so that I could get but here we think that we have done that and we do it and that is we do not have a capacity we do not get the business if we have the capacity still you do not get the business but you have to be proactive and with the infrastructure but the long-term money we will spend on the Capex compare with the other companies it very, very small.

Questionnaire: We will get the internal accruals in next two three years.

Company Speaker: Yes, and you can ask me for return of the capital and all this you can have it in one year it may happen five years later we can take this activity it is very difficult for us to give the kind of breakup.

Questionnaire: Sir this investment in last four, five years over as far as from adding into this Casper specialty chemical is this is good year for not objective for next three, five years whatever we want to do and is there something what you would like to do.

Company Speaker: It will never be good enough what I am saying is that you naturally you expect every year one product to move to commercialization then you make money and sustain for the next five to six years and the business model itself and that activity goes on.

Questionnaire: I think for molecules you have most of the next level then probably we may get...

Company Speaker: No, I am saying is whatever we are doing also had enough only by customer but ask for us but I cannot say outright but the business model is same to be like that as of now because the visibility again coming back to your visibility I can only guide you that much but as you can also have them like 14, 15 we have to see what happens five molecules in phase three now everything is stagnant because the enrollment of it takes so time so they may all come in one row if successful maybe two or three may come in next year, one year there can be a sudden spike but keeping at the spike level itself is a challenge because it takes times so it is not yet straightforward but at the same time it is a broader accretion stop and go kind of things because if you see for the at least last five years I think we did much better in terms of the things. Finally it is not us it is the pipeline and the success of the pipeline that is where the problem is because we cannot give you a guidance like this can happen because it is not a same space it is also separate space.

Questionnaire: And this specialty segment.

Company Speaker: So specialty segment as you know we have three products out of that one has become generic and the fourth one is development all these are new except the one which is there for last ten years now everything goes well end of 2023-2024 launch, but these molecules are when it matures opportunity of \$10 million sales and with all of the generics then we give some price pressure and maybe the volume may remain the same but there will be little bit less top line and bottom line so that is why we are saying a more or less status quo for this year.

Questionnaire: General perspective so lot of the specialty chemical players are getting into agro chemical side and growing it 18% to 20% plus and they are now talking about getting onto the pharma side and given all these is it that we are leaving out some of these opportunities or if there is a different from the kind of molecules we are chasing and what we have been doing.

Company Speaker: Again it comes that as a mindset and we are not interested in going on for the generics we are not going on for the final product because final product I had to go I had to put in different infrastructure, different facility it can be done in the same facility so we are not going into the direction only going into the pharma and specialty are the same. May be a few months here than it is for agrochemicals till then we are doing only intermediates.

Questionnaire: So that let us say take one of your pipeline we have the kind of ability to put in the Capex and change that larger opportunity so it would kind of foray into specialty chem or on the pharma side.

Company Speaker: No, pharma side we never need huge Capex, you are doing today 100 kilos or 500 kilos in a campaign basis tomorrow what happen is campaign extends capacity is already there it is only extended by two, three months or four depending on the volume then when you are doing these things when we have the other multiple products comes in you may have enough capacity to get this small batches for other products that is why we are going proactively with this new block next year so we will never have any problem in the pharma CRAMS when it becomes a commercial success not able to take the opportunity, no. Secondly unlike the good olden days these are not 1000s of metric tons everyday it is 10 metric tons API itself is a big, it maybe same as the sales but the volume of the product is very miniscule so it is not at all a problem as far as we are concerned. When it comes to the specialty chemicals as I was telling you the opportunity is only \$10 million even at maturity that means there also not every products.



“Suven Pharma Conference Call”

June 01, 2022



- Questionnaire:** Nothing is that our efforts still not make any big difference in that.
- Company Speaker:** In this if I stick to the same thing not much, what you were expand into few APIs generics and give some generic intermediate then it is a different bargain but my mindset is not that I do not want to get the things.
- Questionnaire:** But I think if do not clients think of generics as a conflict.
- Company Speaker:** Not at all, it is a very wrong notion because as long as you, if you take an example of Reddy's they filed in the courts but they collaborate. They do not mind, especially the way the I am not going with blockbuster in especially generics, I am going with those \$40 million \$50 million brand and I am going at the far end of the life cycle, I am going into leverage exercise actually this forward integration my formulation capability is one of best and as I said for them South East Asian market that itself but they do not want and necessarily they do not want to add but for the lifecycle management of those generic products which they become there. So these are the kind of thing but misconception by everybody we have this innovation supply chain and generic it will be a negative, no.
- Questionnaire:** We are choosing this particular segment because of the less competition here.
- Company Speaker:** Yes, we go after that anybody they will hit at me then I do not have my market and nowhere it will take me, so this is the way where I get a decent bottom line and the leverage and I do two or three batches a year that is the kind of evolving the molecules we do.
- Questionnaire:** So Sir just moving to the spec chem. side I mean like your guidance is for a flat year and like last year also it started to flat and then it ended up being a very big year and on the spec chem, so is that because of the third molecule and was launch end of FY2021 how did that ramp up what is it just because...
- Company Speaker:** No the first molecule was a volume based one it became generic and also given that it is in plant but what happens is they have done a combination product out of it so they could take more volume other ones just give enough revenue, but not the blockbuster revenues like what it is. So now the client has changing and now that they have taken that now they have price pressure because of the pure generic nature on that molecule so the volume is 10 value comes down that is why what I was thinking is the other ones will take away this increase 5%, 10% that is why I said flat. But it can happen also suddenly things can happen but as of now the way it looks it is flat.
- Questionnaire:** No, so where I was coming from was more trying to understand like the other product of again like there is a lot of excitement in India again on the specialty chemical side and you have a lot of player of course there is some fluorination chemistry players which have specialized like Navin SRF etc., but you have a lot of other players FDI and others who are also doing spec chem sort of business so I think like how do you look at your old business model in spec chem is.

Company Speaker: Completely different the reason is maybe doing the same sector but what I am saying I am doing the intermediates for the specialty chemical I mean agrochemical because I cannot do the final product in the same facility which are doing the pharma and more if I can do it right and secondly I am doing only against innovative led product set that plant became generic that is different matter because I am seeing that since 10 years can be expected so that is within generics and so but otherwise I am doing only the development of project that goes in to the commercialization so volumes is not like intermediates so our basic amount completely get this same as the from pharma CRAMS in sepc chem that is the only differences.

Questionnaire: but we do not want to envisage like what other...

Company Speaker: As I said the one on one situation if somebody comes tomorrow can you do these final product then I will create a new business if you get the long-term contracts it is not a campaign related then I do not mind that opportunity has not come when it comes, but again you will say, tomorrow you will say, then even in generic ANDAs when your margin will be coming down similarly if you go to the generic spec. also agro chem. also the same thing will happen but the reason why would not taken is continuous also seeing and long-term basis like that makes us more even though absolute number will go up but the percentage will come.

Questionnaire: No where I was coming from this like we are seeing a lot of other players scale up much more rapidly.

Company Speaker: We are not into that side see in 1990 Monday to Friday to gather my mind then we will find and at the end up paying the interest to the banks I am not get any money this time I said I do not want to get into this I want to go somewhere I will be one on one and value accretion this is not at the top line growth, without top line you do not get the bottom line also but at the same time that because there are some companies where the same perspective I have they are doing three times of volumes and three times less bottom line is there that is not what is my cup of tea.

Questionnaire: So this is something that we should be expecting from Suven very niche kind of product.

Company Speaker: Yes usually we take a leverage on a guaranteed basis Casper next seven years, you will get your money back and guaranteed thing you do not have to look for the market they will it and other things is that I can have the volume and sometimes sustain into base loading of the cost.

Questionnaire: And as a flip side you will have mind have to lose of some of this scale or the scaling up that some of the other companies envisage you might not be able to do that, that is something that we should be expecting right now.

Company Speaker: Scaling can happen even in CRAMS right if four or five months you come suddenly out of this five, because of the Covid, otherwise one or two might have come out suddenly you can double the one year there and of course sustaining at that level is a challenge of course but it can happen, it happened in 2013 2014 timeline. Things can happen after that it is 20%, 25% growth will be

happening even though we say it is 10% to 15% based on the visibility we can end up much better.

Questionnaire: But one thing you would not really do is get scale at the cost of margins.

Company Speaker: As a continuous guaranteed business we may but one off not just that and going and sell in yourself, no.

Questionnaire: But sir spec chem. also you are doing intermediate so you are doing...

Company Speaker: LC based intermediates only.

Questionnaire: But I mean like there is some players like Navin who are doing CRAMS as well and then they have got into end product development like on a CDMO sort of basis of this product and I do not know they got into refrigerant.

Company Speaker: No, see doing an ag chem. final product you cannot do in formulation, I mean only intermediates you can do as I said if something comes and say okay I am going to give you for the next five years or ten years and then I can go on put a separate facility. They are doing on intermediate side not generic side.

Questionnaire: Yes, so I think they are doing for I think one project they can have for...

Company Speaker: all the intermediate projects not necessary NCV sometimes they get transfer, can be manufacturing all the things happens. Just because I sell it to Pfizer does not mean it is NCV.

Questionnaire: No, but as we are saying that small sort of players also competing with us in a way and therefore do we also need to show...

Company Speaker: I do not think that anyway there are not a competitor.

Company Speaker: Simple matter we may not be able to compare sometimes in agro also they talk about it look at their EBITDA the 14%, 20%, look at our EBITDA so is the model in a way it is a model... So they know if it is a different type of model they have basket of our product we do not have that tomorrow if I put a new CEO we may be doing that in some Crores for the same project and the bottom line will be less than 300. So that is not.

Questionnaire: No where I am coming from is not to save in that sense that you sort of compromise in terms of what you are doing but I am just saying that we in today now we are at a size in scale where we have the free cash flow generation as well to invest in some of these like last scale project and like you said that you took of that.

Company Speaker: No, basically it is not a problem it has to be a value proposition not the volume proposition that is where they get on this but you are the value proposition yes.

- Questionnaire:** Across sectors one thing that in companies which focus a lot on value addition right now across sectors not just in pharm is that when you have such high margins about 45% EBITDA margins and the issue becomes how do you reinvest all those cash flows does you have existing the scale that you want to achieve this is required those kind of cash flows and if not then what is the use to your dividend determine we will be happy.
- Company Speaker:** Have you not seen for the last few years what we did.
- Questionnaire:** So the avenues to invest in the business are not that many because the business does not require that kind of thing.
- Company Speaker:** As I said that when I want to forward integrate of course but then there are many resources.
- Questionnaire:** For forward integration.
- Company Speaker:** Yes.
- Questionnaire:** And those will also have the same kind of ROC profile is that right.
- Company Speaker:** Maybe not into the same level but still 25% at least.
- Questionnaire:** So that is where I am coming from why that or sort of that I am sort of trying to get spectrum my question is that while we have a very strong sort of development and NC model and we are doing intermediate what is the risk that more aggressive full spectrum players are able to grab a lot of the business actually have sort of doing.
- Company Speaker:** There is no risk here we think and as I said it is a mindset of the management.
- Questionnaire:** And this a genuine industry question but I mean like give the dichotomy that we currently have in the market where the second players getting such high valuations and why cannot API players become spec chem. players it is there or I mean from a skill set perspective we see a dip and just asking you from a general and given that you are a veteran industry player.
- Company Speaker:** No it does not it is not the mindset and by the time we think of that and with the whole the scenario changes the people are saying now the PLI scheme is it giving any results. Since benefiting the three, four big guys nothing else and the mindset when I say mindset you are not going to be getting these up China taken for granted because we do not have a mindset and creating scale in these business we do specialty high end and all those stuff, China can do that complex as well so they will be always we have the source from the movement so this PLI is only washout something I do not see maybe we can take.
- Questionnaire:** This complete China Plus One etc., that is going to be there for, it should show the numbers somewhere we have something like 2% or 3% of China and if China loses 1% we should be growing at 30% but we are growing 10%.

- Company Speaker:** No, it is a wrong thing to assume and all saying China plus one but it has not started clearly, it has some.
- Questionnaire:** Some things from the other side like you said but I am just trying to understand that from your customer standpoint do you see China Plus One as a part.
- Company Speaker:** Not in the business model where I again get that yes it happens it is happening in the API business but not in the NC outsourcing because they have only hardly three, four players in China there are not going to go away from them because China factor whatever factor they have the scale in that business and they have the second thing is all of them are big pharma guys, so they know the if you change outsourcing you will go to them and if other people are there you get a chance to get it.
- Questionnaire:** But this time like China they put Bushi under unverified list etc., on the chemical so is not that and given the regulatory uncertainty that
- Company Speaker:** No there will be some fall out some benefit but not what every people are expecting to get, we can have maybe what we can deliver okay but we do not expect at one to one just to moving like it.
- Questionnaire:** No, I mean, we do not have the scale or the capability
- Company Speaker:** That is what I am saying our mindset is never allows us to go to scale at least those areas that is the case.
- Questionnaire:** No but the only thing is I think what people are speculating is this China's 40% and we can become 5% or 10% that is still a quantum jump for us yes. So that is where I think it is not that we can actually replace China I do not think that is possible.
- Company Speaker:** No government is playing spoil sport Make in India they said and take away all the benefits.
- Questionnaire:** But they reduced the tax rate.
- Company Speaker:** That is to everybody not for R&D side and what I am saying is when we do something you back it up with the support actually the more R&D support that will give you much more scale.
- Questionnaire:** No I think like you are mentioning I was listening to...
- Company Speaker:** No, it helps as you said fall out, as of now the people are saying oh yes China Plus One and that I can play to the gap and I can say yes China Plus One I did not go to do 30% 40%.
- Questionnaire:** That is a billion dollar guidance and then they have no growth to show in this yes, it is very surprising if you take all the spec chem. players in the country and...

Company Speaker: Yes, I am underlining here right now while suddenly there will do the same thing there may be the same thing this is because of the Chin and you are giving them the four fold three fold while if somebody starts the company today, there is \$2 billion market cap they have nothing.

Questionnaire: I never in my life imagine chemicals company getting 100 Crores.

Company Speaker: And you say mine is too high in price. I was doing the numbers is also looking cheap now.

Questionnaire: No I think that is why the difference is like people want scalable business as where we can see it big numbers like we have said.

Company Speaker: No they take advantage of the situation when the shortages are there irrespective or in the long-term relationships they just peeled it no ethics whatsoever he will order and not deliver, you double it and I will supply Indian customers it had changed, this is how it works. Take it order for three months we can give you a three months' orders because these are all the right commodity like things suddenly you ask the salesperson he will say sir \$2 you give me I will supply, \$1 they were doing it, now they say \$2, at least for volumes, we have problems like that. No care for relationships and we blame China, we are worse than China.

Questionnaire: Just a last question from my side on the ESG side I mean what are your priorities for the next two, three years what are you looking at.

Company Speaker: It is a brand new exercise I mean we are already doing some of the improved value space we are now working out our long-term plan two parts one is the environment side which we are doing and secondly the energy side, reducing carbon, using solar whatever and you will see in our annual reports the plans we are working out. We are taking the help. It is a huge requirement from my customer side forget about the other, but it is customers who are asking us commitments. They have to show their customers but the problem is I can commit myself but I cannot get anything out of my suppliers that is my problem. See out of my big customer I am okay but where I can find all, they do not know what is it, of course I do not know myself. Mr. Modi said 2070 from India perspective, customers are asking 2030 what can we do.

Questionnaire: Now they are saying the difference is a part of ESG because you could not defend yourself so if company who continue to have defends its ethical so you never know what definition may put in.

Speaker: Great Sir thank you so much for your time. Thanks a lot.