

CSD/BSE&NSE/CC/2023-24
November 14, 2023

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 half year ended September 30, 2023

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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 half year ended September 30, 2023 conducted after the meeting of Board of Directors held on November 09, 2023.

The above information has been uploaded on the Company's website at <https://suvенpharm.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

Suven Pharmaceuticals Limited

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Suven Pharmaceuticals Limited Q2 & H1 FY24 Earnings Conference Call November 09, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Suven Pharmaceuticals Limited Q2 and H1 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

Before we begin, I would like to mention that some statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's performance have been emailed to you earlier.

I now hand the conference over to Head IR, Ms. Cyndrella Carvalho, Suven Pharmaceuticals Limited.

Cyndrella Carvalho: Good evening, everyone. Today, we have our management team with us. I'll introduce you to our management team members. Mr. Annaswamy Vaidheesh, Executive Chairman. Dr. V. Prasada Raju, Managing Director and Dr. Sudhir Singh, Chief Executive Officer. Mr. Venkatraman Sunder, VP Corporate Affairs. And Mr. P Subba Rao, Chief Financial Officer.

I will now hand over the call to Mr. Vaidheesh for the opening remarks.

Annaswamy V.: Thank you very much, Cyndrella. So, first and foremost, before I start the presentation, good evening everyone. And we deeply appreciate each one of you for finding time to be in the call. Thank you very much. And also, best wishes to you and your family for a festive season and advance wishes for a Happy Diwali.

This is the start of a new journey for Suven Pharma. And my full team and me are very excited about the next phase of Suven's growth. Firstly, we want to thank Mr. Jasti for giving us an opportunity to carry-forward his business legacy that he and his team have created. We believe that Suven is a world-class CDMO with a

credible track record of serving select innovative pharma and specialty chemical customers.

Suven has demonstrated track record of execution and delivery excellence with a strong backend. We plan to scale up Suven's capability and to build a strong leader in the CDMO space. Our goal is to rapidly scale Suven Pharma to transform into a globally respected CDMO organization. And we are pretty confident that we'll get there on the back of deep customer partnerships, differentiated scientific capabilities, delivery excellence, and our talented employee pool.

While we have been predominantly focused both on our customers and employees in the last one month, and Dr. Sudhir, our CEO, will give more details shortly, and we'll continue to invest in building R&D capabilities, operational capacities, and business development expertise. We'll further invest in select differentiated platform technologies through both organic and inorganic routes. We are really excited about the long-term growth prospects and confident that the unique combination of our global leadership team, our exemplary board, and strong support of our advisory council that will help us deliver accelerated market-leading growth.

And let me also take this opportunity to inform you about the leadership role that we have in this company. First and foremost, the way in which we have organized ourselves as me being the Executive Chairman, and I have a fantastic team of leaders accompanying me in driving the future of Suven and Dr. V Prasada Raju, who will be the Managing Director, and Dr. Sudhir Singh, our Chief Executive Officer.

Our key new management leaders added in the first month of our operations include Mr. Gaurav Bahadur as a Chief HRO. He's from ex-Sanofi and would have formed with 30 years of experience. Raju Komaravolu, Chief Strategy Officer, ex-DRL, McKinsey, and ITC, and 27 years of experience. And Mr. Brian Shaughnessy, Chief Commercial Officer, ex-Aragen, Dr. Reddy's, Piramal, and 20 years of experience based in the US.

If I count all the number of years of experience, we'll run into 100s of years of experience of talented leaders have joined this company. We continue to evaluate augmenting this talent pool and roles, keeping our long-term vision in mind. For instance, we are augmenting the entire sales and marketing engine under Brian's leadership, covering both US and EU.

We also would like to be happy to inform you that we have a fantastic advisory council, who have deep and tenured global experience in the industry, and will be guiding our strategic choices, starting with Venkateswarlu Jasti, who you all know, who's the founder of Suven Pharma and Suven Life Sciences, Abhijit Mukherjee, ex-CEO of Dr. Reddy's, with 35 years of experience, James Mullen, ex-President and CEO of Patheon and Biogen, 35 years of experience, and Stefan Stoffel, ex-CEO of Lonza, with 40 years of experience.

It's pretty impressive to have such qualified people supporting our ambitious journey plan that we have set out for ourselves. And I would like to take this opportunity to introduce Dr. Sudhir Singh and take you through how we have prepared for the transition across customers and employees, and that has been executed seamlessly.

Sudhir Singh:

Thanks, Vaidheesh. So, the plan, let me give a little update on our transition plan. Our team's operating agenda is to first stabilize the whole business and secure the growth in this and then accelerate the growth. Our new leadership team has already interacted with all of our employees. Our leadership team has conducted a first round of customer interactions, and we are excited to report that we have done physical, face-to-face meetings with major customers. Customer transition executed successfully. Customers feedback has been encouraging. They are happy with the smooth transition and looking forward for the new journey in Suven.

Our team is ensuring business as usual, continuity of supply assurance, and increased opportunities to collaborate. Customers are excited to open more opportunities in their ongoing portfolio, which will expand our existing business dynamically. This is also reflected in our current RFQs inquiries, pipeline, and H1, which is much higher than the whole last year of FY23. Some of our immediate priorities will be our next month's priorities are continued deep engagement with customers and employees.

While we have hired the commercial leaders for US and EU, to build out the full commercial engine and set a robust customer base and position. Continue to invest, upgrade infrastructure in R&D, capital efficient manner to have best-in-class EHS and quality processes and controls. Initiate projects to drive lifecycle management, invest in new technologies and capabilities, organically as well as inorganically. Lastly, completing the capex project in a timely and capital efficient manner.

I will hand over to our Managing Director for giving us a near-term macro, and my business prospects.

Prasada Raju:

Thank you, Dr. Sudhir. The second narrative that you all have followed is from Dr. Sudhir. He is our CEO. Hello, everyone. Thank you, Vaidheesh and Dr. Sudhir. Let me take this opportunity to take you through medium to long-term business prospects for Suven, given near-term macros. As most of you know, from a near-term macro perspective, Spec-Chem is significantly impacted by the ongoing acute destocking globally.

Our business has significant revenue contributions from Ag-chem-based molecules, and as a result, we expect following few quarters to continue to be soft due to the impact of destocking in the speciality chemical segment and the base effect of COVID products. However, the medium to long-term business opportunity is intact, and we are also quite excited about Suven's overall growth prospects.

Just to take you through some of the important favorable macros, which includes secular macro tailwinds for India with both China +1 led supply diversification, coupled with increased manufacturing costs in Europe. Given our experience in Spec-Chem with such kind of cycles in the past, we expect business to bounce back in the subsequent quarters. Regarding Pharma CDMO as Vaidheesh and Dr. Sudhir has alluded to, we will leverage our long-standing relationship with our existing marquee customers to grow existing business while securing new business opportunities.

We have also seen positive signs based on our customer interactions and discussions at CPHI, which is a very recent event. And existing customers are very keen to deepen the business partnerships with more products evidenced by the improved inflow of RFQs in H1. Internally, we continue to strengthen our sustainability and ESG initiatives further to stay relevant to our partners. In parallel, we are also working on a five-year strategic blueprint along with our advisory council. We look forward to sharing.

And with this, I would request Sunder to take us through the financials.

Venkatraman Sunder:

Thank you, Dr. Prasada. I would like to thank you all for connecting as since the last meeting we had with the new management team here. I'm excited to be part of this presenting to you all. So, we have these financials. I think you should have got it as a freshly brewed coffee after the completion of the board meeting.

Just now it was updated. So, the resultant financial summary for first half, that is FY24, is like revenue from operations, was about INR579 crore. There's a small decline, decline by about 6%. The reported EBITDA was about INR265 crore, higher by 5.6%. Adjusted EBITDA including operating effects was INR270 crore,

higher by about 3.6% year-on-year. Adjusted EBITDA margin, they're higher. I'm proud to say that it's about 46.7% compared to 42.2% compared to previous year. PAT also, you know if you really see, actually it has increased.

It is INR200 crore, increased by about 11% year-on-year, 11.4% to be precise. If you really look at the quarter on quarter, usually, you know, as we have been explaining to our shareholders, we have not looked at based on quarter on quarter, but still, I present this.

The revenue from operations, INR231 crore, declined by about 17% year-on-year. EBITDA, about INR19 crore, marginally declined by about less than 2%, 1.9%. So adjusted EBITDA was about INR102 crore. It's also marginally declined by about 1.8% year-on-year. Adjusted EBITDA margins, in spite of all those things, it was still higher at 43.9% compared to 37.1%. Purely based on the product mix, what we have, actually.

And PAT was INR80 crore, increased by almost about 11%, about 10.4%. To give some colour on the revenue growth for H1 FY24, I would say while overall growth has been impacted by Spec Chem and base effect of COVID molecule, excluding spec cam and COVID molecule, H1 FY24 growth in revenue is about 42% year-on-year. So, there is a growth there, overall business.

As explained by Dr. Prasad as well as Sudhir, there was a drop in the spec chem business. So, pharma, CDMO business continued the growth and reported about 24% H1 FY24 year-on-year. Revenue growth, the ex-COVID molecule, still impressive at 38%.

And we saw a record number of RFQs for Q2 FY24. I'm proud to say that. And still, we continue to have more than 100 projects, with many in phase one, phase two, and phase three.

And 10 commercial pharma projects are growing. So, we have many encouraging discussions with our existing and potential new customers. And we are also having credible discussions with long term partnerships with customers.

When I really want the specialty chemical, there is a decline. It's primarily led by, as we all know, global supply chain, destocking. And we do not anticipate any structural changes in our business. To put it simple, business will go on as it is. For our formulation business, the formulation of the services segment has reported 82% growth. But of course, it is on a lower base.

Currently, we have total of about 17 ANDAs approved, 12 from our Pashamylaram facility and five from our newly acquired Casper facility. And we expect about another five, seven approvals to move on, actually. I'll hand over this to Dr. Sudhir now to explain further.

Sudhir Singh:

Thanks, Sunder. Let me give a little update on our capex plan. On the Suryapet project, we have spent so far INR157 crore as of H1 of this year. And we expect the new block to be commissioned towards the end of this financial year. Total plan investment is about INR200 crore. And in H1, we have spent INR27 crore on overall capex. We are also planning a new R&D center at Genome Valley, here in Hyderabad. We propose a Phase 1 to require an investment of about close to INR30 crore to INR40 crore for a state-of-the-art R&D center. We anticipate the phase one would be ready by Q1 FY25.

Cash flow and cash on books, we generated operating cash flow of INR252 crore in H1. Our total cash, including the investments and cash and cash equivalents on books, is still at INR714 crore as of H1 FY24. Let me also give you a little outlook on Q3 and H2 FY24. We expect Pharmaceutical to continue to remain positive. However, we are expecting few quarters to remain soft, primarily attributed to the spec chem segment.

Just to highlight, many of our key customers are planning to visit and meet us on a face-to-face, and we are keenly looking forward to these interactions in H2. Encouragingly, our substantial increase in RFQs, inquiries, and promising first round of discussions with our customers, being extremely encouraging, have boosted our determination. We are focused on establishing Seven as a unique global leader in the CDMO industry.

With these comments, I will request our Chairman, Annaswamy Vaidheesh, for his closing remarks.

Annaswamy V.:

Thank you, Dr. Sudhir. If I have to summarize, the first 30 days has been an exciting 30 days, where the transition to the new management has been completed smoothly, and we feel very good about the progress. Met all key customers in person. Customer feedback has been encouraging. I am very glad that they are happy with the smooth transition and having multiple discussions to work together. We have also augmented the senior leadership with proven track record and deep experience in space and initiated building out the commercial engine. Already hired key leaders for EU and US, in process of building the team below them.

The team has interacted with all of our 1,200 plus employees and is focused on retention of the existing culture and ethos of the company, and I'm quite sure that we'll make it into an admired company to work for. We are in for an interesting secular tailwind, macro favouring India, and given Suven's multiple engines of growth, our deep technology capabilities, marquee customer logos, strong R&D and operational expertise, and best in class management.

On behalf of the team, I would also want to inform everyone that we are very committed to value creation for our stakeholders, and we are excited to embark on this journey, and our endeavour is to build a world-class institution and a global CDMO leader from India that will sustainably drive growth for multiple decades to come.

I want to thank everyone once again for your time, and now we'll open the floor for Q&A, and best wishes to everyone.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: My first question is, we did highlight about the strategies, the plans, etc., that we have, and in one of the presentations, we have mentioned that we have met all clients in person. Can you just highlight what has been the feedback been from them? I mean, so, historically, what our understanding is CDMO, apart from technical capability, it also requires a high level of trust, and Suven had the face of Mr. Jasti all this while. So, now that he's not at the helm, how do things change from a customer perspective? So, you can share some global context, our experience, and just in a journey of scaling this up?

Sudhir Singh: Let me give you an update on this. Actually, this was the first priority within 30 days. There were two first priorities. First was to interact with all the employees, and second was to meet with the customers, and we did it in two phases. Now, the good thing was that immediately after taking over, the CPHI was following up. So, we went to CPHI.

That's the way we met most of our customers and followed by the site visits of our major customers, and I can tell you that we have met about 11 to 12 of our major customers, and the feedback has been amazing. I was surprised to see that every customer gave a very good feedback in terms of delivery, Science, commitments, and they understood the transition, and everybody was appreciative of the professional management coming over, and they are looking forward to work with

the new management, and also, they are looking forward to grow the relationship with Suven Pharma and in a nutshell, it's a very good positive feedback from every customers. So, that's what I would say.

Annaswamy V.: Prathik, I just want to add a couple of points to what Dr. Sudhir Singh mentioned. You know, first and foremost, we all need to recognize the fact we have people like Dr. Sudhir Singh, Dr. Prasada, and Brian. These people have been in the industry for decades and most of the customers know them very well, extremely well. So, to that extent, the concern about whether it is something new for the customers is not necessarily, because all these leaders have a phenomenal relationship.

So, that's good news that they see these leaders taking over such a good company. With Mr. Jasti being around as an advisor, these are all adding a phenomenal tailwind to our customers. They all are pretty happy about the way in which we are planning to support their interest.

Pratik Kothari: when we made this acquisition maybe a year back, we had highlighted that we intend to merge Cohance into this. So, any fresh thoughts there, and maybe you can share some numbers on Cohance. Given both of these entities combined, how do we intend to take this forward? Because from a customer perspective now, you will have a large generic API or formulations company, and then some part doing CDMO. How do we think about, doesn't that change things for customers?

Prasada Raju: Prathik, Prasada Raju here. So, there are three important elements here. One is from an overall corporate structuring standpoint, unless this is discussed in Suven Board and resolutions are passed, we might not be able to comment anything on the future merger. Number two, from an industry assessment standpoint, are there any leverages between Cohance business and Suven business? Answer is a big yes. At a customer pollination level, it is possible. Third important element, there will be always interest of competency sharing between both the platforms, but at an appropriate time, we will come back with specifics.

Pratik Kothari: Correct, but the intention to merge is on. I mean, obviously, subject to approvals and everything, but the intention to combine this entity still exists?

Prasada Raju: That's right.

Pratik Kothari: Correct. And can we share any numbers of what maybe Cohance has done the six months or maybe the last year?

Prasada Raju: Pratik, if you are okay, as you understand, this call is primarily intended for discussions about Suven financial performance. I hope you understand our limitations. Correct.

Pratik Kothari: This is just from the perspective that ultimately as shareholders, and we have been shareholders for many, many years, we ultimately have to think about the combined entity, and hence the question, nothing else. But I appreciate that you might not. Sir, one more question on capex.

I mean, earlier management had guided for the INR600 crore of capex that they had embarked upon, and you have mentioned that Suryapet is almost done. What about the other two? Any change in plans? Maybe we are adding something, subtracting something?

Venkatraman Sunder: As of now, we don't have any plan. As we said in our opening remarks, that we are doing a blueprint of the new strategy, and once the strategy is done, we will look at our allocation of capex. But the immediate plan is to invest in a new R&D.

Pratik Kothari: Correct. Fine. And sir, if you can just share the three segmental revenues for this quarter, what I mean, pharma, chemical, and formulations?

Venkatraman Sunder: Yeah, the segmental revenue, if you really look at it for this quarter, for the purpose of CDMO of pharma, it is about INR148 crore for six months.

Pratik Kothari: for this quarter?

Venkatraman Sunder: And the second it's about INR55 crore, and formulation of that is about INR27 crore. If you look at for the six months period, it is INR394 crore of CDMO pharma, INR130 crore of spectrum, and INR53.9 crore of formulation of the solution.

Pratik Kothari: Correct. So, sir, if you can comment, I mean, chemical has seen substantial reduction from the first half last year, maybe, I don't know, 50% reduction, and formulations have done extremely well. So, if you can just highlight what is happening. You did talk about the inventory etc., but is it so bad that there's such a big drop, and also, what is playing out with information?

Venkatraman Sunder: Let me, before I give this to Dr. Prasad, let me explain that. Spec-chem, as we have already explained in the past two quarters also, like this is going to be softer based on the global scenario is changing. That's the reason, compared to last year and last quarter, spec-chem is getting reduction. CDMO pharma as such, actually, it is a mix of products, whether it is, you talk about Q2 or whether you talk about H1. The mix of- products has been quite encouraging, and there is a growth.

That's what has happened. Particularly, to look at the CDMO pharma, from INR318 crore, it has gone up to INR394 crore for the first six months, and particularly, for this quarter, from some INR108 crore to INR148 crore. Looking at some of the formulations, it has gone up, no doubt at low base, for this quarter, from INR18 crore to INR22 crore, and for six months, it has gone up from INR27 crore to INR53 crore. Basically, we are at a low base, and then, there are many ANDAs that are getting added. Few more are going to be added. That's where you see a better traction in this business, as it has been happening.

Moderator: The next question is from the line of Ashish Thavkar from IIFL.

Ashish Thavkar: So, if you could spell out some more details on this Agribusiness. You did say that there's some de-stocking, but your interaction with the clients turning out to be pretty good. So, in terms of, at-least, the custom synthesis part, how's the development, whether you would be adding new technologies there, and did Suven had a concentrated portfolio, and post the merger, we want to diversify. So, any broad colour in terms of new technologies that you would be looking at would be helpful.

Sudhir Singh: So, let me give you a colour of new technology. Basically, we are looking at the growth with our existing customers, existing products. However, when we meet our customers, we always get feedback on what are the new technologies they need, because we move along with our customers. We are definitely looking at the, in the immediate term, looking at the flow technology.

That's where many customers are asking for it. However, it is too early to comment on that. We will do the validation with a couple of our customers, and then we will invest. However, we have already invested in R&D scale, and we need to look at how do we scale it up.

Ashish Thavkar: And in terms of capital allocation going ahead, is there a certain bias on the part of the management that would like to put more capital towards CDMO pharma, less towards agri, any thought process?

Venkatraman Sunder: No, nothing like that. As of now, we have enough capacity. As I said in the beginning, that we are working on a blueprint for the next five-year strategy. Once we are clear on our strategy, we will allocate the capital according to that.

Ashish Thavkar: Okay. And once this new entity comes into form, are there any tax-related benefits which would also come to us?

Venkatraman Sunder: What is this new entity you are talking about?

- Ashish Thavkar:** So once the entire merger goes through, would there be any tax-related benefits that could flow to the organization on a consolidated basis?
- Venkatraman Sunder:** No, there won't be any flow-through as such, actually. But then those things will be looked at when we really do the real merger in our discussion not at this point of time. As of now we are talking about existing entity.
- Moderator:** The next question is from the line of Saurabh Kapadia from Sundaram Mutual Fund.
- Saurabh Kapadia:** Yeah. So, the question is on the RFQ, which we have said in this quarter. So, is it largely for the CDMO or do we also have on the Spec Chem side?
- Sudhir Singh:** No, this is mostly CDMO, pharma, CDMO. As we said in the beginning that the SPAC camp is a little subdued because of the global situation, de-stocking, Brazil's drought. But these RFQs are primarily from CDMO, pharma, CDMO.
- Saurabh Kapadia:** Okay. And can you give some colour in terms of the pipeline for the Suven in terms of phase two, phase three, and the number of molecules in each stage at least the molecules where we are at the late stage of the cycle?
- Sudhir Singh:** As we said in the beginning of the call that we are about 100 molecules in the different phases. And as of now, there is no update on the movement from the customers. As and when we get any update from customers, we'll keep you updated.
- Moderator:** The next question is from the line of Abdulkader Puranwala from ICICI Securities.
- Abdulkader P.:** Congratulations on building such a marquee set of professions for the new team. So, my first question is in terms of the near-term opportunities with the management sees in terms of the low-hanging fruit or the synergies which, you can bring into the current system. And in terms of the cost-saving side, if you could highlight or, from a scale perspective, we understand that there is a merger which you guys' plan to do at a later stage. But at least from a near-term perspective, what are the operational changes or synergies which the new management thinks on bringing into the plate?
- Venkatraman Sunder:** So, Abdul, the cost synergies and then cost wise, as you know very well know, we've been always working with the cost as the main parameters. And then everywhere, we try to do the cost-saving. And those synergies, we look forward even with kind of, if there is a possibility of some synergies that happens with coherence using their facilities or using their manpower or whatever, we would

certainly like to use that. But at this point in time, it will be very difficult for us to comment on this as we need to still look for a blueprint and then look for overall kind of synergies that will happen, actually. Yes, on a long road, yes, it will have some kind of benefits. And then we will certainly look to exploit the synergies, whatever is going to be there, actually.

Abdulkader P.: Yeah. So, that was pretty much of my first question. My second question is basically if I refer to one of your slides, slide six, you detailed out the kind of opportunity or the addressable market size which Suven Pharma would be catering. So, I understand, I mean, historically, we had a presence in the intermediate portion and now we are also trying to look at API. So, based on the current capacities, what you have, what is, again, immediately on the plate or, this is something what we aspire to move towards for in the near future by, getting some traction from your clients?

Venkatraman Sunder: Yeah, that is a very good question. Basically, I would like to say, actually, as you know very well that, we have built a capacity specifically with the OEL4 for customers and it is for that market. And we would certainly like to leverage those APIs, what is really being required, and then we would like to focus on that. That's what the new team which is going to work on as Mr. Vaidheesh and Mr. Sudhir were talking about, actually, the new team which is Brian (newly added Chief Commercial Officer in US) and then the team which has come, they will be focused on to get into work on those lines, actually, to think about where we can leverage that. Suven's, capacity, we do have. We do not have any problem at this point of time, actually.

Abdulkader P.: Sure, sure. And just the final one from my end, so, and again, referring to the presentation, we mentioned that there are 13 active commercial projects. So, this includes the COVID molecules as well. Is that understanding, correct?

Venkatraman Sunder: 10 commercial molecules, CDMO, three are the specialty chemicals. Three commercial molecules, specialty chemicals are included. That is why it is 13.

Prasada Raju: Abdul, answer to your question, the COVID products were excluded because it is one-off.

Moderator: The next question is from the line of Jinal Sheth from Awriga Capital Advisors.

Jinal Sheth: My question is, we have five molecules in the phase three segment. Is there any update on that in terms of moving to phase four?

Sudhir Singh: As of now, we have been in touch with customers. As of now, there is no update on customers. As and when something comes up, we will keep updating everybody.

Jinal Sheth: Okay. And given the fact that our capex has been very subdued at INR26 or INR27 crore in first half, if these molecules were to go into phase four, would we be in a position to address the needs of the customer in terms of capacity, sir?

Venkatraman Sunder: See, it is not directly linked. The capex is totally different compared to what we are talking about. The molecule coming off, it has got nothing to do with the capex. Actually, we have already had a capex, including the new capex that was incurred in Suryapet, what Dr. Sudhir was telling, actually. We are ready to go commercial there, actually. We have adequate capacity in case any of these molecules, specifically when you are referring to these five molecules, even one of the molecules gets into the prelaunch position, we will be ready to go. There won't be any, what you call, pressure on the capex, pressure on the capacity. Yeah.

Jinal Sheth: Okay, great. Secondly, just on the speciality business, when I see the revenues for the quarter was around INR55 crore. Now, this number is a very low number versus what we have reported in the last, I think the lowest number of last we saw was in December 20 quarter. So, I understand that there is a subdued outlook, but sequentially, should we get better or the numbers can actually go lower than the current reported number?

Sudhir Singh: As we said in the beginning of the call, that Spec Chem business is going through the downturn and we are not the only one, everybody is facing that challenge. What we learned from our customers that, please talking China issue, Brazil drought, that will continue in the next couple of quarters and hopefully after a few quarters, we should see the bounce back.

Jinal Sheth: Okay, so there's no clarity with respect to that we are running along the bottom. It could further decline from your given the industry environment?

Sudhir Singh: It's hard to say, but this is our gut feeling that probably we have bottomed out. This is our gut feeling, but it's hard to say because we depend on the customers.

Moderator: The next question is in the line of Kshitij Kaji from SageOne.

Kshitij Kaji: I just had one question. So, from your opening remark, you cited that, spending heavily on a lot of commercial avenues. So, hiring a sales force in US, Europe, also be spending more on R&D for new platforms, etc. So, given that Suven's margins are, already so high today, in the next three, one or two years, do we intend to go in an investment phase and, which may impact the margins and, it may get back

these margins after a few years, or how do we see margins from maybe a one to two-year standpoint?

Annaswamy V.: Yeah, thank you. Kshitij, That's a very good question. So, at the end of the day, all our investment that we are making is not for just for a couple of quarters, or for a couple of years. It's for a decade. All our business expectation that we have out of these investments are towards the long term. So, we won't be worrying too much about what it will do to our current EBITDA because that's not a way we are we are designing our organization. This is for a long term. And at the end of the day, we'll all start seeing the results. Even after a couple of years, all the investments will start paying off. But we are here for a long term. And obviously maintaining, the kind of margin that this company is used to.

Kshitij Kaji: Right. So, in the near term, do we expect margins may come off slightly? Or do we intend to keep the current levels?

Annaswamy V.: Well, as you know, that our aim is to keep the current margins, we'll be in and around the current margin levels. But there will be a couple of percentage points because of the fact that we are investing, you may see some variation. But at the end of the day, it's not something for you for us to worry about. It is not a big issue for us to tell you that there's going to be a big drop in our margin, but we'll be in and around what we have been delivering in the past.

Moderator: The next question is from the line of Sunil M. Kothari from Unique PMS.

Sunil Kothari: Thank you for the opportunity and welcome to the new board members, MD, CEO, and it's a very glad to hear the voice of Mr. Venkat Sunder also. Sir, my point I just wanted to convey or ask is, I'm since long I'm shareholder of Suven, the way Mr. Jasti has emerged and created this unique and very specialized company. So, my point is to ask you is, what are the plus points which you have been encouraged to buy this out to this company? And second, which are the places and areas where you feel you can do better than what the past management was doing? So little bit a qualitatively, if you can talk, will be really helpful?

Annaswamy V.: Yeah. So Know, you're pretty bang on in terms of why investment has to happen and why did we engage in investing in this company. See, first and foremost, as you rightly said, Mr. Jasti and his management done a fantastic job of creating this special, a kind of a niche market and created niche for CRAMs and CDMOs. The biggest opportunity is in scaling up. One of the biggest strengths that we have, we as a management team, as you must have seen, the kind of team that we have put together is in scaling up our deep customer partnership. Like for example, Jasti and

his earlier management had developed partnership with certain set of customers, which is pretty good. Now it's our job to deepen those relationships, take it to the next level, what I call the Suven plus. Differentiated scientific capability, right? Now the kind of talent that we are bringing in are going to be addition to what the organization has done, because the macros are so good. As Dr. Prasad and Dr Sudhir had mentioned, the macro is so good, this is the time for us to scale up and go and get this opportunity.

Delivery excellence is pretty good, and we need to scale that up and make sure that we are able to meet more customers and reform whatever we have and also too. And the last but not the least, the talented employee pool that we are bringing in, they're going to give multiple engines of growth. So frankly, my opinion, it's no brainer for many of the investors to come and take this opportunity and take it to the new level of what Jasti has left. And Dr. Prasad, you would like to say a few words.

Prasada Raju:

Yeah, thank you, Vaidheesh, and thank you, Sunil, for your comments. Just to summarize, we are primarily looking for marquee customers with a deepened relationship, and wherever we go, we're always very heartened to hear the clear message of reliability and delivery orientation. It completely differentiates Suven from any other partner in the same CDMO booth space. This is one of the biggest motivations for us.

Second, scientific capabilities and innovation through science has been another important pillar. Third, normally any company comes with a lot of risk mitigation outside of the strategy and outside of the business, but this company, in Suven, we have multiple engines of growth. All the engines have immense potential to substantially grow further. Primarily, these are all the three important elements which we feel are the key elements for us to be able to really look at this company. These are all the elements that help us to really grow this company to the next orbit.

As you also have followed us, we felt, following the question what you mentioned, what you feel could have been done better or what you feel could be invested. We have found answers for it. That's where the commercial engine has been completely rebooted.

Sunil Kothari:

Great, sir. Just my observation, I would like to convey that Suven is dependent on very few global giants, and the way Mr. Jasti has proven track record without any accident, without any observation, without any problem. I feel the hurry to scale up

new management will not make any mistake and will definitely grow faster than the past. My good wishes to you, sir.

- Moderator:** The next question is from the line of Chirag Dagli from DSP Investment.
- Chirag Dagli:** Sir, typically, we indicated that we have three months to six months visibility on the pharma business. Can you provide some colour on how the second half of this year, particularly for the pharma business, looks like versus the first half?
- Sudhir Singh:** As we said in the beginning, we look very positive. Pharma, CDMO outlook looks very positive. However, at this point, it's very difficult to give you the guidance or a number. But as I said in the beginning, that pharma, CDMO is bullish.
- Prasada Raju:** We're quite excited with this, Chirag, in addition to what Dr. Sudhir has rightly mentioned. As you understand, our business, it all depends on our customers and products growth. From an organization, we are trying to do everything right internally, and we are fully prepared to co-grow along with our partners.
- Chirag Dagli:** Understood, sir. There is nothing unusual happening this year, post the change in ownership. That is a very clear message, sir?
- Prasada Raju:** Yes.
- Sudhir Singh:** Of course.
- Chirag Dagli:** Understood.
- Prasada Raju:** That's a big yes, Chirag.
- Chirag Dagli:** Understood, sir. Okay. And, sir, in one of your slides, you're mentioning that 75% of your active projects are with global innovators, where Suven is a partner of choice. When you say global innovators, do you mean big pharma or emerging biotech companies as well?
- Prasada Raju:** No, it's fully big pharma only.
- Sudhir Singh:** I would put it as a large cap vertical, that includes the big pharma as well as the spec chem.
- Chirag Dagli:** Understood, sir. Okay. And, sir, just if I can squeeze one more question, what are your plans for formulations business? You know, where does this fit into the overall scheme of things as far as creating a CDMO, post the merger, etc, is concerned?

Where does formulations, both the factory as well as the ANDAs, etc., where does that fit in, sir?

Prasada Raju: Chirag, as you understand this business very well, what we're actually trying to do is two things. One, we wanted to build a five year blueprint to understand what kind of strategic choices that we wanted to see. Irrespective of it, we feel while our biasness is to stick to the core, which is CDMO of pharma and spec chem, we wanted to make sure that every business should grow to the fullest extent of its potential.

That's where our biasness goes more to the core business. However, to the possible extent, we try to see capacities are properly managed, and today the formulation business, especially on the Casper side, we see the opportunity for capacity optimization. Our endeavor is to make sure that capacity is optimally utilized.

Chirag Dagli: Understood. And why has R&D increased, R&D spend increased in the second quarter, sir?

Venkatraman Sunder: It's basically because of some filings that have happened.

Chirag Dagli: It will go back to earlier levels? Or will it remain at the elevated level?

Venkatraman Sunder: We cannot say that way, but it depends on the filings, actually, and the R&D cost is only related to that. And then some process R&D is also there.

Moderator: The next question is from Nihar Dave from Vallum Capital.

Nihar Dave: Just one question I have, this last question has been asked prior, but if you just look at commercialized molecules that we are making for big pharma. So, is there any possibility of any contracts happening in that? Because previously, the company has said that that doesn't necessarily work on contracts, but more on understanding between the pharma company and Suven. So, just wondering if that can work on contract basis?

Prasada Raju: So, if I understand correctly, Nihar, as you understand, there are certain multilevel contracting happens, especially quality and supply agreements. Commercial level, it is always goes with a partnership model that is being ensured. And we also see if there is any possibility to improve further, we can send. Otherwise, they are in existence. Quality and supply agreement, without that, no pioneering company will come back for any CDMO opportunity.

Nihar Dave: Right. So, and so much my follow-up question to that would be that in earlier phases, what are the, again, like you said, it's just quality and this thing that you, that the contract is based on in earlier phases.

Prasada Raju: That's right, Nihar.

Moderator: The next question is from the line of Prolin Nandu from Goldfish Capital.

Prolin Nandu: Just one question from my side. You mentioned that in the last one month, you have met a lot of clients, right, and probably conveyed them this whole transition of ownership. But have you also been communicating to them about this whole Suven plus approach? And if you can share some client's feedback that what are they? I mean, how excited are they about this whole Suven plus model that you just mentioned a few questions back? If you can just give some anecdotal kind of an evidence or some conversation that you had with the client, that will help?

Sudhir Singh: Yeah. Thank you for the question. As you said that definitely we met a measure of our clients and they gave us their own feedback. They're excited with the new journey. Our focus is mostly on two things, improving our capabilities in R&D and investing in ESG. And as you know that in today's world, every big pharma is looking for a big way on ESG investment. And that has been our focus since we took over and improving our R&D capabilities and enhancing our ESG capability.

Prolin Nandu: Sure. No. So where I was coming from was that, obviously a lot of people have asked about this whole merger with the platform entity that is going to come, right, in some sense. And that was one of the reasons, if not the only reason for changing ownership. So, I mean, our clients also equally excited about an entity which is going to be much larger than erstwhile Suven. And are we getting the kind of confidence that we had before meeting them? I mean, is the confidence level the same as it was before meeting them as well?

Sudhir Singh: Actually, to be honest, I mean, since we are, ourselves is not clear when it happens, what will happen, and we did not bring it up and no customers have asked this question. There was no question from any customer on this merger.

Moderator: The next question is a follow-up question from the line of Chirag Dagli from the DSP.

Chirag Dagli: Yes, sir. Sir, what will be the capex for this year and next?

Prasada Raju: As a part of our overall blueprint, we are still evaluating whatever has already been approved by the board. We still feel there is no need for us to immediately revisit

on to it. However, in next coming quarters, we will again review whatever is needed to be invested on the various growth engines. Then again, we will calibrate the existing approved capex can be repurposed and used. Otherwise, we will come back with a full answer. Immediately, we do not feel the necessity of immediate capex right now.

Chirag Dagli: So, you have done INR25 crore in the first half. Likely, the second half also will be similar, sir?

Prasada Raju: Likely, the same run rate will maintain. However, you should please look at two important elements. There is already approved capex, for example, INR200 crore of R&D and Pashamylaram facility expansion that we are not spending right now. Hence, consumption of existing capex, we will try to phase it appropriately. Is there any need for new capex? We will come back with a comprehensive answer once we complete our overall five-year strategic blueprint. I hope it answers your question.

Chirag Dagli: Understood, sir. This is the last question, sir. By when do you think you can talk to us about the Cohance merger with Numbers and a proper plan in terms of timelines, if you were to guess?

Prasada Raju: Like all of you, we are also quite excited. Please allow us for some time. Appropriately, we will get back to you, please.

Moderator: The next question is from Mayur Parkeria from Wealth Managers India Private Limited.

Mayur Parkeria: Wishing all the new management team all the very best for the future as well as for the near term. Sir, just one question I had. While we understand in such a large acquisition, it takes time for the new management team to set themselves, get into the groove, understand the business fully from inside out and then execute their plan of action as we go ahead. While this is very true and the long-term picture, as you said, we are in the process of preparing a five-year blueprint.

But while all this is happening, we also know that on a practical ground, there are certain near-term targets also, the near-term things which have to be managed and they are targets in terms of an execution for the execution team. From that perspective, I know it's a little near-term outlook, but given the fact that from a shareholder wealth creation perspective, long-term has been very historic, but from slightly medium to near-term, there has been a stagnation there. And we are

looking at how we are also excited and anxiety is there with respect to the near-term also.

So, do you believe that FY23 revenues of INR1,340 crore or do you think we will be in a position to protect that given on one side the huge correction in spec-chem but on the other side the pharma and formulations outlook is doing reasonably better? So, do you believe that we will be able to protect that kind of a revenue for that year, how H2 looks at? And also going into FY25, it's a relatively near-term, do you believe that we can start looking at growth from there on?

Prasada Raju:

So, thank you for raising this point. It's a very important question. I'll just try to divide this into three important elements. One is the proven experience of M&A, such a large investment. We are very happy to inform you that as a team, we have proven track record of last 41 months where successfully multiple transactions have happened without compromising on core of each business and protecting the culture of every organization.

That gives immense confidence to us as you have also seen, we have instilled right professional team and the competent team is already built-in and this has been thought through as a part of the transition. Hence on day 1, majority of the hires are already in place. So, answer to the first point, on M&A side, we feel that is the unique competence and capability that we have with proven track record. Hence, we believe that's going to be a substantial strength for us.

Coming back to while you're trying to address about a long-term view, how are we trying to do what can be done in short-term to mid-term? As you understand this business, we wanted to be a preferred partner of choice to our customers as Dr. Sudhir has rightly mentioned. We found there are certain strategic interventions which are needed, for example, investing and expanding in R&D capabilities. While we have OEB facility at a scale up level, we don't have R&D which can handle the product at OEB level in a meaningful manner. Hence, we have decided to strategically go ahead with investments in Genome Valley. These are all the certain interventions and actions possible to secure mid-term to long-term via short-term.

However, it's very difficult for us to predict how the product level and customer level growth is going to happen. Hence, we might not be able to comment specifically on the current year closure. However, next six quarters which is going to be full year of next year, we are quite convinced that there are growth avenues which will be completely unlocked because of two reasons. One, macros will be softened. Number two, whatever interventions that we are putting right now will also be

resulted. As you know, anything that we do in the current space in CDMO business takes time. I hope the questions are answered.

Moderator: The next question is from Darshit Shah from Nirvana Capital.

Darshit Shah: Yes, sir. Thanks for the opportunity and all the best to the new team to carry on the legacy of Mr. Jasti, who has created this great company. Sir, my question pertains to Suven has historically generated good amount of cash flows and even right now we have around close to more than INR700 crore of cash and investments in our books. Probably, by the end of this year, it would inch towards INR1,000-odd crore. So, I understand you are in the midst of making this five-year blueprint, but would there be a dividend policy also in that blueprint where we would probably have a formalized dividend payout to the shareholders?

Prasada Raju: As of now, if I have to really come back, yes, there is a healthy cash position right now. The way current priority for us is right now to look at the five years to six years of strategic blueprint. As you know, strategy has no relevance unless it comes into execution excellence and we are definitely looking for an accelerated growth opportunity for Suven, which means we might have to choose to decide on inorganic options of acquisitions through Suven. Hence, we wanted to preserve this cash situation so that our abilities to go and accelerate the growth via M&A will be protected. This is how we are looking at right now. However, as all of you know, with Mr. Jasti's legacy, company has been securing the shareholders' value creation. Whatever we do on the M&A side also, which is going to be completely a value-accretive plan.

Darshit Shah: Got it. Just to confirm, in terms of molecules, we mentioned there are five molecules currently in the Phase 3, is that correct?

Venkatraman Sunder: Correct, yes.

Darshit Shah: And lastly, since the open offer has been concluded, what will be our total stake, if you could highlight after the open offer, if the tendering process has been done?

Prasada Raju: Currently, we are still waiting for the...

Venkatraman Sunder: The merchant bankers are still to give the final data. We don't know as of now. We will need to get the data from merchant bankers. Then only we will be able to give. They are working on it.

Prasada Raju: Currently, we are still waiting for the final consolidated report and once we receive it, we will certainly share with some form and shape to all of you.

Darshit Shah: Sure, sir. Just lastly, sir, if I can squeeze in, in Suven, as earlier the participant asked, we understand it's more of an intermediate supplier to the innovators. And even the erstwhile management has spoken about migrating towards API for innovators, which will far more value-accretive business for them. So, what's your take on that and where are we in that process of value migration from intermediates to supplying APIs to innovators?

Prasada Raju: We are quite excited and happy to inform you that that plan is still active. Yes, you must have followed the previous conversations. Innovator has to come back to us by auditing our facilities and completing certain formalities. That is still on and we are quite hopeful that soon, we will get into the graduation of supplying from intermediate to API and we hope that we should see one such example in near term.

Darshit Shah: Great, sir. Nice to hear that from you and all the best for the upcoming years.

Moderator: The next question is from Varun Bang from Bryanston Investments.

Varun Bang: Just in addition to the previous question, as and when this API or let's say, forward or backward integration activity starts, would it be on an experimental basis or it will be a full-fledged and good value business for us? How should one look at it?

Prasada Raju: If you are asking about graduation of a CDMO on pharma side from intermediate to API, it is a commercial molecule. By the innovator, it is going to be a long-term project.

Varun Bang: Yeah. So, would it be a good value business or?

Prasada Raju: Yes, it is going to be very value accretive and it's going to be commercial and it is going to be very long-term. As you know, the patent cycle goes on.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for the closing comments. Thank you and over to you.

Cyndrella Carvalho: Thank you everyone for your time. If any questions that are unanswered, please reach out to the investor relations team at CDR or me. Thanks a lot and wish you all a very Happy Diwali.

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